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SERIES OF LETTERS
ON THE
EAST INDIA QUESTION

ADDRESSED TO THE
MEMBERS OF THE TWO HOUSES
OF
PARLIAMENT.

BY HENRY ELLIS,
THIRD COMMISSIONER OF THE LAST EMBASSY TO CHINA.

LETTER I.

SECOND EDITION.

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EAST INDIA CHARTER,

&c.

WHEN an individual, not called upon from his official or parliamentary situation, to publish his opinions, ventures to address the Members of the two Houses of Parliament on a subject of such importance as the Charter of the East India Company, some preliminary explanation and apology are necessary to diminish the prejudice likely to be produced by such apparent presumption. My chief excuse is, that my mind has been more or less directed to the subject of Indian affairs for more than twenty years. I was for six years in the civil service of the East India Company; at the Bengal Presidency, I held the situation of Private Secretary to the President of the Board of Control, when the acts regulating the territorial government and trade of the East India Company, under the present Charter, were discussed and passed, in the years 1812, 1813, and 1814; and I was third Com-

missioner of the Embassy to China under Lord Amherst. Opportunity has thus been afforded me of observing the practical effects of the system by which the government and trade of India, and the intercourse between Great Britain and China are conducted. I may, perhaps, add, that as I have served under the separate authorities, namely, the Board of Control and the East India Company, to whom the administration of Indian affairs is intrusted, I may claim to myself the probable absence of prejudice in approaching the present discussion. The petitions presented to Parliament during the last session from the great commercial and manufacturing towns and districts having called the attention of the Members of both Houses, more especially, to the laws affecting the trade and intercourse with India and China, I purpose, in this first Letter, to point out the intimate connexion of the commercial character of the East India Company with the general system of Indian government; reserving to another Letter the views which I entertain of the adequateness of the present system, to combine the welfare of the people of India with the maintenance of British authority over them.

While I avow myself convinced of the expe-

diency of governing the British empire in India through the instrumentality of the East India Company, I am not prepared to agree with some writers, in considering the administration of that empire directly by the Crown, as an alternative fatal to the connexion subsisting between Great Britain and India ; on the contrary, I conceive that means might be found to adapt the system of internal administration actually established in India, to a change, or rather modification, in the governing authority at home. But, while I entertain this opinion, I am deeply sensible of the happy, though anomalous and fortuitous combination of authorities, by which the present system of governing India is administered ; and I honestly confess, in the face of all the obloquy which the use of so homely a maxim may draw upon me, that I am disposed in this, as in other matters of politics, to let well alone. This principle of action will not, however, push me to the extent of hesitating to admit the necessity of reforms in the existing administration, as well in India as at home ; still less am I disposed to treat with indifference the arguments and claims of those who call for the extinction of the monopoly possessed by the East India Company, under

their present charter, of the China trade. If the extinction of this monopoly was strongly pressed by the mercantile classes of the community in 1813, when the charter was last renewed, it is surely to be expected that the demand, for free competition in the market of China, will be preferred at the present time, not only with greater importunity, but with greatly increased chance of success, from the universal tendency of public opinion to liberate trade, whether internal or external, from legislative prohibition. The opponents of the East India Company, or, it will perhaps suit better with impartiality to say, the petitioners against the continuance of exclusive privileges, certainly derive some advantage by being enabled to allege that the East India Company were as much opposed, in 1813, to the free admission of the merchants of Great Britain to the markets of British India, as they now are to that of China ; that their denunciations of the hopelessness of mercantile success, and their declarations of the absence of further demand for British manufactures among the natives of India, as well as of the competency of the East India Company fully to supply the market, were made at that time, with a confidence which the result

has completely disproved. Similar denunciations and declarations are now preferred respecting the China trade, and the inference, not unnaturally pressed, is, that both have no other foundation, but the despair and disappointment with which monopolists cling to privileges less profitable to themselves, than injurious to the community. The vast extension of the export trade to India, an increase in the article of cotton goods alone of 3832 per cent. since the relaxation of the Company's exclusive privileges in 1813, undoubtedly proves that the Court of Directors at that time either allowed their jealousy as merchants to mislead their judgment, or that, as administrators of a great empire, they were unacquainted with the condition and wants of the population. If the latter were the case, their error was excused by the consentient declarations and support of persons, who, from residence in India, intercourse with the natives, and individual ability, were not only best qualified to advise the Court of Directors on such an occasion, but to whom they were almost bound to apply for counsel and information. In comparing, however, the general admission of the merchants of Great Britain to the Indian trade, granted in 1813, with that to China

which is now sought, there are, amongst others, these material points of difference :—first, that the exclusion of British subjects from intercourse with territories virtually belonging to the crown, was in itself an anomaly, and, unless called for by imperious necessity, a deprivation of positive right; and, secondly, that being once determined on the abolition of such extraordinary privileges, the legislature, and the authority effecting the abolition, possessed ample means and power to secure the full execution of the system, under which the trade with India was thenceforth to be conducted. The object of the legislature in 1813, on the renewal of the present charter, was to combine an opening of the trade to India, with the prevention of those dangers to internal tranquillity, which were so emphatically denounced, as likely to arise from the unrestricted resort of Europeans, in pursuit, or under pretext, of mercantile business, to that country; for this purpose, the tonnage of vessels engaging in the trade was restricted to the burthen of three hundred and fifty tons, a license was required, and such vessels were, in the first instance, compelled to touch at a principal port, unless a special license had been obtained to proceed direct to

a minor port. Other restrictive regulations as to persons were continued and imposed. A power was, however, reserved to the legislature by the 20th clause of the act of 1813, of authorizing further extension to the private trade during the term of years granted to the East India Company. This authority has not been suffered to lie dormant. In 1814, by an act entitled the 'Circuitous Trade Act,' trade was permitted in ships navigated according to law, to, and at all places, between the United Kingdom and the limits of the Company's charter, situated in North and South America, (except his Majesty's colonies and possessions,) and to, and at Madeira, the Canaries, the Cape de Verd islands, St. Helena, and the Cape of Good Hope. In 1817, the trade direct from Malta and Gibraltar to all the places above-named was permitted without restriction as to the tonnage of the vessels engaged in this particular trade. In 1819, American vessels were permitted to clear out from the United Kingdom to India. In 1821, the Company and others were allowed to trade to and from any intermediate places between Great Britain and the limits of the Company's charter, and to discharge the whole or any part of their cargoes, and to take on

board other goods, &c. A trade was likewise permitted, directly or circuitously, between all places within the Company's limits and countries in amity with his Majesty; the trade in tea alone excepted. Experience having shown that the increased resort of Europeans to India, for purposes of commerce, had not been attended with the dangers that had been anticipated, and that no other restriction could be necessary in respect to persons, beyond that of taking out the usual license for proceeding to India and residing there, by an act passed in 1823, vessels were admitted to trade with India without any limitation as to tonnage, and a license was no longer required for ships proceeding, in the first instance, to one of the principal settlements, whether from the United Kingdom or the Mediterranean. A penalty is, by this act, still imposed on commanders of vessels, who shall carry out unlicensed persons to India, and the restrictions, as to the resort of persons to India, remain in full force. From this recapitulation it appears, that the authority given to parliament by the 20th clause of the act of 1813, has been exerted to the extent of liberating the export trade to India from all restrictions arising out of the privileges of the East

India Company, with the exception of the unlicensed resort and residence of Europeans. It must be admitted, that this latter class of restrictions place the European born subjects of the crown of Great Britain, to a certain degree, in the situation of aliens, within territories belonging to the British realm ; and a strong case of state necessity must be established to justify their continuance. These restrictions were originally imposed by commercial jealousy, but their continuance has been sanctioned by the legislature from political considerations.

Although I feel myself quite free from any disposition to treat India as a country to which the received principles of legislation and general polity are inapplicable, I cannot be insensible to the peculiarity of our rule in that country, and I must, however reluctantly, admit that the description of Warren Hastings is still applicable to our tenure there : ‘ Our empire in India,’ says that great statesman, ‘ hangs by so frail a thread, that the touch of chance may break it, or the breath of opinion may dissolve it.’ Habit and occupation have familiarised our mind to the disproportionate physical means by which that vast empire is held connected with Great Britain ; but

the facts still remain, that the proportion which the natives bear to the Europeans, is as one to two thousand; that our native soldiery are to the European troops as six to one; and therefore that any general feeling of discontent or sedition must, if called into action, be final and fatal. Under such circumstances, the executive government must, for purposes purely conservative, be armed with power to remove all persons whose conduct or language may display even a disposition to appeal to the natives of India, against the acts of a foreign government possessing no right, but that of conquest, to their obedience. The difference between the laws of England and those by which India is governed, makes that dangerous in India which would not be so in England; and surely removal from the country in which an offence calculated to bring the very existence of the ruling authority into danger may have been committed, is the most lenient punishment that can satisfy either the necessity of the case, or the safety of the state. I have adverted to this point at present, chiefly in reference to the effect which the restrictions as to the resort and residence of Europeans are supposed to have upon the mercantile intercourse

between Great Britain and India. It is not to be denied, that any such restrictions, however leniently enforced, or liberally construed, have a tendency to prevent individuals from employing their personal industry and capital in a country or trade in which they prevail; the removal, therefore, of these restrictions in regard to India, is naturally sought by the merchants and manufacturers of Great Britain from parliament, as one of the conditions upon which the administration of the territorial government should be continued to the East India Company. This demand is pressed with more urgency from the ready credence given to the unjust description of the temper in which the powers, possessed by the local governments in India, are exercised towards Europeans establishing themselves for commercial purposes in the Company's provinces. There is, however, no reason to believe that any obstacle is really opposed by the local authorities, to the establishment or continuance of English merchants and planters in the country districts; and, in fact, the cultivation of indigo by individuals, averaging an annual value, according to the declaration of the merchants of Calcutta, of three millions, practically refutes the accu-

sation. It has been further maintained, that the regulation which restricts Europeans from becoming owners of land within the Company's provinces prevents the investment of capital in the growth of sugar, coffee, tobacco, and other articles, the profits from which would not be as certain as from indigo, while the cultivation of them requires a longer occupation of the soil. Whatever force may have belonged to this allegation, and I believe the complaint to have been one rather of feeling than fact, that has been practically weakened, if not removed, by the late relaxation of the local law ; inasmuch as British subjects are now permitted to hold lands in their own names on lease for twenty years. I have, however, always felt that the difficulty of successfully competing with the superior quality of the produce of other countries, together with the difference in the rate of duty still imposed upon corresponding articles imported from the West India colonies, are the real causes that the attention of the British merchants resident in India has not been actively directed to the production of these staple articles of tropical commerce. Every circumstance, however, connected with the increase in the

exports from India, derives an immediate and practical importance as bearing upon that great difficulty in the administration of our Indian empire—the remittance of revenue to meet the expenditure in England on account of the territory: this charge amounts to three millions annually, and the remittance must be made under every vicissitude of the commercial intercourse between Great Britain and India. The union of the characters of Sovereign and Merchant, natural and necessary while the possessions of the East India Company were limited to fortified factories, or to lands held in farm from native princes, and when the commanders of merchant vessels were, on arrival, members of the executive council, has long become offensive to public opinion, and is in itself objectionable. Yet to impose a positive prohibition upon the United Company of Merchants trading to the East Indies, to traffic in the produce of India, appears an absolute contradiction in terms, and to be, *primâ facie*, an untenable proposition. Hitherto no attempt has been made by the legislature to press such a prohibition; but as, in the discussions both in and out of parliament which preceded the renewal of the charter in 1813, it was maintained, that the

revenues of the territorial possessions of the East India Company had been most lavishly applied, to supply the losses produced by the mismanagement of their commercial affairs, the Company were required, by the 64th section of the 53d of the late king, to keep distinct accounts of their territorial, political, and commercial affairs ; and, as accounts so prepared have been annually submitted to parliament, any undue appropriation of territorial revenue to the commercial branch must have been at once detected, and would doubtless have been resisted by the Board of Control. The East India accounts annually submitted to Parliament exhibit a payment from the 1st of May 1814, to the 1st of May 1829, of territorial debt to the amount of 4,923,020*l.* from the surplus of commercial profits. Into the items of this account I will not now enter, but proceed to examine the effect of the commerce of the East India Company upon the interests of India generally, and more especially upon the administration of that empire by an authority resident in Europe. It is difficult to conceive, whether we look to general principles, or to such experience as the infrequency of the practice furnishes, that any

branch of trade can be conducted by the sovereign of a country with as much mercantile advantage as by individuals: nay, further, it must be admitted that the sovereign, by engaging directly in the commerce of his dominions, displaces the industry of his subjects; and, therefore, although he might derive a profit as a merchant, no profit, likely to arise from such an employment of a portion of his revenue, would make up the loss which he must sustain from the diminution of the aggregate prosperity of his people.

The present pasha of Egypt is the most complete, if not, indeed, the most successful instance of a sovereign merchant; and his Highness, being the only capitalist in his pashalik, might, perhaps, dispense with the tyrannical appropriation of the staple exports of the soil. The East India Company have, however, neither the power, the means, nor the inclination, to exclude the merchants of Great Britain from employing their capital in the trade from India to Europe. It is but fair to say that in India the character of merchant has completely merged in that of sovereign; and wherever, as in opium and salt, a monopoly of the sale of the article is maintained, the object

is territorial revenue, and not commercial profit. There is, however, no mode by which the commercial affairs of the East India Company can be conducted in India, which shall be free from the general objection of the sovereign interfering with the natural employment of the capital and industry of the people; and the burden of proof unquestionably lies with those who uphold the continuance of the present system. The reason assigned is, that the indispensable remittance of the territorial revenue to England cannot be effected, through any other channel, without such a sacrifice as must operate most injuriously upon the finances of India. It is obvious that the repeated remittance in bullion of this portion of the revenue to England is impossible; no substitute could be found in India for a metallic currency; and the quantity of the precious metals in circulation and use there is barely adequate to the wants of the people, the state of public and private credit, and the geographical extent of the empire. Produce is, therefore, the only source left; and if the commerce between India and Great Britain, as conducted by the merchants generally, will not absorb the whole of the remittance required, the local government must be driven to

the necessity of becoming a dealer in produce to the extent of the deficiency. The value of the remittances from India may be taken at eight millions annually. Of this sum three millions are on account of the government,* one million is the estimated amount of remittances of individuals in the Company's service, either as accumulation of their private fortunes, or in monies supplied to their families in England; and the remaining four millions are the returns of the private trade.

From this view it appears that circumstances, peculiar to the political connexion between Great Britain and India, compel a remittance from India equal to the whole of the return trade, as conducted by the merchants generally. The expenditure in England on account of the territory is applied to discharge the interest of loans contracted in India, half-pay and pensions, expense of the King's troops serving in India, military and marine stores, and other political charges. (See Account in Appendix No. I.) These several heads of expensurc, with the exception of the supply of stores, arise from the

* These remittances are taken at one million, on the authority of persons conversant with the subject; but there are no published accounts by which the accuracy of the estimate can be determined.

political connexion subsisting between Great Britain and India, and may be considered as fixed charges, which must require remittances, whether the government of the latter country were administered by the Crown or the East India Company. In regard to the article of military stores, it may be said, that the supply could be effected through the general course of trade, provided such articles were found more profitable as exports than other commodities, or possibly they might be obtained in India itself. Attempts have been made to effect the latter object; but the local scarcity of materials, and the augmented charge of manufacture, have led to an abandonment of them. Let us examine the mode of supply through private merchants. The regular provision of military stores is an object, so obviously one of state necessity, that it could not be left to the vicissitudes of private trade; and therefore we may fairly conclude, that, under all circumstances, the transaction must be carried on, directly, between the authorities in England and in India. The interest on Indian loans, the half-pay and pensions payable in England, belong to the political connexion between Great Britain and India; and there can be no change contemplated, which could, without a

breach of public faith, transfer the payment to India. The employment of European gentlemen in the civil and military service of India may be reduced, but the remittance on account of accumulation of private fortunes must be continued to the extent of the numbers employed ; and this head of charge upon India may therefore be considered permanent in character, though not fixed in amount. My readers will, I trust, agree with me in thinking that enough has been said to induce a belief, that the indispensable remittance to England, on account of the territorial expenditure of India, so affects the state of the trade between the two countries, as to render the direct participation of the Indian government in it, almost an inevitable consequence of the common authority by which they are governed. It has been suggested, that the local governments in India should, instead of engaging directly in trade, make advances to merchants on the security of consignments of produce to England ; and, no doubt, as far as the obtaining a complete lien over the goods, until the bills drawn on account of the advances should be realized, there could be no difficulty in the arrangement ; but it is obvious that the total value of these consignments would be

regulated by the profits on the trade generally, and would have no reference to the political necessities of the Indian Government, which determines the actual amount of the territorial remittance. While the administration at home of Indian affairs is in the hands of a body not only in name, but in reality, commercial, accounts of this nature with private merchants would fall in with the course of mercantile business; but that such transactions should be placed under the superintendence of the Treasury, or Board of Trade, would be, if not an impracticable, at least a very anomalous proceeding. The present rate of exchange between India and Great Britain—that of 1*s.* 10½*d.* the rupee—(the intrinsic value of the coin being 2*s.*.) has fallen so much below the rate that existed for many years, which may be taken at 2*s.* 6*d.*, that the burthen of home expenditure presses with increased severity upon the territorial finances, inasmuch as three millions sterling, which required in 1813 a remittance of two crores and forty lacs of rupees, cannot now be remitted with less than three crores and fifty lacs.* The remittance by produce has in

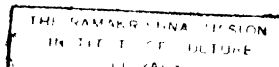
* In fact, the necessity of the remittance of territorial revenue, in produce, by the local governments, is in an inverse ratio to the pro-

general been found to involve a less sacrifice on the side of India than that which would have followed remittance by bills. Assuming that consignments in goods, sufficient to cover the remittance from India to England, are not effected through the channel of private trade, the fair inference is, that as much capital has been already directed to this particular branch as will bring a remunerating return, and that the remittance by the government on account of territory, although inevitable, must have the effect of forcing further consignments from India, in excess of the natural balance of trade. If the territories possessed by Great Britain in India belonged to an independent government, that government would have (always supposing that the staples are not produced, or cannot be worked up as cheaply in India) to supply itself with military stores from Europe or elsewhere, for which payment would be made through the foreign trade ; but the other heads of the home expenditure and remittance—namely, remittance for interest on the public debt, for half-pay and pensions, and for the accumulation

fits on the export trade from India to England ; when those are high, there can be no difficulty in remitting by bills, and remittance by produce becomes less imperative.

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of private fortunes, would be struck out of the account; and as probably an independent government would deal on equal terms with all the world, the exports and imports would find the level of commercial reciprocity.

The view which I have taken of the trade between Great Britain and India, as connected with the political government of the latter country, may seem to some much too confined for the magnitude of the subject; and, indeed, had I allowed myself to be seduced by the infinite series of commercial advantages which the author of the *Essay on Free Trade and Colonization*, and others, anticipate from the extinction of the Company's authority, I should not have dwelt so long upon the point of remittance from India; but as I feel assured that therein lies the real difficulty of the connexion between England and India, my attention has been specially directed to it; and I have as yet looked in vain amongst the opponents of the East India Company, for the suggestion of any measure which shall be satisfactory in itself, or free from the objections attaching to the present system.

I will now proceed to examine the controversy respecting the expediency of continuing to the

East India Company the exclusive privileges which they now possess in the China trade and the monopoly of tea ; and it shall be my object rather to put the question fairly before my readers, by examining the conflicting arguments on this important subject, than to pronounce any decided opinion, in anticipation of the additional information that will be elicited by the inquiries in parliament, which must precede any legislative measure respecting the renewal or termination of the East India Charter.

The following passage is found in Mr. Auber's very useful and well-digested work, *The Analysis of the Laws and Constitutions of the East India Company* ; and I quote it as containing, in few words, an historical sketch of the rise and progress of the East India Company's commercial intercourse with China.—

“ In 1637 some of the Company's ships anchored off Macao, a rocky island at the entrance of the Canton river, on which the Portuguese had been allowed, in the year 1520, to establish themselves, on condition of their expelling the robbers who then inhabited it. The English expected to receive every assistance and encouragement, but were disappointed, and accordingly proceeded

up the river towards Canton, to open at once a direct trade with the Chinese. Through the duplicity of the natives they were obliged to abandon the project, and were moreover declared to be enemies of the Celestial Empire. It was not until 1683 that any further endeavours were made to prosecute the trade. In that year two of the Company's ships arrived off Macao; and in 1701 three more ships were despatched for Canton, at which port permission had been granted to British subjects to carry on commercial traffic."

Mr. Auber, in the next page, thus describes the actual condition of the Company's establishment in China :—

" It is nevertheless a fact, that the Company have no footing whatever in China coming under the denomination of permanent. Their intercourse with the merchants of that extensive empire is very limited, being exclusively confined to a small factory in the vicinity of Canton, occupied by the sufferance of the court of Peking, under strict regulations, specifying the parties with whom, and the manner in which the trade is to be conducted. The factory is merely the place of occasional residence, which the members quit

at the close of the season. The Chinese merchants, with whom the Company's agents transact business, are termed Hong merchants, expressly licensed by the Chinese government to have dealings with them. The designation of the official agents of the Company is that of Supra-cargoes: they are united in one commission, and the four senior generally are termed the president and select committee, who are assisted in transacting the business of the factory by the remainder, and by writers; the whole being under special covenants for the performance of the duties committed to them respectively. The business of the season being finished, and the ships laden and despatched on their return to England, the Supra-cargoes return from the factory to the island of Macao, where they continue till the opening of the ensuing season, the commencement and close of which are not distinctly defined, being affected by various contingencies, but its close may be fixed about the month of April."

The second section of the act of George IV., cap. 52, which consolidates the several laws regulating the trade within the limits of the Company's Charter, expressly reserves the trade with China, and in tea, to the Company; and all

the restrictions and penalties imposed by former acts on British subjects, engaging, or attempting to engage, in this exclusive trade, are repeated and renewed. The situation of the merchants of England, in respect of the trade with China, remains therefore precisely the same as in 1813. Nor has the question itself, of the Company's monopoly, undergone any change in reality, although the maintenance of that monopoly has become more difficult, from the general diffusion of the principles of unrestricted commerce amongst the statesmen, and public men of the country. The question, divested of exaggerated terms, appears to me, one of expediency,—that is to say, In what manner can the trade with China be carried on with most advantage to the English nation? and, Are there any circumstances in that trade which take it out of the ordinary course of commercial transactions, and render especial regulations necessary? The most obvious answer to the first part of this interrogatory is to leave the China trade to the unrestricted application of the capital, enterprise, and industry of individuals; and doubtless there are many, besides the self-interested opponents of the East India Company, who will consider an examina-

tion of the second part as wholly unnecessary, and as pressed upon consideration for the sole purpose of upholding a system, intrinsically unsound, by the introduction of statements in some degree plausible, but substantially irrelevant. The principles, however, upon which the Chinese government regulates the intercourse with foreign nations, and the peculiar opinions which are entertained and carried into practice respecting external commerce, must, in my judgment, not only powerfully affect the mode of conducting a trade with that country, but prevent the amount of reciprocal wants from being the measure of its possible extension.

To restrict intercourse with foreigners, nationally and individually, is the great maxim of state policy in China. All nations are jealous of the rights of citizenship, and subject aliens, resident within their territories, to an inquisition from which natives are exempt. This arises, amongst the nations of Europe, from the principle, that, as aliens owe no natural allegiance, but, on the contrary, will be prepared to benefit the country of their birth and affections, at the expense of that of their temporary residence, their proceedings may justly be scru-

tinized with strictness, if not with suspicion ; but in China the personal intercourse of foreigners with the natives of that country is reprobated, as having a positive tendency to corrupt the morals and derange the harmony of those institutions, political and domestic, by which the curious fabric of society has been held together ; the safety of the state is considered to rest upon an insulation of the national existence ; and the extent of the empire, combined with the variety of its soil and climate, have given facilities for enforcing this system of non-intercourse, without rendering the effects of it so palpably injurious, and inconvenient to the people at large, as to make them anxious for a change. This indifference of the people in China to the obstacles presented by the laws and policy of their government to the extension of foreign commerce, does not arise either from a contempt or disinclination to mercantile pursuits ; on the contrary, the accounts of all travellers agree in describing the greatest commercial activity on all the main lines of internal communication. The attention of the government has, from the earliest ages, been directed to render the intercourse between the different provinces of the empire easy and secure. Water-

carriage has been rendered available for the bulkiest articles of merchandise, from times that carry us back to the barbarism of Europe. But all this has uniformly had reference to the internal trade of the empire ; and neither the necessities of the people, nor the policy of the government, have looked to commerce with other nations as a main source of individual wealth, or of imperial revenue.

The maritime intercourse of foreign nations with the empire of China is confined to the port of Canton and the island of Macao,* while their commerce, though tolerated, cannot be said to be encouraged : the duration of that commerce, however, is not founded upon treaties as between independent states, nor am I aware that increased restrictions upon it would, with reference to any admitted rights or privileges, form a just ground of international hostility. In the limitation of the trade with Europeans to the Hong merchants, we find an application of that great principle of Chinese internal administration

* It appears from an article in the number of the Quarterly for January, 1830, that the Spaniards have the additional privilege of trading to the port of Amoy ; but it is said that the exactions of the Mandarins have, in practice, rendered the privilege nugatory.—Vide *Quart. Rev.*, No. 83, page 151.

—individual responsibility, as well as a further application of the policy which refuses to recognize free intercourse with foreign nations, as one of the wants of the Chinese people. No confidence is placed either in the individuals who may resort to China for commercial purposes, nor in the governments of the nations to which they belong. Chinese merchants are therefore held responsible for the satisfaction of the dues of the Chinese government. Under such circumstances, the extension of any particular branch of commerce actually existing, or any alteration in the mode of conducting that commerce, will depend not upon the usual principles by which such transactions are regulated in intercourse with other nations, but upon the view that may be taken of the matter by the government of China, and upon the degree in which the personal interests of the Hong merchants may be affected on the occasion. The parliament of England may extinguish the monopoly of the East India Company, and may open the trade from England to the merchants generally, but the associated Chinese merchants will still retain *their* monopoly of the trade in and from China, and they must see their advantage in the further

introduction of British manufactures, and in the new system, before the extended views of the merchants of Great Britain can be carried into fair and full effect. It is not improbable that the Hong merchants might prefer transactions with individual traders to dealings with a body possessing the capital and existing privileges of the East India Company. Good understanding amongst themselves would place the foreign merchants, acting individually, at their mercy; and the whole course of the trade would be determined by a consideration of the profits of the Chinese monopolists. It is charged against the East India Company, that they, possessing the monopoly of the tea trade, do not sufficiently supply the home market with the article, and that their object therein is to keep up the price for their own profit. Without thus adopting the language of hostility, it may be further urged, that their commercial capital is not equal to the demands of the trade with China under an unrestricted system. But if these objections are valid, as used against the East India Company, are they not applicable with equal force to the Hong merchants? Will *they* encourage the in-

roduction of British manufactures upon liberal principles of commercial intercourse?—will *their* capital be equal to the increase of the trade?—or will *they*, in contradiction to their past conduct, seek to remedy this deficiency by soliciting an increase to the numbers in the association? In a recent publication ('Facts relative to Chinese Commerce'), the natural effects of the Hong association are thus described :—

“Our commerce has to contend with a close and almost overwhelming monopoly on the part of the Chinese themselves, which their government strictly enforces, by confining the regulation and conduct of every branch of foreign trade to a certain number of native merchants in Canton, who compose what is denominated ‘the Hong.’ These merchants are subject to the *surveillance* of the provincial government in their most intimate affairs, and are even appointed to their situations by the government. The entire commercial capital of the country, as far as regards foreigners, is comprised in their persons, and under their management and control.”

The number of the Chinese merchants in the Hong is ten, but the power is confined to three

or four, who are possessed of large capital. The author whom I have just quoted, further remarks, (page 7)—

“ The other five or six (the whole being under ten) are placed, or rather retained, in their situations, more for the purpose of forming a required number than for the sake of their capital, or for their utility in transacting business. For the former, they are chiefly dependent upon those few of their colleagues who are capitalists ; and for their existence as men of business, they are indebted to the East India Company, who have been successful in preserving a more enlarged number of these Hong merchants than suits the interests and intentions of their more wealthy brethren.”

No foreign vessel arriving in China is allowed to commence the unloading of her cargo until some one of the Hong merchants has offered himself as security to the government ; or, in the words of this author, “ until he has rendered himself responsible for all occurrences or accidents that may call for its attention or interference.” That this is not a nominal responsibility was clearly shown in the case of the Chinese woman, accidentally killed in a squabble by a sailor be-

longing to the American ship *Emily*, in 1821 ; for, on that occasion, the Chinese security-merchant and the Chinese linguist (interpreter) of the *Emily* were both arrested, and placed in close confinement within the city of Canton ; nor were they released until the American sailor was delivered up, not to undergo a fair trial for the deed committed (really manslaughter), but to satisfy, by his death, the cruel singularity of the Chinese code. Compliance with the demands for the unconditional surrender of the American sailor to the Chinese authorities was, according to the paper issued by the viceroy of Canton, thus enforced :—*

“ Previously to this, in consequence of the said nation’s chief staring about, opposing, and lingering, and not delivering up the actual murderer immediately, I communicated with the Hoppo, and requested him to order the merchants to command the man to be delivered up ; and I examined the records, and, in imitation of an old English case, I directed the whole of the Ame-

* This passage is quoted from the translation of the Edict, to be found in ‘ *Miscellaneous Notices relating to China*,’ by Sir George Staunton, a work full of interesting information respecting China, and which contains the ablest defence of the present system of commercial intercourse that has yet appeared.

rican trade to be stopped. Since they have now delivered up the foreign murderer, who has been clearly tried and punished, the said chief has on the whole behaved respectfully and submissively, and it is proper to permit the trade to be again opened, and cargo to be taken up and down, in order to manifest our compassion."

While such is the power exercised by the local authorities at Canton, and while the institution of the local monopoly among the Chinese Hong merchants remains unaltered, it is impossible to admit that the opening of the China trade can be effected, under circumstances which will justify us in taking the consequences of the measures passed in 1813, and subsequently, respecting the India trade, as conclusive evidence of the vast consumption of British manufactures and produce, that would attend the abolition of the East India Company's exclusive privileges in the trade with China. At the same time I cannot agree with the advocates for the continuance of these privileges, that the introduction of British manufactures into China can ever have a fair chance of adequate extension, through the dealings of the East India Company with the

Hong merchants, nor am I satisfied with the following explanation given on the subject:—

“ Still, the endeavour to increase the supply is always attended by a diminution of price, in proportion to the excess in quantity. The climate of Canton, and the adjacent provinces, of which the temperature does not invite the use of broad cloth, long ells, or cloths of a similar consistency, affords but little prospect of an increase in the demand of these manufactures. Some of them are, indeed, forwarded from Canton to the northern provinces, to which they are more adapted; but the expenses of transit, and the heavy inland duties superadded to those of Canton, cause so large an addition to the price, that they are consequently considered as articles of luxury, and attainable only by the wealthiest portion of the Chinese in the north. In the southern part of the country, though the use of these commodities is not entirely confined to one description of natives, yet, being far more expensive than their ordinary dresses, and required only for two or three months in the year, garments of cloth are literally handed down from sire to son, and remain long in existence. Hence the

general consequence is, that before the supply of one season is consumed, the arrival of the ships of the succeeding year, with their usual cargoes of manufactures from England, overstocks the market."—*Facts relating to China*, p. 36.

It is said, that the East India Company export British manufacture at a loss. Such a proceeding can answer no good purpose, either to the Company or to the nation, as the amount of the loss must be ultimately reimbursed to the former, in the enhanced price paid for tea by the British consumer. It is equally futile to say, that ample opportunity is afforded through the private trade of the officers of the Company's ships to make every sort of experiment upon the taste of the Chinese market: the same opportunities existed in the trade to India before 1813, and they certainly were not adequately made use of. The real difficulty exists in the restrictions imposed upon foreigners and foreign trade by the laws of China, and the view taken of their own interest by the Hong merchants; and I am inclined to think, that until some change takes place in both these respects, the extension of the British trade contemplated by the merchants and manufacturers

who have petitioned parliament on the subject, is hopeless.

I am confirmed in this opinion, by finding that a trade unfettered on one side by monopoly, and therefore presenting an exact analogy to the condition under which the British trade would be conducted, were it not for the privileges of the East India Company, has been unable to overcome these local disadvantages, and that the attempt to extend the introduction of European manufacture has, as a question of mercantile profit, proved unsuccessful. The value of the American trade to and from the port of Canton, in the year 1805-1806, was 2,264,894*l.*, and in the year 1826-27, the value of the same trade was 1,778,293*l.*, showing a decrease in twenty years of more than one-fifth on the whole trade. It has not unnaturally been made matter of complaint, that the merchants of America have been enabled to export British manufactures directly to China, whilst that advantage is, in England, exclusively confined to the East India Company. The fact, undoubtedly, is so; and yet the result of the experiment thus made by the Americans does not appear to have been per-

manently or progressively successful, for the value of this class of exports during the last year, of which an account has been given, 1826-27, is less than that of the preceding, 1825-26; the one being 915,358 dollars *, and the other 893,896. In fact, there appears to have been a great falling off in the American trade with China generally, during the years 1826 and 1827; the value of the trade in 1826 having been 9,988,830 dollars, † and in 1827, 7,481,588 dollars. ‡ The value of the tea, also, exported in the first year was 3,752,281 dollars; and in the latter year, 1,714,882 dollars. That portion of the tea exported by the Americans for consumption in Europe exhibits a still larger comparative decrease, having fallen off, since the year 1818-19, from 3,103,651 lbs. weight § to 357,966 lbs.; nor has this decrease of the export of tea intended for the markets of Europe been counterbalanced by an increase of consumption in America. The tea exported for American consumption in the year 1818-19 having been 8,884,998 lbs.; and in the year 1826-27, 8,219,600 lbs.; || which latter quantity, if com-

* Papers relative to the trade between India and China printed by order of the House of Commons, June 1829.

† Idem, p. 46. ‡ Idem, p. 50. § Idem, p. 42. || Idem, p. 41.

pared with the increase in the population during the same period, presents, in fact, a rate of home consumption much lower than is marked by the arithmetical difference. There are not, therefore, any circumstances in the actual condition or prospects of the American trade, which can *per se* establish such an evident superiority of a trade carried on by individual merchants, as to furnish additional arguments for the extinction of the East India Company's privileges. Still less is there any proof to be found in the intercourse between the Chinese authorities and Hong merchants with the consul and traders of America, that a consular establishment and individual traffic, are more efficient, for the protection of the persons and commerce of foreigners, than the system under which the British trade is conducted. It must, on the contrary, be admitted, that the power possessed by the Company's supercargoes of stopping the whole British trade, from its analogy with the mode in which the commerce of foreigners is dealt with by the Chinese themselves, and from its immediate effect upon the local revenue, has been found to be infinitely more calculated to prevent fresh exaction, than any diplomatic proceeding whatsoever,

when addressed to a government so totally different, from the rest of the civilized world, in the laws and usages regulating international intercourse. In regard to dealings with the Chinese merchants, inasmuch as the Company's export trade bears so large a proportion to the whole commerce of the port of Canton, their agents must, in fact, command the market, and the Hong merchants, once embarked in this trade, must be greatly dependent upon them in all mercantile transactions. The reverse has been the case with the American merchants, who have occasionally stood in the relation of debtors to the Hong merchants, and who are, practically, very much at their mercy, both as to the quality and price of the tea, and in all other matters of business. They are, as might be expected, very jealous of the superior influence possessed by the Company's factory, and have not been wanting in complaints against the interference of the supercargoes with their dealings ; they are clamorous for the extinction of the East India Company's privileges ; and they especially complain of the influence exerted by the super-cargoes in 1828,* for the purpose of compelling the

* See the American account of these transactions, in Appendix
No. II

Hong merchants to withdraw the licenses granted by them, to what are called the outside merchants (persons not by name included in the association), to trade, under the cover of the Hong responsibility, with the Americans and other foreigners. It is clear, that if these outside merchants used their licenses for the purpose of evading the established restrictions upon all foreign commerce, the large and fair dealers, such as the East India Company, would trade to a disadvantage; and on the other hand, if the business done by these individuals became very extensive and profitable, the Hong merchants could not, with a fair consideration for their own interests and legitimate pretensions, tolerate the practice any longer. According to this view of the transaction, an union between the supercargoes and the Hong merchants was perfectly justifiable; and although the Americans may regret the detection and prevention of illicit traffic, they have no just cause of complaint. I have alluded to the transaction, not as important in itself, but as proving the influence possessed by the supercargoes in all matters relating to the trade at Canton. The opponents of the East India Company may say, *Fas est ab hoste doceri*;

but, for my part, I cannot but apprehend that there are no persons engaged, or likely to engage in the trade with Canton, who would more rejoice in the change to a consular administration of British mercantile affairs at Canton, than the Americans. They are fully aware of the suspicion with which the Chinese view all change; and their friendly representations would not be wanting to give full effect to the prejudices of the nation and government on such an occasion. There can be no doubt that, in the first instance, the announcement that the East India Company were no longer the representatives of the British nation, and were no longer responsible for the conduct of persons trading to China, would shake the confidence of the Chinese; and that no consul, with the usual powers attached to the office, could establish for himself the confidence and influence now attached to the Company's factory. All that might be lost in these respects by the supercargoes, would be turned to the advantage of the local government and of the Hong merchants, and consequently to the injury of the foreign trade in general. This conclusion rests upon the example furnished by the Americans of their inability to maintain either their proten-

sions as traders, or to protect the life of an American subject through the official authority of a consul. I am not prepared to say, that a trade might not be advantageously conducted under less powerful agency, and even under the increased vexations of Chinese authorities, and the less restrained exactions of Hong merchants; but I would press upon attention the errors into which mercantile speculators would be led, by overlooking difficulties and impediments that unquestionably did not exist at all in India when that trade was opened in 1813, and which cannot be said to prevail in any other country pretending to civilization.

The extinction of the Company's exclusive privileges would, no doubt, be followed by a torrent of speculation intended to meet the anticipated demands of the Chinese market, not measured by the past or present state of the trade at Canton, but by the supposed powers of consumption of the population of the empire. The only chance of success in this project, would be the sale of British manufactures at prices which certainly would not at first be remunerating, but which might ultimately introduce new wants among the Chinese people. The Hong merchants would,

in the commencement, have the power of gaining a double advantage; first, by giving low prices for the exports from England, and secondly, by charging exorbitantly for the return produce of China. It is, however, not absolutely inconsistent with experience, that these evils should be only temporary, and that the first losses would be recompensed by the permanent establishment of an extended commerce.

At present, the principal article of export from China is tea; and one of the most important questions connected with the present regulations of the China trade, is the degree in which these regulations affect the consumption of tea in Great Britain. I will first, without adverting to the rate of duty on importation, consider the manner and the quantity of the supply as furnished by the East India Company. It is contended by the East India Company that they keep the British market fully supplied with tea, inasmuch as a larger quantity is always put up to sale than will be accepted by the buyers; the quantity refused by them in 1828 having been 1,317,920 lbs.* I cannot, however, altogether assent to this inference, nor admit that the result of public sales in

* Parliamentary Paper, June 1829, p. 49.

London can be said to determine the real demands of the whole market of Great Britain. The sale of tea, like that of any other article, will be regulated by the local convenience which dealers throughout the country possess of supplying themselves; and the restriction of importation and large sales to one port, must consequently, by diminishing that convenience, check the consumption of the commodity itself. There is, however, no ground for charging the East India Company with disinclination to supply the London dealers with any quantity that they may require; but as tea is not allowed to be bonded, and as the duties must be paid in advance, large capitals are required, and the trade is necessarily confined to few hands. There is only one seller, that seller resident in London, and the London dealers may be said practically to possess a preemption of the article. If the importation of tea, like that of other produce from the East, was permitted at Liverpool, Bristol, &c., competition in purchase would be free, convenience in supply to the retail dealers would be much increased, and the result must be reduction of price to the consumer. Under present circumstances, the consumption of tea cannot be said to be ad-

vancing in this country, either at an equal ratio with that of other articles, or in proportion to the growth of the population, and it is no unfair inference that consumption is more or less arrested by high price. Let us, however, in illustration of this point, compare the progress of consumption of tea in America with that in England, within ten years. The tea exported from Canton, by Americans, for American consumption, in 1816-17, was 6,074,100 lbs.,* and in 1826-27 (the last year of which there is an account), was 8,219,600 lbs., showing an increase exceeding one-fourth in the whole quantity; the export has, indeed, been as large as nine, and eleven millions of pounds within the period; but it would appear from the reduced amount of the export in the years 1826-27, that the actual demand in the market has not called for so large a supply.† If we examine the exports of tea by the East India Company, during the last ten years, of which the accounts have been made public, we find that there has been no great increase in the quantity exported from Canton, although a larger quantity

* Parliamentary Paper, June 1829, p. 41.

† Idem, p. 47

has, within the last three years, been brought to sale in England, and sold at reduced prices. The quantity brought to sale in 1817-18 was 23,401,706 lbs., at a sale amount of 3,502,388*l.* In 1827-28 the quantity brought to sale in England was 29,082,148 lbs., and the sale amount 3,356,955*l.*, thus affording to the consumer the advantage of increase in quantity and great reduction in price. The price may, however, be still too high for the means of the consumers, and as this is made up of the price paid to the importer, and of the customs' duty to the crown, the next point for consideration is, whether either or both of these component parts are susceptible of reduction. It had been so confidently asserted by the opponents of the East India Company, that the prices charged by them for their teas greatly exceeded those of all the markets of Europe and America, that persons, who were disposed to look impartially at the subject, could scarcely have been prepared for the complete disapproval of these assertions to be found in the 'Papers relative to the Trade with India and China,' laid before parliament in June, 1829. Russia is the country which stands next to Great Britain and America in the scale of consumption,

and the prices at Petersburg, for teas of ordinary quality, are higher than in London. Thus, the price of common black tea per pound is *5s. 10d.*, while bohea of ordinary quality sells for *8s. 9d.*, and the better sort for *9s. 8½d.* the pound. The duty in Russia on teas of that quality is *1s. 11d.* The average price of the tea sold by the East India Company, in 1827, was *2s. 5d.*; and as the duty paid to the crown is 100 per cent. when the average exceeds *2s.*, the price at which the tea was passed to the wholesale buyer was *4s. 10d.*,—a price exactly one shilling less than that of the lowest quality of tea in the market of Petersburg. To determine the comparative cheapness of tea supplied by the East India Company, and that furnished by the American merchants to their countrymen, I will state the selling prices at New York and in our North American colonies, to which, by the 5th of George IV., the East India Company have been allowed to trade directly from China. I take this as the scale of comparison, because the qualities of the teas are supposed to be the same. The duties on tea imported into our North American colonies is very low. On hyson it is only

6d. per pound ; the duty on the same tea in the United States is 1s. 8d. The selling price at Quebec, in May, 1827, was from 4s. 6½d. to 4s. 7½d. The price at New York, in the same year, was 4s. 6d. to 6s. 2d. From the little variation in the prices at Quebec, it is to be inferred that there is no difference in the quality of this class of tea ; but the great difference between the highest and the lowest American prices, combined with the fact of the readiness with which the Americans are known to purchase green teas of inferior quality, confine the comparison to the higher priced tea. Deducting the respective duties, it appears that about 4s. is the price of hyson both at Quebec and New York.

It is here of importance to observe, as the contrary has been asserted, that the average price of every description of tea sold by the East India Company in North America, differs only by a small fraction from the London prices,—the average of the one having, in the year 1828, been 2s. 3d. .7 per lb., and the London price 2s. 4¼d. The price, therefore, of tea in England does not, as compared with the price of the article in the two great markets of America and Russia, ap-

pear to be higher. We have, however, no right to assume that, under a different system of conducting the trade, and with the advantages of capital and manufacturing energy possessed by Great Britain, the price might not be lower ; but as yet, there are no facts by which such a conclusion can be supported. I will not pursue the comparison of prices through the other markets of Europe. In most of them the consumption is too trifling to furnish materials, and in others, from a temporary glut of the article, the selling price in Europe is less than at Canton. For this extraordinary fact I refer my readers to a table of prices of tea given in page 70 of the pamphlet entitled ‘ A Review of the Arguments and Allegations against the Renewal of the East India Company’s Charter.’ Tea cannot be viewed as an article either of general or of necessary consumption throughout Europe. The quantity annually consumed in France does not exceed 220,053 lbs. ; while the aggregate consumption of Russia, the Netherlands, France, Denmark, and Naples, amounts only to 8,539,968 lbs.,—a quantity not greater than the consumption of the United States of America, while the English market

alone takes off a full third more of tea than those of Continental Europe and of North America. It is indeed doubtful whether the consumption of the article in Great Britain is susceptible of very great extension. In the rapidly increasing consumption of coffee, which has doubled within the last six years, a serious obstacle will be found to a further introduction of tea amongst the labouring classes ; and thus another source of difficulty to the obtainment of profitable returns, for any sudden augmentation of the supply of British manufactures in the market of Canton, would be presented to mercantile speculation. These considerations lead us to listen with great distrust to those who, in estimating the effects of an unrestricted commerce with China, reason from the successful introduction of small quantities of certain articles into the market of Canton, to their indefinite extension throughout the Chinese empire ; and who, at the same time, assign no other limits to the consumption of tea in Great Britain but the numbers of the population. Of such persons it may be said, as of Catiline, ‘ *immoderata, incredibilia, nimis alta, semper cupiebat.*’ A very confined view of the actual value and extent of

the British trade with China will be taken, if the subject be examined only in reference to the trade to and from Great Britain. The total annual value of the British trade with China in 1826-27, was 7,303,710*l*. This amount is thus composed: *—

Trade of individuals	-	-	-	£3,764,404
Trade of the E. I. Company	-	-	-	3,539,306

Under the first head are included the exports and imports of the private trade between India and China. The trade of the East India Company is divided thus :—

Exports and Imports between India and China	-	£	362,405
Ditto	between England and China	-	3,176,901

The total value of the British trade between India and China is 4,126,809*l*. This trade may thus be considered as in the hands of private merchants, and it is unquestionably that part of the British imports into China which rests upon the most secure footing, namely, certain demand in the Chinese market. It is admitted on all hands that there is no difficulty in obtaining a security-merchant for a country ship, that is, a private ship trading from India : the cargo is at once saleable, and there is no risk regarding the duties. On comparing the invoice value of the Company's

* Parliamentary Paper, June, 1829, page 3.

imports into China with that of the exports, it will be seen that the tea is chiefly purchased with the produce of India, realized at Canton, through the medium of the country trade. Let us take the year 1826-27 as an instance: in that year the invoice value of the imports by the East India Company into the port of Canton was 764,418*l.**, while the invoice value of their exports from Canton was 2,264,726*l.*; that is to say, nearly triple the value of the imports. The total value of the country trade in the same year was 15,709,232 dollars; of this amount the value of the opium was 9,269,826 dollars†. As the monopoly of the sale of opium forms one of the branches of territorial revenue in India, this last sum is, *pro tanto*, a remittance of that revenue to China, and we are thus brought back to the important subject of the remittance from India to England on account of the territorial government; for it is through the combined action of the private trade between India and China, and of the tea-trade of

* Parliamentary Papers, June, 1829, page 34.

† Parliamentary Papers, June, 1829, page 44.

The value of the opium in 1827 and 1828 was 11,243,496 dollars. Cotton and opium are the staple exports from India to China; and in the years 1826, 1827, and 1828 respectively, the value of these two articles exceeded 14,000,000 dollars.

the East India Company, that regularity in that indispensable remittance is at present secured. The Company's treasury at Canton is opened for the issue of bills upon the presidencies in India, which bills are purchased by dollars realized on the sale amounts of the private trade from India to China. The dollars thus paid in at the Canton treasury are employed in the purchase of teas, and the sale of the teas supplies funds for defraying the expenditure on account of the Indian territory. The commercial character of the East India Company gives a facility for this mode of remittance, that could not equally belong to system of administration entirely political. I am ready to admit that if no such body existed as the East India Company, the produce of British India would equally find its way to China; and that were the present demand for tea in England to continue without producing an equivalent demand for British manufactures in China, the teas must, as at present, be chiefly obtained by an exchange against Indian produce; but these considerations do not reach the necessity of securing funds to the authority, administering the government of India, for expenditure in England on account of that territory. The present time is

so marked by mercantile and financial enterprise, that merchants and capitalists might be found who would undertake the operation ; but I can conceive no arrangement with individuals which would possess the simplicity, regularity, and absence from pecuniary risk of the present system.

Without underrating the convenience of the means by which this financial operation is now conducted, the question for final determination is, whether too high a price is not paid for that convenience ; and whether, on the whole, the removal of ancient and anomalous restrictions from such an important branch of British commerce will not ultimately more than counterbalance a temporary derangement of the financial transactions between the authorities in Great Britain and India? By the present constitution and instrumentality of the East India Company, a vast empire is administered, under all the vicissitudes of war and peace, without charge on the national resources ; a trade with a government remarkable for jealousy of foreigners, and for indifference to foreign commerce, is conducted with certainty and advantage, and with gradual increase ; while a revenue exceeding three millions is levied on

that trade, free from the ordinary expenses of collection. It is impossible to treat lightly such important benefits, and it would be most unwise to deal hastily with the system by which they are secured. The total extinction of the Company's privileges respecting India and China, is a measure that might be produced by the ambition or obstinacy of the parties, between whom the question of the renewal of the Charter must be discussed. The influence of public opinion would, in the present day, be a sufficient guarantee, if any such were required, against ambitious schemes on the part of the Ministers of the Crown ; and I trust that the same influence will point out to the Directors of the East India Company, the expediency of readily abandoning such of their privileges as either irritate the feelings, or press hardly upon the honest enterprise, of their countrymen ; and induce them to meet the legislature, not, as their opponents anticipate, with the sullen reluctance of capitulating monopolists, but with the views of liberal merchants, and enlightened statesmen, in whom a great trust has been reposed, for the general advantage of the British nation.

Since the above observations were written and printed, an article has appeared in 'The Quarterly Review,' which bears internal evidence of having been written either by, or in communication with a member of the East India Company's factory at Canton; and I rejoice to find the views which I have taken of the subject, supported by the authority and local experience of the writer of the article in the Review. The quotations from the Canton Consultations, or proceedings of the council of the factory, sufficiently establish the difficulty which, notwithstanding the absolute control possessed by that council over the whole British trade at the port of Canton, is found by them in resisting combination among the Chinese tea-dealers. The instance brought forward is an attempt made by the manufacturers of black tea to raise the price of the article, in the year 1819. It appears that the Hong merchants were rather accessaries, than principals in the attempt, to which the writer of the article has applied the harsh term of "Conspiracy." It is not easy to imagine that such a combination could have been resisted by any other authority, but one which could at once stop the whole of the British

tea-trade. The Hong merchants were obviously unequal to the conflict; their interests were, however, too closely connected with those of the East India Company to admit of their continued adherence to the proprietors of the tea, and the latter were compelled to abandon a project, which however mercantile men will not readily admit to have been either unreasonable, or criminal. There is not a tea-drinker throughout Great Britain who will not read with satisfaction the account which is given in this article of the pains taken to prevent adulteration of the teas supplied to the East India Company; and I conceive, that none but those who are inaccessible to evidence, can refuse assent to the assertion of the East India Company, that they exercise the power possessed by them over the Hong merchants to secure moderation in the price, and excellence in the quality, of the teas purchased by them at Canton. The question, however, still remains, whether the price paid by the people of England for these advantages is not too high, and whether good tea is not to be met with in countries, where the foreign merchant has been left to contend individually against the fraud or extortion of the Chinese dealers. It is dangerous to attempt to

prove too much ; and while I contend that many of the petitioners for opening the China Trade have put forth the most exaggerated and untenable assertions on their side of the question, I am not prepared, with the writer in the Review, to treat the proposition itself as absurd, or unworthy of serious consideration. The peculiar circumstances under which the trade of foreigners is placed by the laws of China, combined with the partial failure of the attempts made by the Americans to increase the supply of British manufactures in the market of Canton, have led me to reject, as fallacious, the anticipations of those who consider the surprising effects produced in India by unrestricted intercourse, as indicative of equal results in China ; but I do not think that either the failure of the Americans, or a temporary glut of manufactured goods in the Canton market, are conclusive proofs that no better success could *possibly* attend the operations of British merchants, who possess larger capitals than the Americans, who trade at lower profits, and who are able, from national connexion, to bring Indian commerce to bear upon their mercantile transactions in China.

Assuming that there may be some weight in these considerations, I am not disposed to view a concession to the merchants generally of the trade in all commodities from England to China, and from thence to all parts of the world, with the exception of England, and that exception to be confined to the article of tea, as modifications of the existing monopoly, wholly valueless to them, but I entertain strong doubts of its expediency; and those doubts arise from my fears of disturbing the efficacy of the present system of local administration, by which the absurdity of the Chinese laws is mitigated, the extortion of the Mandarins resisted, and the combination of the Hong merchants and tea-dealers prevented.

I can see no legislative arrangement with regard to the trade, so far opened, which could secure those important benefits from risk, except that of subjecting all ships, not belonging to the East India Company, to the same regulations as those under which the country trade from India is actually conducted. Those regulations have not prevented the extension of that trade; and the instances have been so few in which the Supercargoes have been compelled to

use their power over the whole British trade of the port, that no permanent effect upon the interests of private merchants can be traced to the exercise of it. It is proposed by the writer in the Review, that on an opening of the trade from England to China, the senior Supercargo of the Company's factory should be invested with the title of His Majesty's Consul. If submission to such powers as those now possessed by the Select Committee of Supercargoes would be made less irksome to traders directly from England by this addition, some advantage would undoubtedly be gained ; it is, however, by no means probable that this would be the effect ; and the proposal is open to the objection of novelty, (as far as regards the British trade,) in itself a very serious consideration in all matters of intercourse with the authorities and people of China. I am borne out in this view by the writer himself, who says, that on occasion of a discussion between the Mandarins and Captain Richardson of the Topaz frigate, the former "laughed at Captain Richardson, and told him they knew no English authority but the Company's factory."

NOTE.

“ THAT we did not irretrievably commit ourselves at Peking, and formally acknowledge Englishmen the slaves of the Chinese Emperor, by licking the dust before his feet, we have to thank the experience of the British Factory, and the firmness of Sir George Staunton.”—*Quarterly Review*, January, 1830, page 163. The above passage will, I trust, be a sufficient excuse for my taking the opportunity afforded by this Letter, of advertizing shortly to the reflection cast in it upon Lord Amherst and myself. Lord Amherst and I, influenced by a view of the state of the negotiations with the Chinese Ministers, did consider that compliance with the ceremonial of the Chinese Court might, under certain concessions on their part, be expedient ; but neither in entertaining this opinion, nor in acting upon it, had that course been pursued, did we propose to ourselves to acknowledge “ Englishmen the slaves of the Chinese Emperor” !

Lord Amherst thought fit to defer to the urgent representations made by Sir George Staunton, of the injurious effects which the performance of the ceremony might have upon the position of the Factory at Canton, and consequently upon the commercial interests of the East India Company ; but he at the same time distinctly

stated to Sir George Staunton, that he considered all questions connected with personal or national degradation, as completely set at rest, by Lord Macartney's conduct, in proposing even conditional compliance, and by the instructions from his Majesty's Government to himself, which had authorized the performance of the ceremony under certain circumstances and concessions. I am certainly not disposed to renew a discussion upon a diplomatic proceeding,—never very interesting,—and now happily forgotten; but I shall content myself with declaring, that I have never seen reason to change the opinion, which I submitted to the Ambassador, before we had disembarked at Tiensing, that no success could attend the mission, without complying with the particular usages of the Chinese court and nation, as far as a due sense of our own dignity, combined with considerations of policy, would permit; and that I considered a performance of the Kotou, *in the presence of the Emperor*, as coming decidedly within these limitations.

LETTER, &c.

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LETTER

FROM THE

RIGHT HONORABLE HENRY DUNDAS

TO THE

CHAIRMAN, DEPUTY CHAIRMAN,

AND

COURT OF DIRECTORS,

OF THE

EAST-INDIA COMPANY,

ON THE

INDIAN DEBT.

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July 1801.

L E T T E R, &c.

Clarges Street, 30th June, 1801.

GENTLEMEN,

IN the explanation of the Affairs of the East-India Company, which I lately stated to the House of Commons, I gave it as my opinion, that within a very few years after the return of Peace, the Indian Debt might be reduced within proper limits, by a due combination of the revenues and commerce of the East-India Company; that before the expiration of their Charter, the sum necessary for the Guarantee of their Capital will be accumulated; that the additional dividend may be allowed to the Proprietors, as provided for by the Act renewing their Charter; and that a due attention will, at the same time, be

be paid to the Claims of the Public for Participation, according to the terms of the Agreement at the time the Charter of the Company was renewed ; and the more clearly to elucidate my ideas, I exhibited them in the form of an account, founded on the data pointed out, and stating the conclusions resulting from those data.

Although it was my intention, as usual, to publish the detailed explanations I have been accustomed to state in the Committee of the House of Commons, on the day generally appropriated for what is called the *India Budget*, I have been induced to give this separate Statement, because it has been suggested to me, that a publication of this nature, not complicated with minute details, but embracing a General View of the Prospect of your Affairs, during the continuance of the present Charter, may lead to a more speedy and accurate consideration of this important subject.

It is scarcely necessary for me to explain, why there is a peculiar propriety in my addressing the following sheets to you. Independent of the respect and attention I owe to the Directors and Proprietors of the East-India Company, and of the deep interest I must, at all times, take in their concerns,

cerns, it is obvious, that if my plans are fit to be adopted, or are likely to be attended with the wished-for success, the exertions for that purpose must originate with the East-India Company, and those exertions must be continued with a steady and unremitting attention.

The Account to which I have just referred is N^o I. in the Appendix. The result of the account depends only on its arithmetical accuracy, if the data on which it proceeds are not liable to some fundamental error ; it is therefore my first wish, to direct your attention to an examination of the leading features of the Plan.

They are, 1st. An arrangement abroad, so that a full million from the Surplus of the Revenues shall, at the commencement, be applicable to the Purchase of Investments.

2d. That the Investments from India and China shall amount, at prime-cost, to four millions annually, in equal proportions.

3d. That during the first four years from this time, the Company shall avail themselves of the power they already have, under the Act, for augmenting their Capital Stock to the extent of two millions, at the rate of half a million annually, which

which it is supposed will realize one million sterling.

4th. That the additional money so raised, shall be applied, exclusively, to the liquidation of the present Indian Debt at Interest, either by increasing remittances in Bullion, or Export to India to that amount, or by defraying additional Bills drawn from India for the same purpose.

5th. That the extinction of this Debt, now calculated to amount to fourteen millions sterling, shall be carried on at the rate of one million annually, till the part of it called the Decennial Loan shall become payable, which is expected to take place on or about the year 1807-8 ; and that the sum then payable on account of Indian Debt, which is stated at £3,500,000, shall be discharged in that year: on which suppositions the Debts at interest abroad will then be reduced to £4,500,000.

I shall be under the necessity of troubling you with some explanation on each of these points.

The first requisite is, “ an arrangement abroad, “ so that a full million from the Surplus of the Revenues shall, at the commencement, be applicable “ to the Purchase of Investments.”

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The necessity of this requisite being accomplished will appear from the Account I have already referred to, in which, in the second year, credit is taken for the supplying £4,000,000, prime-cost of Investment, with a charge on that account on the Treasury at Home of only £3,000,000.—This, of course, proceeds on the supposition of the remaining £1,000,000 being, in that year, supplied from the Revenues in India. In the subsequent years, the Charge at Home for Investment is supposed gradually to be decreased below £3,000,000, in proportion as the applicable Surplus of Revenue in India is increased by savings of the Interest of Debt discharged; and the progress of this latter operation is pointed out in the two Accounts, N^o II. and III. in the Appendix. I am well aware of the difficulty which occurs in the outset of this whole operation, from the present burthened state of your Finances in India, and the very large amount of the Revenues, which are absorbed in the discharge of Interest at so high a rate; but this very circumstance is so decisive as to the success of the measure, when once set in motion, that no difficulty is so great that it ought not to be surmounted.

The Estimates of the Revenues and Charges, which I stated to the House of Commons, were drawn up from those transmitted by your Governments in India ; but in order that I might proceed with as much certainty as possible on this important article of the Plan, in addition to the exertions of the Accountant of the Board of Commissioners for the Affairs of India, I requested the assistance of your very accurate and able Officer, Mr. Wright, in order that they might jointly examine and correct the Estimates transmitted from Abroad, so as to enable me to form the best opinion possible, to what amount you might rely on a Surplus in India, as available to the purposes of Investment.

The Estimate, N^o IV. in the Appendix, will exhibit the result of the Investigation. It is prepared with great care, and certainly abundant caution ; but it is the safest side on which to err : and it would be imprudent, in a matter of so much importance, to build on any Surplus, that does not appear to be clearly warranted.

The Amount is taken at £800,000, which is deficient for the object in view to the amount of £200,000 : but, in truth, this deficiency ought not to be stated at so small a sum as £200,000 ; for
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when you consider that part of the **Commercial Charges** defrayed in India, amounting to about £180,000, have not been usually included in the Estimates, and likewise consider, that other unforeseen circumstances may occur, I do not think that, if you mean to ensure the actual receipt of the sum required, you can safely desist from your exertions, till you have secured in India, for commercial purposes, a sum of not less than £1,200,000.

There are several circumstances which lead me to be confident in my hopes, that a sum to that amount will, without any real difficulty, be obtained in India, for the purpose of realizing the prospects which are detailed in the Account before you.

In the first place, I can have no doubt, that if you send out positive instructions to your Governments Abroad, stating the importance of the object in view, considerable additions will be made to the savings pointed out in the corrected Estimate of Mr. Wright. This can only be effectually done on the spot: but it will be done, if your Servants Abroad are impressed with a full conviction, that the object you have in view is so far paramount to every other in the present moment, as to claim their first attention. In this observation I point chiefly at the

Army Extraordinaries, which, from the pressure of the war, and the expensive contests in which you have been engaged, have necessarily amounted to a very large sum, and cannot fail to admit of great reductions, of the details of which at home we cannot be competent judges, but which a vigilant, economical, and firm Government on the spot, cannot fail to discover and to enforce.

In the second place, it is not impossible that some of those expenses which are, with great propriety, intended to be of a permanent nature, may, without risk, be postponed, till it is finally ascertained that they can be defrayed, without interfering with the sum requisite for Investment, according to the plan detailed in the subjoined Accounts, N^o I, II, and III. In this observation I particularly allude to your Military Establishments, as last revised. In the orders you sent out some months ago, considerable reductions were made in your military expenditure, and I observe in the corrected Estimate, No. IV, that the saving in consequence is computed at £270,000. These reductions were ordered upon a very accurate examination, and to the best of my judgment, it would not be proper, in a future permanent arrangement, to make them to a greater extent:

extent: but when so great an object is at stake, I should be clearly of opinion, for considering how far any parts of the proposed Establishment might be postponed. In the notandum subjoined to the corrected Estimate, N^o IV, Mr. Wright observes, that if the addition to the Artillery could be postponed, it would save £ 54,000 ; but I consider the addition ordered to your Artillery Establishment to be of such deep importance to the security of your extended Indian Empire, I do not think the saving suggested ought to be adopted. But I think differently with regard to the other notandum ; and when so great a saving can be made as £153,000, by keeping the Native Regiments at 1400 privates, in place of 1600 or 1800, I cannot doubt, in advising you to make that reduction. In truth, there is no risk ; for in the case of emergency, the Native Troops could be recruited with the utmost expedition, to the ultimate proposed establishment, or indeed to any amount.

In these observations you will observe, that I have confined myself solely to the consideration of Military Retrenchments. I have done so, because I am convinced that any attempt to make any considerable reduction in your Civil Establishments, would be productive of all the inconveniences attending

tending inadequate allowances to your Civil Servants. Such a system would lead to all the fatal consequences resulting from the exaction of private unwarranted allowances, which it has been the great object of the present System of Indian Administration to annihilate. At the same time, this is no reason why even your Civil Expenses may not merit your attention, to the effect of instructing your Governments to refrain from any expenditure of a contingent nature, which would lead to any considerable expense, and respecting which there is no immediate urgency, why it should be executed at the present rather than any future moment. Although, at this distance, I cannot take it upon me to specify all the particular items of Expenditure, on which retrenchments may be made, I cannot permit myself to entertain any unreasonable diffidence on the subject, when I look to the state of your Expenses of India at a former period. I do not carry that reference to an early period, because I am aware that, within these very few years, a large permanent expense was most properly incurred, by the Arrangement which took place for rendering the condition of your Military Servants more comfortable, in a variety of respects. I refer, however,

however, to the charges of all kinds, as they stood in the year 1797-8, and the amount of them was £7,650,654, a sum far inferior to that contained in the Estimate now exhibited by your Auditor, amounting to £8,851,260. It is true, that since that period, great additions have been made to your Territorial Possessions, and very considerable additions to your Military Expenditure are created, in consequence of the very beneficial Alliances you have formed with the Native Powers in India. These considerations, however, do not operate against the probability of what I am endeavouring to establish; for as to addition of Territories, it cannot escape observation, that the events which produced those additions have, at the same time, tended to increase the security of your own Possessions, by narrowing their Frontier, and annihilating your most powerful and inveterate Enemy; and wherever you are obliged to increase your Military Establishments in consequence of Alliances, you have received a Subsidy, fully adequate to the expense of those subsidiary Engagements.

It is proper here to remind you, that in the observations I have made, to establish the probability of the requisite aid to be derived from a Surplus Revenue

Revenue in India, I have taken no credit for the expectations I am entitled to entertain, from the increasing prosperity, cultivation, and consequent population, of our Indian Territories. Our Revenues, for some years, have been in a state of progressive increase, and the same cause must continue to operate in producing the same effects. I shall not indulge myself, at present, in disquisitions of that nature, as it would lead me far beyond the bounds I have prescribed to myself in this Address. I state the circumstance, without meaning to draw any other conclusion, than what must occur to every body, viz. that the happy change which recent events have produced on our affairs in India, must strengthen and invigorate every hope and expectation, founded on their present state. Every system of beneficial Finance, Commerce, and economical Administration, can now be adopted and pursued, with more steadiness and certainty of success, than it could be under circumstances of precarious security and unremitting anxiety.

Having now stated to you a saving upon your Estimates, to an amount producing near a million Surplus in India, and having likewise stated the prospect of a larger Surplus, both from the probability

bility of further Retrenchments, and from the almost certainty of a progressive increasing Revenue, I might safely leave this part of the proposition, upon what I have already observed : but to remove all ambiguity on the subject, I think it proper to remind you, that in the end of the year 1803, or beginning of the year 1804, the Debt due to the Consolidated Creditors of the late Nabob of Arcot will be liquidated, so as to set free a sum of not less than 6,21,000 Pagodas, amounting, in Pounds Sterling, to the sum of £248,400. This sum will, of course, be applicable to the discharge of such further Debts of the late and present Nabob, as are not included in the former arrangement. The East-India Company itself is a creditor to a large amount, and, according to the arrangement suggested by Marquis Wellesley, in his Letter to the Nabob of 24th of April 1799, there can be no doubt, that at least one half of the sum so set free, will be appropriated to the extinction of the Debt due to the Company, and will, of course, to that amount, add to the Surplus of the Revenues applicable to Investment. But this is not all ; for according to the Letter I have ^{often} ~~wrote~~ to you this day, on the subject of the private unconsolidated Debts of the late and present Nabob,

there seems no doubt that the whole of the 6,21,000 Pagodas, already referred to, will be at your disposal, for the purposes of Investment. My Letter, with its Enclosures, points out to you the obvious mode in which this is to be accomplished; and the effect of the transaction, if agreed to by you, will be to give an immediate commercial Resource, to the Amount of the whole 6,21,000 Pagodas, paying to the Creditors their Debts at home, by such distant Instalments, as can never prove any inconvenience to your Treasury at Home, or tend, in any degree, to disturb the substantial benefits to be derived from the measure, which I am now endeavouring, with great earnestness, to impress upon your attention. It is scarcely necessary to observe, that the effect of the Plan will be to put into your pockets, the difference between the amount of Interest payable to you by the Nabob, and the four per cent. payable by you at home to the Creditors, according to the agreement you may make with them in consequence of their proposals; and the only effect it will have upon the whole result of the account is, a diminution on the Balances at Home, from the period when the Instalments agreed upon with the Creditors shall become payable; and the

the aggregate of these payments will, *pro tanto*, create a diminution of the Balance stated to accrue at the expiration of the Charter.

As I consider this last head to be of the utmost importance to the whole success of the proposition in question, and as so many misapprehensions have appeared, and so many misrepresentations have been held out, respecting it, I have thought it my duty to state my ideas upon it, at greater length than I at first intended; and upon the whole, I trust I may, with confidence, rest assured in the conviction, that one million sterling will be attainable from the Surplus Revenues of India, to co-operate with the other commercial resources of the Company, in producing the beneficial results, stated to proceed from those resources of Revenue and Commerce, judiciously combined together; and it only remains to remark, that if, after every exertion, and contrary to every rational probability, there should be any deficiency, the inconvenience arising from it to the general object in view, will be obviated by your ordering your Government abroad, for the short period that may be necessary, to pay as much of the Interest of the Debt in India, by Bills on the Court of Directors, as may be required to secure the object of a million Sur-

plus in India, applicable to the purposes of Investment. The only consequence of doing so would be, to a very small amount, to diminish the progressive accruing balance of your Cash at Home; but your prospect of abundant affluence, in that respect, seems to be so unequivocal, as to admit of no discouragement, in the prosecution of every expedient calculated to ensure the success of this very salutary measure.

The second requisite is, “ that the Investments from India and China shall amount, at Prime-Cost, to four millions annually, in equal proportions.”

This does not require any minute explanation, beyond what appears on the face of the Accounts in the Appendix. The difficulty of finding a sufficient sum for the prime-cost of such an Investment, will chiefly occur in the first year of the operation, when it is requisite, by Exports, by Bills from India, and by Bullion, to find an aid to your India Concerns, to the amount of five millions sterling. The difficulty does not consist in any inadequacy of resources at home to make those exertions, but in the means of sending so large a sum; and particularly in the means of finding Bullion to so great an amount as £2,000,000, to which amount it must be found, if

the full five millions, requisite for the first year, cannot be got through the medium of the other resources to which I have referred. The importance of the subject is so great, no exertions ought to be omitted that can surmount the difficulty; and there is scarcely any expense that ought not to be incurred, rather than endanger a failure of administering the requisite aid to your necessities in India. It would be improper in me, for obvious reasons, to detail what may have occurred to me on the subject. It is, indeed, unnecessary, for I know you will find most valuable advice on the subject from some of your own number. You will, of course, feel it to be your duty, to represent the importance of it, in the most forcible manner, to His Majesty's Ministers, who, upon an examination of the particulars I have stated, and fully weighing the very brilliant effects it will produce on the Commerce and Revenues of the Kingdom, cannot fail to be impressed with a full conviction of its being their duty, to contribute every aid in their power to set this operation in motion on its first outset, which is, in truth, the period when the chief difficulty will occur.

I now proceed to observe on the suggestion contained in the two next requisites I have before stated,

stated, and I trust I shall have little difficulty in obtaining your concurrence in the two propositions to which I refer : 1st. That it is your duty and your interest now to make use of the power you possess, under the Act of Parliament, 37 Geo. III. cap. 31, of augmenting your Capital Stock, by two millions sterling; and, 2dly, That the money so raised, should be invariably applied to the extinction of your Debt in India.

The wisdom of this policy is indisputable, both on commercial and political principles. I need not observe to you, who have been sharers with me in the conduct of those transactions which have taken place for some years past, that the principle of our Indian Administration has been, so to combine the operations of Finance and Commerce, as that they may be mutually subservient to each other, by the Revenues of India administering to the wants of Leadenhall-Street, and on the other hand, the Treasury of Leadenhall-Street administering to the necessities of India, when the Surplus of the Revenues of India has become, either partially or totally, inadequate to the demands created by the enormous expenses of an extensive and complicated war, joined to the desire
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of remitting a large and valuable Investment from India to Europe.

I have had occasion, more than once, to observe, that although I could, without apprehension, acquiesce in the extension of the Company's Credit in India, to an amount unknown before, for the purposes of War and Investment; still that operation must have its bounds, and the Debt must not be permitted to become so unwieldy, as not to be reducible to its proper scale, within a moderate period after the return of Peace. It is impossible, perhaps, with perfect accuracy, to decide the precise Point at which the borrowing for the combined purposes of War and Commerce ought to cease; but I believe I do not take a very unsafe criterion, when I contend, that the use of the Company's credit abroad, for the purpose of Commerce, ought to cease, when Individuals find it for their advantage not to lend at a moderate Interest, and the Public cannot, of course, be accommodated, but at a very extravagant rate of Interest. I considered the state of the Company's Credit in India to have arrived at that point, when I saw the Debt growing to a rate of interest at ten or twelve per cent., in place of six or eight, and in addition to that, the Creditor stipulating

lating for himself a continuance of that **Loan**, for a defined length of time, and at a high rate of **Interest**, not less than ten per cent.

When, therefore, I saw the amount of **Debt** last year rise to above ten millions, bearing interest, and likely still further to increase, unless put a stop to, I thought it my duty to state to you, the propriety of restoring to India, from your **Treasury at Home**, a part of that **Balance**, which had found its way into your **Treasury in England**, in consequence of the unprecedented use of your **Credit in India**. It could not be done abruptly; and this led me to state, last year, to the **House of Commons**, that I was ready to meet the **Indian Debt**, even at the large amount of fourteen millions.

From what I have above stated, it will not be understood, that I mean to pledge myself to an opinion, that in any case it is proper for the **East-India Company** to burthen their **Revenues in India** by the contraction of **Debt** for the purpose of **Investment**. That **Commerce** is the only proper medium by which the excrescent **Revenues of India** can be conveyed to **Britain**, admits of no doubt; but it is, by no means, so clear, that creating a commercial **Capital**, by borrowing at high interest in **India**, is an expedient

expedient measure. It is, however, unnecessary to follow that disquisition further at present, because the Estimate you have produced this year, is a proof of your acquiescence in the plan of providing the prime-cost for your Investment, without creating, at present, any further burthen on the Revenues of India.

From what I have already stated, there can be no doubt of my hearty approbation to that measure, so far as it goes; but when it is of such infinite importance to all your future commercial prospects, to recover, as speedily as possible, the great commercial resource you have derived from the Surplus Revenues of India, from the time of the acquisition of the Dewannee, it surely cannot admit of a doubt, that having so obvious and easy a resource in your hands as that in question, you ought, without delay, to use it for that purpose.

I could expatiate much at large on this proposition, with all its bearings on the commercial Prosperity of the East-India Company; but when I consider to whom this Letter is addressed, it would be unnecessary waste of your time to enlarge farther on this topic.

The advantages of adopting the suggestion I have taken the liberty of submitting to you, are not less conspicuous in a political, than they are in a commercial view. Your Debts in England are already reduced below their level, with a great Balance of Assets in your favor: judge then, to what a pitch of security your Territories in India would be raised, if your Revenues were disencumbered, within a short period, of the burthens which lay upon them. If before this is done, you were to be engaged in new struggles for the maintenance of that pre-eminence which you have progressively attained, you would be obliged to engage in them with your whole Surplus Revenues, absorbed in the payment of an extravagant rate of interest, and you could not trust to the measure of a further extension of your Credit, already stretched to an unprecedented amount; whereas, by extinguishing your Indian Debt, you would, in a few years, have the command of a clear Surplus of £2,000,000, applicable to the purposes, either of Commerce or Defence, as might be expedient at the moment; and you would, at the same time, be in possession of your Credit entire, which experience has proved may, without danger of being over-stretched, be carried

carried to the amount of fourteen millions sterling. In such circumstances, you would be in a situation to bid defiance to the assault of every Enemy; for you would be enabled, on the resources of India alone, to maintain a war, beyond any term of years that the most gloomy imagination may choose to figure to itself.

With such a Statement before you, I am positive, from my long knowledge of you, I would do you much injustice, if I was to entertain any such diffidence, as to think it necessary to dwell longer on the elucidation of the propositions which I have thus briefly endeavoured to enforce.

The last of the data I have stated above, and which follows as a Result of the others, is, “ That
 “ the extinction of the Debt shall be carried on at
 “ the rate of one million annually, till the part of
 “ it termed the Decennial Loan shall become pay-
 “ able, which is expected to take place on or about
 “ the year 1807-8. The sum then payable is stated
 “ at £3,500,000, when the Debts at Interest Abroad
 “ will be reduced to £4,500,000”.

Upon examining the progressive operation of the Account, N^o I, you will perceive, that from the Balance accruing at Home, there would be the

means of extinguishing the Debt at an earlier period than that I have alluded to, and in this respect, the plan is open to such alterations and modifications as circumstances may suggest. I have preferred this mode of stating it, as appearing to me the most likely to suit the means of transferring home the Debt, in the manner most convenient for the arrangements of Government in India, and for the accommodation of the Company's Treasury at Home. The only part fixed at present, and which cannot be altered without the consent of the Creditors interested, is, that the Decennial Loan, amounting to about £3,500,000, cannot be paid off sooner than the year 1807-8, consistently with the conditions under which it was borrowed.

In like manner, when I mention the Debt in India being reduced to £4,500,000, I do not state that as a circumstance essential to the principle of the plan itself. By the appropriation clauses in the Act 1793 (Appendix, N^o V.) which I subjoin, to prevent the trouble of reference, you will perceive, that at the Renewal of the Charter, the idea was to reduce the Debt in India to £2,000,000. That idea was suggested and adopted, upon the ground that a certain proportion of the Debt might, with utility,
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be left in India, on transferable Government Securities, at an Interest of about six per cent. resembling India Bonds or Exchequer Bills in this Country, and that such a measure would be not only convenient for the circulation of the Country, but, in as far as those securities might find their way into the hands of the Natives, it would tend to connect their interests more closely with the credit and stability of the British Government in India. If those ideas are well-founded, it occurred to me that, in the present extended state of your Empire and pecuniary relations at your different Settlements, a sum of £4,500,000 was more proportionate to the objects in view, than the sum of £2,000,000, pointed out in the Act 1793.

Indeed I may here in general observe, that in the frame of the Account I have presented, I have been guided solely by the principle of elucidating what the progressive Balance would be upon the data assumed; but I do not mean to anticipate what may be the most eligible mode of its appropriation, if the measure shall be found to produce the Results I have stated. Some think, that no Debt at all should be left in India: others are of opinion (and in which there is much sound policy) that when
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your affairs are brought into a situation to enable you to do so, it would be wise, after the example of other Indian Powers, to have always a *Dépôt* of Treasure in your coffers in India, to the amount of three or four millions sterling, to meet any sudden emergency, and to save you the necessity of having immediate recourse to large Loans, in the event of your being compelled to Hostilities, by the restless ambition and jealousy of your Enemies, either Native or European.

But I desist from pursuing, in detail, these or other speculations of a similar nature. They are foreign to the object of this address, and must be reserved for the wisdom of others, at a future moment, to decide upon. I am of opinion, that if our Indian Concerns proceed successfully on the principles and to the results I have detailed, a new arrangement between the Public and the East-India Company will be proper, with a view to the interest of both parties. It is obvious, that some arrangement must be necessary, in consequence of the contingent appropriations pointed out in the 11th Clause of the Act 1793; for if the Balance should accumulate in any one year, to so large an amount as to exceed what can be used in that year,

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for the purposes which the Act directs, it could not be allowed to remain as a dead Fund; but it would, in my judgment, be wise to apply to Parliament, for the power of carrying such Surplus as cannot be appropriated to the purposes specified in the Act, to an earlier commencement of the accumulation for the Guarantee Fund, subject to the condition of being at any time applicable to the reduction of the Indian Debt, within the limit intended, as rapidly as the means of remitting to India for that purpose can be found. It is obvious, that under the circumstances I have supposed, such an enabling power to the Directors of the East-India Company would be equally beneficial to the Public and to the Proprietors of India Stock.

Having thus explained, as far as appears necessary, the principles of the Plan I have presented for your consideration, it still remains, that I should take notice of the objections which have been stated, or may occur, against the probable success of it.

In the explanations I have already given, I have had an opportunity of obviating some of those difficulties; and it does not appear to be necessary, in addressing you, to enter upon any justification of the accuracy of the account, so far as concerns the
annual

annual expenditure of each year. That is a subject familiar to you by daily observation, and I make no doubt you will concur with me in thinking, that in the different items of Charge, I have made ample allowance for every article of Expenditure.

Neither does it occur to me, that an objection can be made to any of the items of Receipt in each year, unless (as indeed has been stated) it shall be supposed, that the Sales may not remain at the amount I have estimated. I have taken them at the amount they now are ; and I confess, if proper attention be paid to your Trade, and no means omitted to ensure and encourage, permanently and on a solid foundation, the commercial intercourse between India and Great-Britain, I can see no reasonable ground of doubt, that the Sales, on the return of Peace, will continue at an amount not below their present level. Many circumstances, both in the internal state of Great-Britain and Ireland, and many considerations arising from a view of the probable state of the Commerce of the World, lead me to believe, that at a general Peace, any apprehensions on this head will prove unfounded. It is, however, my earnest wish, on the present occasion, to wave every circumstance which may be supposed

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of doubtful speculation, and therefore, since I heard the observation made, I have prepared an Account, similar to the other, proceeding on an Amount of Sales, so much reduced as to leave no room for doubt. Instead of taking the Sales throughout at £7,400,000, as in the Account, N^o I, I take them from the supposed return of Peace at only £5,550,000. But then, if you suppose a reduced amount of Sales, you must, at the same time, suppose a proportionable reduction of the sum necessary to be provided for Prime-cost of the Goods, which, in that respect, and in the amount of Commercial Charges of every description, adds facility to the execution of the plan; and although it takes something from the rapidity of success, does not take from its ultimate certainty or importance. The Results of those data are pointed out in the Account subjoined, N^o VI.

It may, probably, be observed, that the account, N^o I, proceeds on the supposition of a continuance of Peace, during the whole term of your Charter, a period of not less than thirteen years. The observation is just, in point of fact; but I am not apprehensive of having the merits of my proposition tried on other data, and the utility of carrying it into execution will still remain indisputable. No

one, however anxious in his disposition, however unfavorably inclined he may be to contemplate future prospects, will conceive me sanguine, in supposing that, if fortunately the War should be terminated in the present year, by an honorable and adequate Peace, after a contest so long and so exhausting to all the Belligerent Powers with whom we are engaged, there may be a cessation from Hostilities for the short period of seven years; and if that takes place, it gives time for the extinction of the Indian Debt, which is the great and primary object of my suggestions: and if, at the end of that period, there should be a renewal of Hostilities, that should continue even for the whole period of the Charter, it would not annihilate, and very little impair, the Result of the calculations I have submitted to your attention. Even if there are five years war in Europe, experience teaches (and indeed the nature of a Continental War in India is such) that you estimate largely, if you suppose, that out of five years of general War, more than three of it operates to the effect of increasing the Military Expenditure in India. While it does so operate, it of course leads to the consequence of your not being warranted to trust to the full amount of the calculated supply from
the

the Revenues of India ; but when the War ceases in India itself (notwithstanding its continuance in Europe), the Resource from the Territorial Revenues revives. It is true, that while the War continues in Europe, although it may have ceased in India, the expenses of Commerce are greatly swelled by the increase of freight, and other circumstances, and therefore they must, in that case, be estimated at the war amount.

These propositions will be best understood, by putting them into figures, as I have done the others ; and I have therefore prepared two accounts, N^o VII. and VIII of the Appendix, *one* upon the supposition of an Investment of four millions of Prime-cost, and seven millions four hundred thousand of Sales ; *the other*, on the supposition of three millions of Prime-cost, and five millions five hundred and fifty thousand of Sales ; and upon the examination of these Accounts, you will perceive how little ground there is, for your being discouraged from eagerly adopting the proposition I am enforcing, even in the worst view of the Result that the most timid imagination can suggest.

I will not trespass longer on your patience. After the most mature consideration I can give the
E 2
subject

subject in all its bearings and relations, I have a deep-rooted conviction, that your Indian Debt is the only formidable enemy your Indian Prosperity has to encounter. Subdue it, and you have subdued every thing that ought rationally to be dreaded. If I can inspire your minds with the same enthusiasm on this Subject with which my own is animated, I shall rest in confidence, that you will not disregard my parting advice ; but, by adopting the means which are in your hands, speedily overcome your Indian Debt, and thereby exalt your own characters, by consulting the best Interests of your Constituents, and the general prosperity of your Country. By such an operation, you will practically establish the expediency of the System under which we have been acting together for these seventeen years past, and you will prove to the Legislature and to the Public, the wisdom of leaving in the hands of the East-India Company, the share they hold in the Executive Administration of our Indian Empire.

I have only further to add, that I should not have troubled you with this Address, if I had not felt myself warranted to assure you, that in this and every other measure, calculated to promote the good of the Public, and the real Interests of the
East-

East-India Company, you will meet with the most cordial co-operation of the Board over which I lately presided, and at which I have been succeeded by a Person, whose amiable manners, and respectable talents, will ensure your confidence and respect, in proportion as they become habitually known to you

I have the honor to be,

GENTLEMEN,

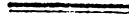
With great Regard,

Your most obedient and obliged

Humble Servant,

HENRY DUNDAS.

To the CHAIRMAN, DEPUTY CHAIRMAN,
and COURT OF DIRECTORS of the
East-India Company.



APPENDIX.



APPENDIX, N^o II.

ESTIMATE, shewing the Surplus that must be produced in INDIA, in order to effect the Purposes laid down in the general Estimate.

	Surplus Revenue.	Saving by Interest on Debt.	Total.
	£	£	£
1801-2 - - -	1,000,000	—	—
1802-3 - - -	1,012,500	87,500	1,100,000
1803-4 - - -	1,125,000	175,000	1,300,000
1804-5 - - -	1,137,500	262,500	1,400,000
1805-6 - - -	1,150,000	350,000	1,500,000
1806-7 - - -	1,162,500	437,500	1,600,000
1807-8 - - -	1,275,000	525,000	1,800,000
1808-9 - - -	1,125,000	875,000	2,000,000

N. B.—If the Debt at Interest is reduced to £4,500,000, and the Rate of Interest to Six per Cent., the Interest then payable would be £270,000, in which case the Saving would be £955,000.

The above is exclusive of the Amount required for the Commercial Charges, not added to the Invoices.

APPENDIX, N^o III.

ESTIMATE, shewing the Reduction of the Debt in INDIA, calculated at Fourteen Millions, bearing Interest, by the annual Application of One Million.

	Principal.	Interest at $8\frac{1}{2}$ per Cent.
	£	£
April 1801	14,000,000	1,225,000
Season.—1801-2 - - - - -	1,000,000	87,500
D ^o 1802	13,000,000	1,137,500
D ^o —1802-3 - - - - -	1,000,000	87,500
D ^o 1803	12,000,000	1,050,000
D ^o —1803-4 - - - - -	1,000,000	87,500
D ^o 1804	11,000,000	962,500
D ^o —1804-5 - - - - -	1,000,000	87,500
D ^o 1805	10,000,000	875,000
D ^o —1805-6 - - - - -	1,000,000	87,500
D ^o 1806	9,000,000	787,500
D ^o —1806-7 - - - - -	1,000,000	87,500
D ^o 1807	8,000,000	700,000
D ^o —1807-8 Decennial Loan	3,500,000	at 10 pr Ct. 350,000
1808	4,500,000	350,000

The Interest calculated to remain payable on the Debt reduced to £4,500,000, is £350,000, which may be reckoned at about £7. 15s. $6\frac{1}{2}d.$ per Cent. The saving of Interest by the Reduction is £875,000; but if the remaining Debt were to be at Six per Cent. the saving would be £955,000.

APPENDIX, N^o IV.

ESTIMATE, &c.

APPEN -

ESTIMATE of REVENUES and CHARGES at each Surplus to arise in the first Year of Peace, on duce as estimated on the latest Materials received according to the last Instructions, and distinguish- several Charges are expected to be reduced below,

 R E V E N U E S .

B E N G A L .

at 2s the Current Rupee.

The Estimate for 1800-1 makes
the Total Revenues - - - £6,339,200

In this, the Subsidy from Oude is taken at 96½ lacs of Sicca Rupees ; but Marquis Wellesley states the full Subsidy at 115 lacs. The Arrangements were not completed when the Estimate was made, the difference may therefore be added, being Sicca Rupees 18½ lacs, or CRs 21,46,000, at 2s. - - - 214,600

 6,553,800

The Opium, in the Estimate, is said to be taken as last year, but is,
in

Carr. forward - 6,553,800

- DIX, No. IV.

Presidency in INDIA, and Total Amount of Net the Supposition of the Revenues continuing to pro- from India, and of the Charges being regulated -ing by what Amount, and on what Grounds, the or increased above, the Estimate for 1800-1.

C H A R G E S.

B E N G A L.

at 2s. the Current Rupee.

The Charges in the Estimate for 1800-1 are stated at - - - £4,422,000

In these are included the expense of Military Stores, at an amount far exceeding the Average of former Years; and it is presumed a reduction may in future take place of - - - - - £20,000

Also the temporary Ex-
pense of repairing the For-
tifications at Fuddy Ghur, in
consequence of the Treaty
with the Vizier - - - 30,000

	50,000	
	£4,372,000	
<i>Carr. forward</i> -	£4,372,000	

Bro. forward - £6,553,800

R E V E N U E S.

BENGAL—*continued.*

in fact, £34,000 more. The Sale in 1799-1800 was extraordinarily productive; and although some addition in the quantity was expected in 1800-1, it seems prudent, for a continuance, not to take it at a higher sum than last year's Sales.

Deduct therefore - - - - - 34,000

As the other articles of the Estimate do not seem liable to objection, the Bengal Revenue may be calculated at - - - - -

£6,519,800

Carr. forward - £6,519,800

<i>Bro. forward</i> - 3,273,000	£4,372,000
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C H A R G E S.

BENGAL—*continued.*

A further sum might be deducted, on account of the expense of building the new Government House, estimated at £34,800, which cannot be a permanent Charge; but as the Military Expenses are rather below the probable Amount, when the arrangements for Oude are completed, this may be set against it.

<i>Carr. forward</i> - £4,372,000

<i>Bro. forward</i> -	6,519,800
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R E V E N U E S.

F O R T S T. G E O R G E.

at 8s. the Pagoda.

The Revenues, by the Estimate for 1800-1, are - - - - - £3,273,000

In this, the Subsidy from the Nizam is Pagodas 9,46,000; but by the new Treaty of October last, he commuted the old Subsidy for his Share of the Territories ceded by, and conquered from Tippoo, in 1792 and 1799, the Revenues of which, by Tippoo's Accounts, are Pagodas 17,92,000. Those of 1792 are thought to be over-rated in these Accounts, but on the other hand, the Revenues of the Countries conquered in 1799, are supposed to be much undervalued, and in fact the Company's Share, which was to the same Amount, has produced

<i>Carr. forward</i> £3,273,000	6,519,800
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Bro. forward - £4,372,000

C H A R G E S.

F O R T S T. G E O R G E.

at 8s. the Pagoda.

The Charges, by the Estimate of
1800-1, are - - - - - £3,723,000

On the most minute examination of the Estimate of Military Charges, compared with the Auditor General's Statement, from which it is taken; after allowing for the increased Establishment, and all contingencies, stated by the Auditor General, the Estimate appears subject to the following alterations:

The Total Military Charges, including the Troops in Malabar and Canara, should be more than in the Estimate, by Pagodas 3,44,887

In the Total are included the following extra expense

Carr. forward - £3,723,000 | 4,372,000

<i>Bro. forward</i> - £3,273,000	£6,519,800
R E V E N U E S.	
—	
<i>FORT ST. GEORGE, continued.</i>	
duced double the Estimate. The difference between the old Subsidy and the Revenues of the Countries ceded by the Nizam, may therefore be added, being Pag ^s 8,46,000,	
or - - - - -	338,000
The Malabar Revenues, now placed under Fort St. George, are not included in the Estimate, and the Bombay Accounts contain the Estimate of two months Revenues only. The Net Revenue for ten months may be calculated at Pagodas 3,00,000, or - - - - -	
120,000	
The total Revenues may therefore be taken at - - - - -	
	3,731,000
—	
<i>Carr. forward</i> - £10,250,800	

<i>Bro. forward</i> - £3,723,000	£4,372,000
CHARGES.	
—	
FORT ST. GEORGE, <i>continued.</i>	
expense of Colonel Wel-	
lesley's Detachment - 5,66,409	
Arrears to Bullock-	
owners 1799 - - - 59,413	
Extra Expense of a Se-	
cret Expedition - - - 2,00,000	
French prisoners - - 28,118	
Extra Expense of	
Troops at the Moluccas	
and Malacca, and Sup-	
plies to those Settlements 3,06,300	
This, and the former	
article, it is supposed,	
will be discontinued, as	
Charges to the Company,	
on the return of Peace.	
	—
Pagodas 11,60,240	
The Difference is 8,15,353	
	—
which will probably be saved in	
future, being - - - - - 326,140	
	—
The Charges at Fort St. George	
will then be - - - - -	3,396,860
	—
<i>Carr. forward</i> - £1,768,860	

Bro. forward - £ 10,250,800

REVENUES.

B O M B A Y.

at 2s. 3d. the Rupee.

The Revenues, by the Estimate for 1800-1, are - - - - - £300,000

But in this the Revenue of Malabar is included for two months, at a much higher proportion than is warranted by the Collections of the former year, when they were at the highest. To allow for this, and a small article of Revenue, included for two years, deduct - - - - - £10,000

Some improvements are expected hereafter in the Surat Revenue, in consequence of the late arrangement, for which allow - 6,000

4,000

296,000

Total Revenues - £ 10,546,800

Bro. forward - £7,768,860

C H A R G E S.

B O M B A Y.

at 2s. 3d. the Rupee.

The Estimate for 1800-1 is - £1,052,000

This includes several items for two years' Expense, and does not allow for Retrenchments in some Departments. The Military Charges and expense of Stores appear over-rated: on the whole, it is thought a Deduction may justly be made of - - - - - 52,000

1,000,000

BENCOOLEN, PRINCE OF WALES ISLAND, AND ST. HELENA.

The Supplies, by the Estimate of 1800-1, are - - - - -

82,400

Total Charges - - - - -

8,851,260

Estimated Net Revenue - - -

1,695,540

£ 10,546,800

Estimated

Estimated Net Revenue brought down - £1,695,540

In the Accounts of Madras, the expense of Ceylon is estimated at £70,000, which will not, in future, be chargeable to the Company; but from this is to be deducted the Revenues of the Dutch Settlements, amounting to £21,000: the difference then is - £46,000

The reduction of the Military in India, by the Court's late orders, is estimated to produce a Saving of - 270,000

316,000

The Net Revenue may then be estimated at £2,011,540

From this the Interest of the Debts is to be defrayed, which cannot be computed at present at less than - - - - - 1,150,000

But it may be conjectured that part will be paid by Bills on the Court, under the orders lately sent to India for that purpose.

↙ The remaining estimated Surplus is £861,540

But to allow for unforeseen contingencies, it may be better to take it at - - - - - £800,000

The Surplus Revenue, without reducing the Military Establishments more than by the Orders lately sent out, may thus be estimated at £800,000.

If the increase to the Artillery directed by those orders, could be postponed, it would produce a saving of £54,000.

If all the Native Infantry Regiments in India were reduced to 1400 privates each, it would be a saving of £153,000 per annum.

A P P E N D I X, No. V.

*Extract of Act of 33 Geo. III. Cap. 52.—
Sections 107 to 123.*

107. **AND** be it further Enacted, That for and during so long Time as the said Company shall be entitled to the whole, sole, and exclusive Trade and Traffic, in, to, and from the *East-Indies*, and other Places within the Limits of their Charter, subject to the Provisions, Regulations, and Limitations in this Act contained, the clear Profits arising from the said Territorial Acquisitions, and Revenues in *India*, after defraying the Charges and Expenses of collecting the same, shall be applied and disposed of, to and for the Uses and Purposes hereinafter expressed, in the following Order of Preference, and to or for no other Use or Purpose, or in any other Manner

Application of the Surplus arising from the Territorial Acquisitions and Revenues in *India*.

what-

whatever, any Act or Acts of Parliament now in Force to the contrary notwithstanding, (that is to say), In the First Place, in defraying all the Charges and Expenses of raising and maintaining the Forces, as well European as Native, Military and Marine, on the Establishments in *India*, and of maintaining the Forts and Garrisons there, and providing Warlike and Naval Stores: Secondly, in Payment of the Interest accruing on the Debts owing, or which may be hereafter incurred by the said Company in *India*: Thirdly, in defraying the Civil and Commercial Establishments of the said Company at their several Settlements there: Fourthly, That there shall be issued to the respective Commercial Boards of the said Company, at their several Presidencies in *India*, in such Proportions as the Court of Directors of the said Company, with the Approbation of the Board of Commissioners for the Affairs of *India*, shall, from Time to Time, direct, a Sum of not less than One Crore of Current Rupees in every Year, to be applied in the Provision of the Company's Investment of Goods in *India*, and in Remittances to *China*, for the Provision of Investment of Goods there: And, Fifthly, that as often as any Part of the said Debts shall be redeemed or discharged in *India*, or transferred from thence to *Great-Britain*, it shall

shall and may be lawful to and for the said Court of Directors, with the Consent of the said Board of Commissioners, to increase the annual Advancement to the said Commercial Boards, for the Provision of Investments in *India* and *China*, in the same Extent to which the Interest of the Debts in *India* shall be reduced by such Extinction and Transfers respectively, if the Trade of the said Company from *India*, and their Remittances to *China*, shall admit of or require such Increase: And that after the Appropriations aforesaid, or Sums set apart sufficient to answer and make good the same, the Surplus of the said Revenues shall be applied to the Liquidation of the Debts of the said Company in *India*, or to such other Uses and Purposes as the Court of Directors, with the Approbation of the Board of Commissioners for the Affairs of *India*, shall, from Time to Time, direct; any Act or Acts of Parliament to the contrary thereof notwithstanding.

108. And whereas sundry Debts, incurred in the Defence and Protection of the *British Possessions in India*, bearing Interest, are now due and owing by the said Company there, amounting to Seven Crores of Current Rupees, or Seven Millions of Pounds Ster-

Governments in *India* may grant Bills upon the Directors, for transferring Debts in *India* to *Great-Britain*.

ling, or thereabouts: And whereas it may be convenient and beneficial to the Company's Affairs, that the greater Part of the said Debts should be transferred or remitted to, and paid in *Great-Britain*; and it is therefore expedient, that proper Encouragement should be given to the Creditors of the said Company in *India*, to transfer and remit the same accordingly: Be it further Enacted, That it shall and may be lawful for the several Governments and Presidencies in *India*, from Time to Time, to grant Bills of Exchange upon the Court of Directors of the said Company, payable in *Great-Britain*, at such equitable Rates of Exchange as shall be, from Time to Time, directed or authorized by the said Court of Directors, with the Approbation of the said Board of Commissioners for the Affairs of *India*, for the Purposes of transferring and remitting the said Debts, in manner aforesaid incurred by the said Company, and now due and owing by them in *India*, to *Great-Britain*, until the said Debts in *India* shall be reduced to a Sum not exceeding Two Crores of Current Rupees, or Two Millions of Pounds Sterling; and that the said Court of Directors shall be, and are, by Force and Virtue of this Act, fully authorized and impowered to accept and discharge such Bills of Exchange accordingly,

ingly, over and besides such other Bills of Exchange as the said Company could or might lawfully accept and pay, if this Act had not been made, and not otherwise, or in any other Manner, any Law or Statute to the contrary notwithstanding.

109. Provided also, and be it further Enacted, That if the Creditors of the said Company in *India* shall decline to accept of and receive such Bills of Exchange as aforesaid, in Payment or Discharge of their said respective Debts, or shall not accept the same, to the Amount of Five Hundred Thousand Pounds in any Year, it shall and may be lawful for the Governor General in Council of *Fort William* in *Bengal*, or for the Governors in Council of the several Presidencies of *Fort St. George* and *Bombay*, respectively, by the Order and Authority of the said Governor General in Council, to raise a sufficient Sum or Sums, whereby to make up a Remittance for such Year, to the Amount by which the Total of Bills of Exchange, so accepted by the said Creditors, shall fall short of the said Sum of Five Hundred Thousand Pounds, by Loans of and from any other Persons willing to advance the same, upon the Credit of Bills

of

If such Bills are not accepted by the Creditors, to the Amount of 500,000l. annually, the Deficiency to be made up by Loans.

of Exchange to be drawn by them upon the said Court of Directors, at such equitable Rates of Exchange as shall be authorized and directed in the Manner before-mentioned ; and that the Money so raised in *India* shall forthwith, upon Payment thereof into the proper Treasury there, be issued and applied towards the Liquidation and Discharge of the said Debts of the said Company in *India*, and to or for no other Use or Purpose whatever.

Bills not to be granted for more than 500,000*l.* annually, unless by Order of the Directors.

110. Provided also, and be it further Enacted, That nothing in this Act contained shall extend, or be construed to extend, to authorize any of the Governments in *India* to grant Bills of Exchange for the Purpose of transferring, or remitting the said Debts from *India* to *Great-Britain*, to become due and payable within any One Year, to be computed from the First Day of *January* in the same Year, exceeding in Amount the Sum of Five Hundred Thousand Pounds, unless by the special Order and Authority of the Court of Directors of the said Company, for that Purpose first had and obtained, any thing herein-contained to the contrary notwithstanding.

111. And

111. And be it further Enacted, That during the Continuance of the exclusive Trade to the said Company, the Net Proceeds of their Sales of Goods at Home, with the Duties and Allowances arising by Private Trade, and all other Profits of the said Company in *Great-Britain*, after providing for the Payment of Bills of Exchange already accepted by the said Company, as the same shall become due, and for the current Payments of other Debts, Interest, and other Outgoings, Charges, and Expenses of the said Company, (their Bond Debt always excepted) shall be applied and disposed of in the following manner; (that is to say) First, in Payment of a Dividend, after the Rate of Ten Pounds *per Centum per Annum*, on the present or any future Amount of the Capital Stock of the said Company, the First Half Year's Payment thereof to commence and be made at *Midsummer*, One Thousand Seven Hundred and Ninety-three: Secondly, in Payment of Five Hundred Thousand Pounds *per Annum*, the same to be set apart on the First Day of *March* and the First Day of *September*, Half-Yearly, in equal Portions, and applied in the Discharge of Bills of Exchange drawn or to be drawn in *India*, for the Transfer or Remittance of the Debts of the said Company from thence to *Great-Britain*,

Application of
the Profits of
the Company in
Great-Britain.

Britain, for the Diminution of such Debts, until the same shall be reduced to Two Crores of Current Rupees, or Two Millions of Pounds Sterling: Thirdly, in Payment of a Sum not exceeding Five Hundred Thousand Pounds in every Year, into the Receipt of His Majesty's Exchequer, to be applied as Parliament shall direct, the same to be set apart for that Purpose on the First Day of *July*, and the First Day of *January* in every Year, by equal Portions, and the First Half-Yearly Payment thereof to be made or accounted due on the First Day of *July*, One Thousand Seven Hundred and Ninety-Three; And if the said Funds shall prove insufficient in any Year to satisfy such last-mentioned Payments into His Majesty's Exchequer, that then and in every such Case the same shall be made good, except as in this Act is otherwise specially provided, out of any Surplus which may remain from the said Net Proceeds in any subsequent Year, after the Payment of the Annual Sum of Five Hundred Thousand Pounds into the Receipt of His Majesty's Exchequer, becoming due in each Year respectively: And that until the said Debts in *India* shall be reduced to the said Amount of Two Crores of Current Rupees, or Two Millions of Pounds Sterling, the ultimate Surplus which shall remain of the said Net Proceeds,

If Funds prove insufficient to pay 500,000 *l.* into the Exchequer in any Year, the Deficiency to be made good in a subsequent Year; and

all the Debts in *India* be reduced to 2,000,000 *l.* the ultimate Surplus of Proceeds to be applied as herein-mentioned.

Proceeds, after such Payments thereof made as aforesaid, shall and may be, from Time to Time, set apart and applied in Augmentation of the said Fund or Annual Sum of Five Hundred Thousand Pounds a Year, hereby appropriated for the Reduction of the said Debts in *India*, in and for the Reduction thereof, by the Discharge of any further Bills of Exchange to be drawn from thence, either for the Transfer and Remittance thereof to *Great-Britain*, or for Loans of Money to be borrowed on the Credit of any Bills of Exchange which shall be granted by the Order of the Court of Directors, to any greater Amount than is herein-before limited or directed in that Behalf; or otherwise it shall be lawful for the said Court of Directors to apply any Part of the said ultimate Surplus of the said Net Proceeds in the Payment of any Debts of the said Company in *Great-Britain* (the said Bond Debt of One Million Five Hundred Thousand Pounds only excepted) or to the Purchase of any Goods, Wares, or other Merchandize, to be disposed of in *India* or *China*, and to appropriate the Produce thereof in and towards the more speedy Diminution of the said Debts in *India*; And that when and so soon as the said Debts in *India* shall have been reduced to the Amount herein-before limited in respect thereof,

Application of the Net Proceeds, after Debts are reduced to certain Amounts.

thereof, and the Bond Debt in *Great-Britain* to One Million Five Hundred Thousand Pounds, the Surplus of the said Net Proceeds, after providing for the current Payments of Interest, and other Outgoings, Charges, and Expenses of the said Company, and of a Dividend after the said Rate of Ten Pounds *per Centum per Annum*, on the said Capital Stock, and the said Annual Sum of Five Hundred Thousand Pounds to be paid into the Exchequer, and after making good all former Deficiencies in the said Annual Payments, otherwise than as is provided by this Act, shall be applied and disposed of in Manner following: (that is to say) One Sixth Part of the said Surplus, computed and adjusted to the First Day of *March* in every Year, shall be reserved and retained by the said Company for their own Use, and applied in Augmentation of the Dividends on their said Capital Stock; and that the Residue of the said Surplus shall be set apart, and from Time to Time paid by the said Company into the Bank of *England*, within the First Week in *April* in each Year, to be there placed to the Account of the Commissioners appointed by an Act of the Twenty-sixth Year of His Majesty's Reign, intituled, "An Act for vesting certain Sums
 " in Commissioners, at the End of every Quar-
 " ter

“ter of a Year, to be by them applied in the “Reduction of the National Debt,” until the Monies so paid, together with the Sums arising by the growing Interest thereof, shall have amounted to Twelve Millions of Pounds Sterling; and that from and after such Payments, together with the Money so arising by the said growing Interest, shall have amounted to the said Sum of Twelve Millions of Pounds Sterling, the said Surplus shall be, from Time to Time, paid into the Receipt of His Majesty’s Exchequer, and be there placed to the Account of the Consolidated Fund, as the Property of the Public in full Right.

112. Provided also, and be it further Enacted, That if the Debts of the said Company in *India*, after the same shall have been reduced to Two Crores of Current Rupees, or Two Millions of Pounds Sterling, shall be again increased beyond that Amount, or if their Bond Debt in *Great-Britain*, after the same shall have been reduced to One Million Five Hundred Thousand Pounds, shall be again increased beyond that Sum, then and so often as either of those Cases shall happen, the like Appropriations as are herein-before directed or authorized to be made for the Reduction of the said present Debts, shall again take place and

If the Debts, after Reduction, shall be again increased beyond certain Sums, the like Appropriations for their Reduction again to take place.

be made for the Reduction of the said new Debts respectively, until the Whole of the Debts of the said Company in *India* shall be again reduced to Two Crores of Current Rupees, and their Bond Debt in *Great-Britain* to One Million Five Hundred Thousand Pounds, any Thing in this Act contained to the contrary notwithstanding.

Bank to keep
an Account
with the Com-
missioners
under the last
recited Act,
and to invest
Monies paid in
their Names,
&c.

113. And be it further Enacted, That the Governor and Company of the Bank of *England* shall raise and keep an Account with the said Commissioners in their Books, to be intituled, “ The Account of the Guarantee “ Fund of the United Company of Merchants “ of *England*, Trading to the *East-Indies* ;” and that as well all such Monies as shall be so paid by the said United Company to the said Governor and Company by Virtue of this Act, as also the Annual Dividends or Interest to arise therefrom, in Manner by this Act provided, shall be placed to the said Account, and shall be severally and respectively, under the Order and Direction of the said Governor and Company of the Bank of *England*, laid out and invested in the Names of the said Commissioners, in the Purchase of Capital Stock in any of the redeemable Public Annuities transferrable at the Bank of *England*, the same to be

be transferred to the said Commissioners, on Account of the said Guarantee Fund, in the Books of the said Governor and Company of the Bank of *England*; and that the Dividends payable thereon shall, from Time to Time, be received by the said Governor and Company of the Bank of *England*, and be placed to the Account of the said Commissioners.

114. And be it further Enacted, That when and after the Monies paid by the said United Company to the said Governor and Company of the Bank, together with the Monies received for Dividends on the Capital Stock of Annuities purchased therewith, and with the Proceeds thereof, shall have amounted to Twelve Millions of Pounds Sterling, the Dividends of the said Capital Stock of Annuities shall, in Preference to any other Disposition thereof, be subject and liable to make good to the said United Company, for and during all such Time as they shall continue to trade with a Joint Stock, any Deficiency or Deficiencies in their own Funds, applicable to the Payment of the said Dividend of Ten Pounds *per Centum per Annum* on the Capital Stock of the said United Company, if any such Deficiency shall happen in such Payment or Payments; and that when there shall be no such

When the Capital Stock in the Names of the Commissioners shall amount to 12,000,000*l.* the Dividends shall be liable to make good any Deficiency in the Dividends on the Company's Stock.

such Deficiency, or being such, after the same shall be made good out of the said Dividends, such Dividends, or the Surplus thereof, shall be deemed to be the Property of the Public, and shall be paid, when and as often as the same shall arise, by the said Governor and Company of the Bank of *England*, into the Receipt of the Exchequer, and be there carried to the Account of the Consolidated Fund.

And the said Capital Stock to be a Guarantee Fund of the Company's Stock, &c.

115. And be it further Enacted, That the Capital Stock of Annuities, wherein, or in the Purchase whereof, the said Sum of Twelve Millions of Pounds Sterling shall be invested, pursuant to the Directions of this Act, shall be deemed and considered as a Guarantee Fund, for the better securing to the said United Company their said Capital Stock, or the Value thereof, such Value being always computed for that Purpose, after the Rate of Two Hundred Pounds for every One Hundred Pounds of such Capital Stock; and that if, at the Time of the Right and Title of the said United Company to the said whole, sole, and exclusive Trade (limited as aforesaid) becoming determined, their own Funds and Assets, real and personal, shall be insufficient to pay and satisfy all their just Debts, and to make good to the said Company their said Capital Stock,

or

firm'd by the honest avowal of the Deputy Chairman, who said that he had reason to believe it was the intention of his M—— to raise nine, or ten regiments more, in the same manner as the four in question have been raised.

In expectation whereof I shall conclude in nearly the same words as one of the few sovereigns, whom history represents as a real patriot,

THE LORD PITY THE PEOPLE, AND
THE EAST INDIA COMPANY OF ENGLAND!

T H E E N D.

guard whom they have chosen and paid to defend them. In this dilemma no more can be said than that it is less dangerous to run the risk of the road than to trust to a guard, who, if he defends us from a highwayman in the day, will be sure to rob us himself in the night.

Considering myself as an Englishman, more than as a proprietor of India stock, I confess myself to be yet more alarmed at the military uses to which Mr. Pitt avows his intention of applying the revenues of Bengal, than at his having attempted to transfer the property of them from the Company to the Crown. Putting together the consequences arising from the prerogative doctrines delivered by him last year, in the discussion of the Mutiny Act, and those in the messages lately sent to the Court of Directors, I foresaw a plan was formed of keeping a standing force in Britain, without the consent of Parliament, under the pretence of sending them to India: and this melancholy prognostication was but too well confirmed

or the Value thereof, computing the same after the said Rate of Two Hundred Pounds for every One Hundred Pounds of the said Stock, that then the said Capital Stock of Annuities, or Guarantee Fund, shall be deemed and considered, as far as the same shall or may extend for that Purpose, to be in the First Place, and before any other Application thereof, subject and liable to make good to the said Company and their Creditors, the Deficiency so arising in their own Funds and Effects for the Purpose aforesaid; and that the said Capital Stock of Annuities, or the Surplus thereof, after making good such Deficiency (if any such there shall be) shall remain and continue as a Guarantee Fund, for the better securing the Capital Stock of the said United Company, or the Value thereof, rating the same as aforesaid, after such Determination of their whole, sole, and exclusive Trade, for so long Time as they shall continue to trade with a Joint Stock, and subject thereto; and after making good all such Deficiencies, that the said Capital Stock of Annuities, or so much thereof as shall then remain, shall be and be deemed the Property of the Public.

116. And be it further Enacted, That from and after any Money shall be paid by the

Bank to say
before Parlia-
ment an Ac-

count of Money paid by the United Company on Account of the said Commissioners.

the said United Company to the said Governor and Company of the Bank of *England*, by Virtue of this Act, an Account shall be made to the last Day of *January* in every Year, by the Governor and Company of the Bank of *England*, of all Sums which shall have been paid to them by the said United Company, or carried into their Books on Account of the said Commissioners, under or by Virtue of this Act, and also of all Sums of Capital Stock of Annuities, which, in Pursuance hereof, shall have been purchased in the Names of the said Commissioners, with the Interest accruing thereupon, and of the Application of the same, respectively; which Account the said Governor and Company of the Bank of *England* are hereby required to lay before both Houses of Parliament, on or before the Fifteenth Day of *February* immediately following, if Parliament shall be then sitting, and if Parliament shall not then be sitting, then within Fourteen Days after the Commencement of the then next Session of Parliament.

Securities given by Cashiers to extend to this Act.

117. And be it further Enacted, That the Security or Securities given, or hereafter to be given, by the Cashier or Cashiers of the Governor and Company of the Bank of *England*, for the due Performance of their Trust, in

in pursuance of a Clause for that Purpose contained in the said Act of the Twenty-sixth Year of His Majesty's Reign, shall extend, and be deemed in Law to extend to their due Performance of the Trust by this Act reposed in the said Cashier or Cashiers, respectively.

118. Provided always, and be it further Enacted, That such reasonable Allowances shall be made to the said Governor and Company of the Bank of *England* and their Cashier or Cashiers, in respect of their Services, Labor, and Expenses, in the Performance of the Trusts hereby reposed in them, as the Commissioners of His Majesty's Treasury, or the High Treasurer for the Time being, shall in that Behalf direct, the same to be paid or retained out of the annual Dividends or Proceeds of the Capital Stock of Annuities to be purchased under the Authority of this Act; any Thing herein-contained to the contrary notwithstanding.

Allowance to be made the Bank for their Services.

119. And be it further Enacted, That the said United Company and their Successors shall, and they are hereby directed and required to pay into the Receipt of His Majesty's Exchequer, and into the Bank of *England*, the

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several

On Failure of Payment of Monies into the Exchequer and the Bank, the same may be recovered, with Damages, in any Court of Record at Westminster.

several and respective Sums of Money by this Act directed to be paid by them, at or within the Times, and in the Manner and Form aforesaid, and according to the true Intent and Meaning of this Act ; and if the said United Company or their Successors shall make Failure in any Payment hereby appointed to be made by them into the said Receipt of the Exchequer, or into the Bank of *England*, according to the Tenor and true Meaning hereof, that then and in any such Case the Money whereof such Failure in Payment shall be made, shall and may be recovered from the said United Company and their Successors to His Majesty's Use, by Action of Debt, or upon the Case, Bill, Suit, or Information, in any of His Majesty's Courts of Record at *Westminster*, wherein no Essoign, Protection, or Wager of Law shall be allowed, or any more than One Imparlance ; in which Action, Bill, Suit, or Information, it shall be lawful to declare, that the United Company of Merchants of *England* trading to the *East-Indies* are indebted to His Majesty in the Monies of which they shall have made Default in Payment, according to the Form of this Act, and have not paid the same ; which Declaration shall be sufficient, and in or upon such Action, Bill, Complaint, or Information, there shall be further recovered for His Majesty's

jesty's Use, against the said Company and their Successors, Damages after the Rate of Fifteen Pounds *per Centum per Annum*, for the respective Monies so unpaid contrary to this Act, together with full Costs of Suit; and the said United Company and their Successors, and all their Stock and Funds, and all other their real and personal Property and Estate, Lands and Tenements, whatever and wherever, shall be and are hereby made subject and liable to the Payment of the said Monies and Damages, with the full Costs of Suit.

120. And be it further Enacted, That the said United Company and their Successors shall, upon Payment of the several Sums by this Act directed to be made into the Receipt of His Majesty's Exchequer, and into the Bank of *England* respectively, be fully exonerated, acquitted, and discharged, as against His Majesty, His Heirs, and Successors, from all Writs, Actions, Suits, Damages, and Proceedings, for or on Account of the respective Sums which shall be so paid by the said Company; and in Order that no Difficulty or Dispute may arise in respect thereof, a Certificate shall be made, without Fee or Reward, for the ascertaining the Amount of every distinct Sum by the said Company paid into the Receipt of

Certificates of Monies paid in- to the Exchequer and Bank to be given to the Company.

the Exchequer, and into the Bank of *England* respectively, by Virtue of this Act, at the Time of the Payment thereof, specifying the Amount of the Sum or Sums so paid, and the Day of Payment of the same ; which Certificate in respect of Monies paid into the Receipt of the Exchequer shall be signed by the Auditor of the Receipt of the Exchequer, the Clerk of the Pells, and One of the Tellers, or in their Absence, by their respective Deputies attending at the said Receipt ; and for Monies paid into the Bank of *England*, such Certificate shall be signed by One of the Chief Cashiers of the said Bank of *England*, severally and respectively, at the Time of Payment of such Money ; and the several Certificates, so signed, shall be delivered to the said Company, or their Chief Treasurer or Cashier, and shall be good and sufficient Evidence in Law, as against His Majesty, His Heirs, and Successors, for the Payment of the Sum or Sums therein expressed and specified.

On Representation from the Directors of Inconvenience, the Treasury may postpone Payment of Monies into the Exchequer or Bank.

121. Provided always, and be it further Enacted, That if the making Payment of any Sum or Sums into the Receipt of the Exchequer, or into the Bank of *England*, respectively, at or within the Time or Times appointed by this Act for that Purpose, will be attended

attended with material Inconvenience or Embarrassment to the Affairs of the said Company, then and in every such Case the Court of Directors of the said Company shall and are hereby required to represent the same, and the Circumstances thereof, to the High Treasurer or Commissioners of the Treasury for the Time being, who shall forthwith examine into and consider of such Representation; and thereupon it shall and may be lawful for the said High Treasurer or Commissioners of the Treasury, if he or they shall see Cause, to postpone or suspend the Payment of the Sum or Sums, so accruing or accrued due as aforesaid, for such reasonable Time, and upon such Terms and Conditions, as to him or them shall appear reasonable and expedient; and that the Payment of the said Sum or Sums shall accordingly be postponed or suspended, and no Penalty or Damages shall be incurred or incurable in the mean Time, by Reason of the Non-payment thereof, any Thing herein contained to the contrary notwithstanding; Provided always, That there be laid before both Houses of Parliament, within Fourteen Days after the making such Order, if Parliament shall be then sitting, or otherwise within the First Fourteen sitting Days of the then next Session of Parliament,

ment, a Copy of the said Order, and of the Representation of the said Court of Directors, whereon the same shall have been granted.

If by War the Proceeds shall fall short of paying 500,000*l.* per Annum to the Public, the Deficiency shall not be made good, so as to impede the Accumulation of the Guarantee Fund, &c.

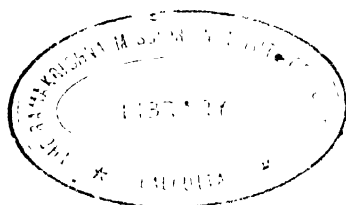
122. Provided also, and be it further Enacted, That if it shall happen that, by any extraordinary Expenses incurred in Time of War, or Preparations for War, or from Circumstances incidental to War, the aforesaid net Proceeds shall fall short (after Payment or Provision made for the said Dividend of Ten Pounds *per Centum*, and the said Five Hundred Thousand Pounds *per Annum*, for the Reduction of the said Debt in India) of making Payment to the Exchequer of the said Five Hundred Thousand Pounds *per Annum*, for the Use of the Public, then and so often as the same shall happen, the Deficiency or Deficiencies in the said last-mentioned Payments shall not be made good out of the Surplus of any future Year or Years, to impede the Accumulation of the said Guarantee Fund, not exceeding Twelve Millions of Pounds, payable into the Exchequer; but that the Amount of all Deficiencies so happening and occasioned, shall be deemed as a Debt to be made good to the Public upon the Determination of the

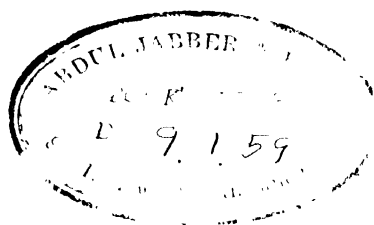
the exclusive Trade of the said Company, in the Event only of their general Assets, consisting of Monies in their Treasuries, Securities for Money, Ships, Goods, Wares, and Merchandize, and other their live and dead Stock, producing or amounting in Value to more than sufficient for the Payment of all the just Debts of the said Company, and of making good to the said Company the Value of their Capital Stock, rated at Two Hundred Pounds for every One Hundred Pounds of such Stock; but that after Payment or Provision made for the said Debts and Capital Stock as aforesaid, the Surplus or Excess of the said general Assets shall be applied in the making good the Amount of the said Deficiencies, as far as the same will extend, in Preference to any other Application thereof; any Thing herein contained to the contrary notwithstanding.

123. Provided also, and be it further Enacted, That the Appropriation made by this Act of the clear Profits of the said Territorial Acquisitions and Revenues in *India* shall not extend, or be construed to extend, to prejudice or affect the Rights of the Public, or of the said United Company, respecting the said Territorial Acquisitions and Revenues, beyond

Act not to affect the Rights of the Company or the Public respecting the Territorial Acquisitions and Revenues, beyond the further Term granted.

beyond the further Term by this Act granted, to the said United Company, under the Limitations thereof, in the sole and exclusive Trade to the *East-Indies* and Parts aforesaid.





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