

28-1



0391

OBSERVATIONS
ON THE
THIRD REPORT,
&c. &c.

Price Two Shillings and Sixpence.

0392

OBSERVATIONS

ON THE

Third Report

OF THE

SELECT COMMITTEE

OF THE

HOUSE OF COMMONS,

ON THE AFFAIRS OF THE

EAST INDIA COMPANY.

Dated 21st of June, 1811.

DEDICATED TO THE MARQUIS WELLESLEY.

~~~~~  
P A R T I.  
~~~~~

BY THOMAS MYERS, Esq. M. P.

LATE ACCOUNTANT-GENERAL IN BENGAL.

London :

PUBLISHED BY T. CADELL AND W. DAVIES, STRAND ;

Printed by G. SIDNEY, Northumberland-street.

1812.

TO THE
MOST NOBLE

MARQUIS WELLESLEY, K. G.

Ec. Ec. Ec.

MY LORD,

HAVING had the honour of being officially and confidentially employed in concerting the arrangements and superintending the details of the Public Finances and Accounts of India, during a part of the successive Administrations of the late Marquis Cornwallis, of Sir John Shore, Bart. (now Lord Teignmouth) and of your Lordship; being intimately acquainted with the extreme and unexampled pressure of the financial embarrassments, which your Lordship, in particular, had to encounter, and more especially at the commencement of your Administration; and having enjoyed, at least, an opportunity of deriving instruction upon financial subjects, under the eminent example afforded me by your Lordship, of unremitting application, distinguished ability, and successful exertion, in devising the most effectual means of providing for the pressing exigencies of the public service, and of establishing a sound and efficient system of Finance upon just,

liberal, and enlightened views of Public Policy ; I hope I may, without arrogance, presume to lay claim to some knowledge of the subjects discussed in the following sheets.

Under this impression I have diligently and impartially endeavoured to place some of the most important topics, animadverted upon in the Third Report of the Committee of the House of Commons on the affairs of the East India Company, in a more correct and distinct point of view than is afforded of those topics, respectively, in that Report.

In this (the first part of my Publication) almost all the measures, which I have reviewed, were brought under my own personal observation and deliberate consideration, in my official capacity abroad ;—before those measures were adopted ; during their progress ; and also after their respective results and effects had been ascertained.

If in this part of my work I shall succeed, even in the smallest degree, in affording any new light, or hint which may be useful to any of the existing Authorities ; or in impressing those Authorities and the Public with a more just sense of the severe financial difficulties with which your Lordship had to contend, and of the eminently successful result of your measures in the Administration of the Finances of India, I shall consider myself abundantly rewarded for the labour which I have bestowed upon the subject.

In the second part of my Observations (to be hereafter published) I propose to revise the Comparative View taken in the Report, of the supplies to and from India ; and also to review the losses which the East India Company have sustained, in consequence of the mode adopted in the adjustment of the accounts of advances, &c. for the Public Service in India, between His Majesty's Ministers and the Court of Directors.

In this part of my work, my sole object is to contribute, to the utmost of my power, my humble labours towards the elucidation of the truth, upon points which are, in my judgment, essential to a just view of the *unadmitted* claims of the East India Company upon the Public, and of the interests of my Country in its relation with the British Possessions in India.

The result, which I conceive I am warranted to anticipate, from my proposed revision of the Comparative View before described, is, that the Territorial Revenues in India will appear to be considerably more valuable, and the commercial intercourse with India, conducted by the East India Company, considerably less valuable, than those two branches of Public economy are respectively regarded, in the Third Report of the Committee of the House of Commons.

For presuming to address the following sheets to your Lordship, not only without permission, but even without any communication with your Lordship, upon the subjects which I have discussed,

viii

I must throw myself entirely upon your Lordship's candour and indulgence.

Perhaps there may be persons who may regard some of the passages in my Observations, as better calculated to find favour in your Lordship's eyes, than to promote any object of Public Interest. I have not, however, ascribed any of the effects, which I have stated, to any other than their real and obvious causes. And I could not therefore suffer myself to be swayed, by any consideration of a personal nature, to shrink from the duty which I had to perform.

Whatever may be the defects of my character, in other respects, I have never yet had to repel any insinuation of the description to which I have alluded. And, if any of the opinions, which I have expressed in the following sheets, should be called in question, I have no doubt that I shall be able to support, upon satisfactory grounds, all that I have advanced.

I have the honour to be, with unfeigned respect,

MY LORD,

Your Lordship's much obliged,

And most faithful servant,

THOMAS MYERS.

Tilney Street,
May 15th, 1812.

OBSERVATIONS

ON THE

THIRD REPORT

OF THE

SELECT COMMITTEE OF THE HOUSE OF COMMONS,

ON THE

AFFAIRS OF THE EAST INDIA COMPANY.

~~~~~  
DATED 21st JUNE, 1811.  
~~~~~

THE order proposed to be observed in the discussion of the various, intricate, and important points contained in the Third Report of the Select Committee of the House of Commons, on the affairs of the East India Company, dated 21st June, 1811, is to consider,

In Part I.

Those points which regard the origin, connexion, character, and effect of the measures adopted by the authorities at home and abroad respectively, upon the general subject of Indian Finance.

And in Part II.

Those points which affect the Comparative View, contained in the Report of the supplies from India to England, and from England to India respectively, from 1792-3 to 1808-9 inclusive; exhibiting a result of the Political being debtor to the Commercial Concern, in the sum of £1,629,701.

It will be shewn, under both these divisions of the subject matter of the Report, that it contains considerable errors and defects upon several material points. And, as in the proposed review of the important topics, which have been presented to the public, under the sanction of such High Authority, it is obviously desirable to exclude, as far as possible, every ground of imputation of a forced, or mistaken construction of any particular passage, it is proposed to quote the words of the Report upon the points to be discussed, on one side of the following sheets, and

to place on the opposite side, such Observations as shall appear to be requisite for the better elucidation of the subject.

PART I.

Those points which regard the origin, connexion, character, and effect of the measures adopted by the authorities at home and abroad respectively, upon the general subject of Indian Finance.

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

“ A plan, under the name of Sinking Fund, was accordingly instituted in the year 1798 at Bengal, and in the year 1799 at Madras, the principles of which are shewn in the documents added to the Appendix. It appears to have borne no affinity to that which passes under a similar appellation in England, and consisted of sums either raised by bills on the Court of Directors, or derived from the general resources of the country and applied to the purchase of public securities in India. The operation of this fund began in the year 1798-9 at the former presidency, and in the year 1799-1800, at the latter; and effected a reduction of the capital of the debt at Interest, down to the year 1808-9, to the amount of 4,038,696*l.* It is to be observed, in the first place, that the plan of the Sinking Funds established in Bengal and at Madras, did bear a strict affinity to the institution which passes under a similar appellation in England, in every material point except one, viz. that the annual charge incurred by the annual appropriation towards the liquidation of the Indian debt was not provided for by the immediate imposition of new taxes to an amount corresponding with such annual charge. It is further to be observed that, from local circumstances at the period of the adoption of the measure of the Sinking Funds in India, such a provision was a matter of more than ordinary difficulty; and, in addition to this consideration, it was deemed inexpedient to pledge the Indian Government to the Public, farther than the immediate necessity of the case required, until the sense of the Court of Directors should be obtained upon the subject. But it was well known to the Authorities in India that the plan was defective in the important point above stated. And this defect was officially communicated, by the author of the plan, to the Court

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st of June, 1811.*

of Directors, in a letter, dated January 1st, 1801, and expressed in the following terms:

“ I hope I shall not be considered as trespassing upon the attention of your Honourable Court in begging leave to state, in this place, that there is still one thing wanting to complete the plan in question,” (the plan of the Sinking Fund) “ which I apprehend it will be necessary soon to have recourse to; and that is, to lay it down as a rule in future, that, upon every increase of the public debt abroad, new taxes shall be imposed in India, adequate to provide for the annual charge incident to such increase of Debt; conformably to the established practice upon every increase of the funded debts of Great Britain.”

Notwithstanding, however, that the adoption, progress and effect of the plan of the Sinking Funds were regularly communicated, from time to time, by the proper Authorities in India to the Court of Directors, and notwithstanding also, that the defect in the existing plan, and the remedy to be applied for the removal of such defect, were distinctly stated to the Court in the terms above quoted; yet it would appear that the Court thought fit to abstain altogether from expressing, either their sanction, or disapprobation of the measure, in their correspondence with the Authorities

Report of the Committee, dated 21st June, 1811. P. 371.

Observations on the Report of the Committee, dated 21st June, 1811.

“ Reverting to the Sinking Fund instituted in the year 1798, and to its operation as lately shewn, it is thought proper to inform the House, that this plan for the liquidation of the Debt has been discontinued, and the accounts relating to it ordered to be closed on the General Books of the Bengal Presidency. The operation of the Fund on the Debt of the Madras Presidency appears, by the general account of the Debts, to have ceased from the year 1806-7. From this circumstance, and from the preceding observations, it is to be deduced that no regular plan for the liquidation of the Indian Debt, exists at the present time; but that whatever reduction may be effected in its amount, must arise from the application of the superabundant Funds which, more

abroad; leaving the questions connected with the subject in a state of suspense for a period of ten or eleven years, and then directing this plan for the liquidation of the debt to be discontinued.

It is not necessary in this place to enter into a detailed justification of the measure of the Sinking Funds; since it has been uniformly acknowledged by all the official authorities, and indeed by all persons who were competent to judge of its effects abroad, to have contributed, in a very important degree, towards the improvement of public credit at a period of unexampled pressure upon the public resources. But as the measure appears to be regarded in the cursory manner in which it is treated in the report, as one which was ill-concerted and even misnamed; and as it is further added “that this plan for the liquidation of the debt has been discontinued;” that no regular plan for the liquidation of the Indian Debt exists at the present time,” and that “the farther liquidation of the principal of the debt, should not be lost sight of;” the almost unavoidable inference from these observations is, that, notwithstanding the importance justly attached by the Committee to the farther liquidation of the Debt, it was, in their view of the subject, more eligible even to be without any plan at all, for that purpose, than to suffer the plan,

Report of the Committee, dated 21st of June, 1811. P. 371.

Observations on the Report of the Committee, dated 21st June, 1811.

“ from adventitious causes than from an excess of income, have accumulated in the Indian Treasuries; or from transfers made to Europe upon the principles which will presently be brought to the notice of the House. But these means of reduction must obviously appear to be merely temporary; and although it cannot be denied that the effect as immediately applicable to our situation, in India, is salutary from lessening the demand for interest, the farther liquidation of the Principal of the Debt should not be lost sight of.”

adopted in 1798 and 1799, to be continued any longer in operation.

Under this impression of the whole scope of the observations above quoted, it becomes expedient to examine how far the institution of the Sinking Funds has been justly regarded and characterised in the report:

It is stated in the original plan of this institution, dated the 10th of January, 1798, that the estimated amount of the whole of the Public Debt in India, (including the Debts of Bengal, Madras, Bombay, and Bencoolen) was sicca rupees 6,50,00,000, or about pounds sterling. 8,125,000.

It appears from the Report now under consideration, that “the operation of this Fund began in the year 1798-9, in Bengal, and in the year 1799-1800, at Madras, and effected a reduction of the Capital of the Debt at Interest, down to the year 1808-9, to the amount of pounds sterl. 4,038,696:” being in the proportion of nearly one half of the sum total of the Public Debt which existed in India at the time when this measure was suggested. It is apprehended that the reduction of so large a proportion of the Public Debt, during so short a period of time,

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

(being seven years at Madras and ten years in Bengal) cannot be justly regarded as a measure of light importance. It is to be observed, however, that the main object of the measure, as described in the original plan, was to effect a steady, uniform, rise in the value of the Public Securities, and thereby to enable the Government to raise the requisite supplies of money for the Public Service, with more facility, and upon more advantageous terms.

In proof of these expected results having been realized, it is only necessary to refer to the periodical state of Public Credit, as reported, from time to time, by the proper Authorities abroad.

It is certain that the amount of the advantage derived by the East India Company, from the progressive improvement of Public Credit, cannot be ascertained with precision. But in order to afford as correct a view of that advantage, as the nature of the case will admit, recourse may be had to an estimate of its probable amount, calculated, upon grounds to be assumed for the purpose, in the following manner :

It appears that, subsequently to the adoption of the plan of the Sinking Funds, the capital amount raised by Loans in India was at least £25,000,000.

It can scarcely be doubted by any person whose local knowledge enables him to

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

be a competent judge of the subject, that the sum above stated was raised upon more advantageous terms than could have been effected, if the plan of the Sinking Funds had not been previously adopted, in the proportion of 4 per cent. upon an average. And, upon this calculation, the result is, that the advantage derived by the East India Company, in this view of the operation of the Sinking Funds, may be estimated at pounds sterling, 1,000,000

There is also another view in which the measure under discussion demands consideration, viz. with regard to the advantage which has accrued to the East India Company from the change of system, introduced by the measure in question, in the discharge, or redemption of the public debt. It was the former practice to discharge the Principal, according to a certain order of priority at

Carry forward . . . 1,000,000

*Report of the Committee, dated
21st June, 1811, P. 371.*

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

Brought forward 1,000,000.

par, while under the operation of the Sinking-Funds, the redemption of the public securities was effected at their *actual value* in the market at the period of redemption. The advantage thus acquired by the East India Company must have been considerable; and it is apprehended, that its actual amount may be ascertained with perfect accuracy, by a reference to the public accounts from Bengal and Madras, at the East India House.

For the present purpose, however, it will be sufficient to estimate the probable amount of this advantage, as follows :

It is stated in the original plan of the Sinking Funds, dated the 10th of January, 1798 ; that, of the Public Debts of Bengal then existing, nearly one-eighth part consisted of 12 per cents. which were below *par* : above six-eighths of 8

Carry forward 1,000,000.

*Report of the Committee, dated
21st June, 1811, P. 371.*

*Observations on the Report of the Com-
mittee, dated 21st June, 1811*

Brought forward 1,000,000.

per cents. which were 14 per cent. below *par* : and nearly one-eighth of 6 per cents. which were 20 per cent. below *par*.

It appears from the Report now under consideration, that the whole amount of the debt redeemed under the operation of the Sinking Funds, was (as has been before stated)

4,038,696*l*.

It can scarcely be considered too much to assume (and any error upon this occasion may be easily detected) that the redemption of the sum above stated, was effected upon more advantageous terms for the East India Company than could have been attained under the previous system of a redemption at *par*, in the proportion of 6 per cent. upon an average. And, upon this calculation the result is, that the advantage derived by the East

Carry forward 1,000,000.

Report of the Committee, dated 21st June, 1811, P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

Brought forward 1,000,000.

India Company, by the measure of the Sinking Funds, in this view, may be estimated at the sum of(A.) 242,300.

Upon these calculations the total result is, that the advantages derived by the East India Company, in these two views of the operation of the Sinking

Carry forward 1,242,300.

(A.) An Honorable Gentleman who has long been a Director of the East India Company, and who is also a member of the Committee, whose Report is now under consideration, is reported to have stated, in his place in the House of Commons, in the debate upon the India budget, (vide Parliamentary debates, 15th July, 1806,) "that an equal reduction" (of the Indian debt) "might have been effected by the same sum in directly paying off debts without any establishment of a Sinking Fund." It is evident, however, from the view above taken of the effect of that measure in redeeming the Public Securities at their actual value in the market at the respective periods of redemption, contrasted with the mode before practised of "paying off debts" at par, as referred to by him, that his view of the subject was completely erroneous; inasmuch as the advantage derived from the Institution of the Sinking Funds, appears to have amounted in this view alone, to about 242,300*l.* Sterling.

N. B. Since the above calculation was made, information has been received, that the actual advantage thus derived from the Sinking Fund in Bengal alone, amounted to upwards of 180,000*l.* It may be presumed, therefore, that the above calculation of the whole advantage derived at the two Presidencies of Bengal and Madras, will be found nearly correct.

Report of the Committee, dated 21st June, 1811, P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

Brought forward 1,242,300.

Funds, may be considered as amounting together to about, pounds sterling 1,242,300.

This however is not all the advantage derived by the East India Company from the adoption of this measure. For there is great reason to apprehend, that, if it had not been for the institution of the Sinking Fund in Bengal (aided, in a considerable degree, by other important improvements in the administration of the Finances of India) the large pecuniary supplies which were urgently required for the exigencies of the Public Service, could not have been raised, upon any terms, to meet those exigencies in point of time. The peculiar importance of this consideration at the period in question, can only be duly appreciated upon a just view of the then critical and arduous state of Public affairs. At that period, the British Government in India was engaged in a just and necessary war, upon a scale of unexampled magnitude and extent, and under circumstances of severe aggravation of the pecuniary difficulties, naturally to be expected at such a juncture; since the existing Public Revenue was inadequate to provide for the ordinary Public Expenditure; the Public Treasuries were frequently in a state of actual insolvency; recourse had been had

Report of the Committee, dated 21st June, 1811, P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

to Public Loans, until Public Credit was almost entirely exhausted; and pecuniary supplies from England were not to be expected, either in time, or to an amount adequate to afford any material aid towards the prosecution of the extensive military operations, which were required for the maintenance of the national character, and the security of our interests in that quarter of the world. Notwithstanding, however, this severe pressure of the embarrassments of the Government, such were the policy, ability, and vigour with which all the necessary operations for the occasion were concerted and executed, that all the great objects of the war were completely attained within the short space of four months. This brilliant and unparalleled success of the British arms, is to be ascribed, in a considerable degree, to the salutary operation of the Sinking Fund in Bengal, towards the improvement of Public Credit. Pecuniary resources fully proportioned to the exigency were provided. An army amply equipped for the field, upon a scale superior to the force which it had to oppose, was enabled to march to the capital of the enemy, without being retarded, for a moment, by the want of the requisite supplies. And a memorable instance was thus afforded of this important truth, that, although the temporary

Report of the Committee, dated 21st June, 1811, P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

pressure, occasioned by the requisite exertions, may be severe; yet, that to extend the operations of war upon a scale adequate to ensure the accomplishment of the objects in contest, in the shortest possible space of time, is ultimately the most Provident Policy; whether it be regarded with a view to national character; to the consideration of the number of lives which must be lost in the contest; or merely with respect to economy in point of pecuniary expenditure.

With regard to the orders for the abolition of the Sinking Funds, it may be expedient to offer a few short observations. In the present prosperous state of the financial affairs of India, it is not likely that any very ill effects should be experienced immediately, in consequence of the discontinuance of those plans for the liquidation of the debt. Nor is it likely that, if those plans had been continued, any material advantage could have been derived, at the present moment, by the purchase of the Public Securities at a rate below par. But still the mere notoriety of such increased and growing funds being in the possession, and at the disposal of the Commissioners for the management of the Sinking Funds, could not have failed to produce a salutary effect in upholding the value of the Public Securities. It

Report of the Committee, dated 21st June, 1811. P. 371.

Observations on the Report of the Committee, dated 21st June, 1811.

is also to be observed, that it is not only possible, but extremely probable, that a time may again come, when circumstances may render it expedient to have recourse to some similar institution for the support of Public Credit; and that the suppression of the established institutions in the present instance, merely because they were no longer absolutely requisite, must lessen the public confidence in the permanency of any future institution of a similar nature, which it may be expedient to establish.

It may be further observed, that there could not be any necessity for the abolition of those institutions; since provision was made, at the time of their adoption, for the case which has actually occurred, and which is the apparent ground of their abolition; viz. a difficulty in applying the Funds vested in the Commissioners to the purchase of Government Securities in the market. This provision was contained in the sixth regulation for the management of the Fund, and expressed in the following terms: "The Commissioners shall be at liberty to subscribe any part of the monies to be placed to their account towards any public loan which is now open, or may be hereafter opened, in case they should not be able to apply the whole of the funds in their possession to the purchase of Government Securities; and it should

Report of the Committee, dated 21st June, 1811. P. 371.

Observations on the Report of the Committee, dated 21st June, 1811.

" appear to them to be beneficial to the interests of the fund to subscribe to such loan."

Under all the circumstances before stated it clearly appears, that the prosecution of the established plan for the liquidation of the Indian Debt was unquestionably practicable; as well as highly expedient, whether it be regarded with a view to the present or future advantage of the British interests in India.

" The anxiety with which the increase of the Debt in India has been contemplated by the Authorities at home, is strongly evinced by a letter addressed to the Chairman, Deputy Chairman, and Court of Directors, by a late President of the Board of Commissioners for the Affairs of India, when quitting that Department in 1801, which is already upon the table of the House. The suggestions contained in it were not neglected by his successor; and in the next year exertions were made to carry into effect a part of what was recommended in that document. The general principle of the measures (which were ap-

Without meaning to detract, in the smallest degree, from the merits of the two high Authorities referred to in this part of the Report, it may be observed, that the anxiety with which the increase of the Debt in India was contemplated by a High Authority abroad, is strongly evinced by a Minute of the Governor General, recorded on the Proceedings of the Government of Bengal, under date the 12th of June, 1798. In this document it may be affirmed, without hazard of contradiction, that the actual state of the existing pecuniary relations between India and England is most accurately detailed and defined. It is, therefore, expedient to take a short view of some of the topics discussed in that document, and intimately connected with the subject under consideration. It is there distinctly stated, that "the annual demand for the purpose of investment, upon a scale so far exceeding the annual means of the three

Report of the Committee, dated 21st June, 1811. P. 371.

“parently confined to the
“space of two years) was to
“accomplish a more rapid
“liquidation of the princi-
“pal of the Indian Debt,
“than could be effected by
“the existing arrangements.
“The proposed plan being
“brought to maturity, a
“communication of it was
“made to the Bengal Go-
“vernment, by a letter, dated
“the 1st of June, 1803,
“with orders for carrying it
“into execution. This do-
“cument will likewise be
“found in the Appendix;
“and the amount of the ex-
“ports of goods and of bul-
“lion, in the years 1803-4
“and 5, will prove that every
“effort was made to ensure
“the success of the mea-
“sure. The accumulation of
“the Indian debt, however,
“which appears in subse-
“quent years, shews its en-
“tire failure. The cause of
“this your Committee attri-
“bute to the war with the
“Mahratta Chieftains, which
“broke out in the very year
“in which the plan com-
“menced, and did not finally
“close till April, 1805.”

Observations on the Report of the Com- mittee, dated 21st June, 1811.

“Presidencies, is the principal cause
“of the present deficiency; and that
“the embarrassments of our finances
“*must be progressive*, if some means be
“not devised for aiding the resources of
“this Presidency.” It is then recom-
“mended to the Court of Directors “to
“take the earliest occasion of sending
“out supplies to India to the amount of
“eighty - five lacs of rupees, or
“1,062,500*l.* in addition to their usual
“consignments, by an increase of their
“annual exports of British manufac-
“tures and produce to Bengal and Bom-
“bay,” (amounting to thirty-five lacs of
“rupees,) “and by an annual supply of
“silver bullion to Bengal to the amount
“of fifty lacs, or 625,000*l.*” It is also
“further stated, that “if the sale of Bri-
“tish Manufactures in Bengal, and at
“Bombay, should equal the general
“expectation, an additional supply of
“near a crore of rupees (1,250,000*l.*)
“would accrue to this Presidency from
“the combined result of the two pro-
“posed measures.” And it is added,
“that “this supply would be nearly equal
“to the probable amount of the *perma-
“nent deficiency* of our resources.”

The immediate adoption of these
“suggestions of the Governor General
“would have prevented, in a great de-
“gree, the inordinate accumulation of
“the principal of the Indian Debt, and
“consequently of the annual charge upon

Report of the Committee, dated 21st June, 1811. P. 371.

Observations on the Report of the Com- mittee, dated 21st June, 1811.

the public resources for the interest of
that debt.

It appears, however, that the requi-
site supplies were not furnished from
England, and that the Supreme Go-
vernment was left, in a great measure,
to struggle, as well as it could, with its
growing financial embarrassments, for
four years longer; viz. until 1802-3, in
which year the total exports to India, in
bullion and goods, appear to have
amounted to 2,181,970*l.* sterling.

With respect to the measures sug-
gested by the late President of the
Board of Commissioners for the Affairs
of India, (Mr. Dundas) for the relief
of the financial embarrassments abroad,
it is to be observed, that he appears to
have founded his plan upon the sug-
gestions contained in the minute of the
Governor General, of the 12th of
June, 1798, as far as regards the pro-
posed supplies from England to India
in bullion and goods. It is also to be ob-
served, that when his plan was matured
by the Court of Directors, it was continued
in operation for *two years only*; viz. for
1803-4 and 1804-5; although it was
intended by him to be regularly perse-
vered in from 1801-2 to 1808-9 inclu-
sive; comprehending a period of eight
years. (Vide Appendix, No. 2, to Mr.
Dundas's letter, dated the 30th of June,
1801.)

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

With regard to the other important feature in the plan of the late President, consisting of a calculation of there being a surplus revenue in India, applicable to the objects of the plan, to the amount of 800,000*l.* (vide Appendix, No. 4, to Mr. Dundas's letter, dated 30th of June, 1801,) and which supposed surplus was afterwards enlarged by the Court of Directors, in their calculation, to the amount of 1,000,000*l.* (vide Appendix to the Report, No. 38,) it may be sufficient to observe upon the present occasion, that it appears from the result, that those calculations could not have been realized, even under the circumstance contemplated by those two Authorities; viz. a state of peace with the Native Powers in India.

The plan of the late President is dated the 30th of June, 1801. It is stated in the Report now under consideration, that, "this plan being brought to maturity, a communication of it was made to the Bengal Government, by a letter, dated the 1st of June, 1803, with orders for carrying it into execution." It appears, therefore, that, between the date of the Governor General's suggestions, and the period at which the plan of the late President was brought to maturity by the Court of Directors, an interval had elapsed of nearly five years; comprehending a

Report of the Committee, dated 21st June, 1811. P. 371. *Observations on the Report of the Committee, dated 21st June, 1811.*

space of time eminently arduous and critical to the British interests in India, and attended with unexampled pressure on the public finances.

Towards the conclusion of the observations upon this point in the Report, it is stated, that "the cause of this" (the entire failure of the plan) "your Committee attribute to the war with the Mahratta Chieftains, which broke out in the very year in which the plan commenced, and did not finally close till April, 1805."

This opinion being stated in these unqualified terms, it becomes expedient to take a short view of the financial transactions, connected with the plan, for the period referred to in the Report; viz. the years 1803-4 and 1804-5.

The Court of Directors, in their letter to the Governor General in Council, dated 1st of June, 1803, (vide Appendix to the Report, No. 38,) "authorize that Government, for the two next years, to draw bills on the Court for such farther sums as may be required to liquidate 2,000,000*l.* of debt within the year, provided the amount of bills drawn for that purpose, including those drawn for the investment, if such should be necessary, shall in no case exceed the difference between the amount of the value sent out in bullion and exports, and the sum of five millions."

Observations on the Report of the Committee, dated 21st June, 1811.

This proposed annual supply for 1803-4 and 1804-5 respectively, being two years, amounts to.....£10,000,000

It appears from the account, No. 5, in the Appendix to the Report, that the total amount of the supplies to India and China, in bullion and goods, was, in 1803-4 . . . 3,043,807 And in 1804-5 3,957,822

Being together 7,001,629

It appears from the account No. 6, in the Appendix to the Report, that the total amount of Bills of Exchange and Certificates, including both such as were drawn for the liquidation of the Indian Debt, and such as were for general purposes, paid by the East India Company, was in 1803-4, 959,383, and in 1804-5, 1,021,144

Being together 1,980,527 Adding then to the amount of the supplies in Bullion and goods the amount

Carry forward.....7001,629 10,000,000

Observations on the Report of the Committee, dated 21st June, 1811.

Brought forward.....7,001,629 10,000,000 of bills and certificates above stated, viz. 1,980,527

The total amount of supplies from England to India, in 1803-4 and 1804-5, is 8,982,156

And deducting this amount, viz 8,982,156

from the amount which should have been furnished, according to the Court's letter to Bengal, of 1st of June, 1803, the deficit in the proposed supplies to India and China, as held out in the Court's letter above quoted, amounts, in 1803-4 and 1804-5, to the sum of pounds sterling..... 1,017,844

To this deficit in the proposed supplies from home should be added, the sums advanced in India, for the service of his Majesty's Government; since those sums became consequently inapplicable to the objects of the Plan contained in the Court's letter of 1st June, 1803. These advances are stated in Account No. 17, in Carry forward..... 1,017,844

Observations on the Report of the Committee, dated 21st June, 1811.

Brought forward..... 1,017,844

the Appendix to have been as follows: "Vessels, &c. and Stores for King's Ships in 1803-4.....21,472 in 1804-5.... 30,381

Being together £51,853

"Ceylon charges admitted in full in 1803-4, 68,827 in 1804-5..... 55,834

Being together £124,661

"Eastern Islands."

It appears from account No. 4, in the Appendix to the First Report, printed 25th May, 1808, that the sum advanced in India, on this account was, in 1803-4..... 215,184 in 1804-5..... 37,964

Being together... 253,148

"Expense in India of Prisoners captured at Sea."

In this case there is not any specification in the account No. 17, in the Appendix, of the period during

Carry over..... 429,662 1,017,844

Observations on the Report of the Committee, dated 21st June, 1811.

Brought forward..... 429,662 1,017,844

which this charge was incurred.

The total charge, however, under this head, is 300,000l. and taking this expense to have been incurred in 17 years, and apportioning the charge equally to each year of that period, the annual charge will be, 17,647l.

And consequently the charge for 1803-4 and 1804-5, being two years, will amount to..... 35,294

The principal amount of the several items of advances, &c. above-enumerated, is 464,956

Add, interest on the sum above stated at the rate of 9 cent. per annum, being about the rate actually charged on this account, to Government, in No. 4 of the Appendix to the First Report; for one year only, viz..... 41,846

Subject then to the correction of such inaccuracy as may be found in the above estimate of "the

Carry over..... 506,802 1,017,844

Observations on the Report of the Committee, dated 21st June, 1811.

Brought forward.....	506,802	1,017,844
“expense in India of “Prisoners captured at “sea,” the total amount of the several items of ad- vances, &c. in India which were not comprehended in the objects of the plan under consideration, is.....	506,802	
And adding this amount to the deficit in the proposed supplies from home before stated, the total deficit (exclusive of the consideration of the sur- plus revenue having been much over-rated) amounts to the sum of.....		1,524,646 :

Being rather more than three-eighths of the proportion of Debt proposed to be paid off in 1803-4 and 1804-5, viz. 2,000,000l. in each year, or 4,000,000l.

The view taken of this subject in the Report, having been confined to the years 1803-4 and 1804-5, it is deemed expedient to limit these observations to the same period of time; although the further the view of the subject be extended, the more the Deficit in the amount proposed to be supplied from home towards the liquidation of the Debt abroad, will be augmented. But

Report of the Committee, dated 21st June, 1811, P. 371. Observations on the Report of the Committee, dated 21st June, 1811.

even upon the limited view of the subject above taken, it cannot fail to be evident, that to attribute the entire failure of the plan for the liquidation of the Indian Debt to the war with the Mahratta Chieftains is not correct; since there must have been a failure in the plan, to a very large amount, even if the war with the Mahratta Chieftains had not existed.

Before this part of the subject be dismissed, it may not be improper to notice a passage in the letter from the Court of Directors to the Governor General in Council, dated 1st June, 1803, contained in the appendix to the Report No. 38, and expressed in the following terms: “We think it necessary to repeat and specially to direct, that the provision of our investment to the extent mentioned in the former part of this letter, that is to say 4,000,000l. (four millions of pounds sterling,) is to take place of every other application of our Funds, whether they arise from surplus revenue, the sale of exports sent from hence, from Bullion, or from Bills on the Court of Directors.” “Upon these peremptory orders, it is to be observed, that they were not merely such as it might have been highly inexpedient, and indeed absolutely impracticable to execute, without a violation of the existing engagements with the Public

Report of the Committee, dated 21st June, 1811. P. 371. Observations on the Report of the Committee, dated 21st June, 1811.

Creditors in respect to the Sinking Funds, and of other most important duties of the Government abroad in various points of view; but also, that these orders could not have been carried into effect within the year (1803-4) in which their operation was calculated upon, without a violation of the law: the application of any resource, derivable from the revenues, exclusively to commercial purposes, (previously to an actual surplus-revenue having been ascertained) being manifestly illegal; since it is specially provided in the act passed by the Legislature, upon the renewal of the Charter of the East India Company, in 1793, that the Revenues of India should be appropriated according to the following order of preference :

- 1st, Military and Marine charges.
- 2dly, Interest on the Public Debt.
- 3dly, Civil and Commercial Establishments.
- 4thly, Provision of the investment in India and China.

With deference to the High Authorities who appear to have entertained a different opinion, it is conceived that the construction above given is the only just construction which can be put upon the provisions of the act above quoted. In a subsequent part of that act, provision is certainly made for the application to commercial purposes of the surplus revenue. But these words

Report of the Committee, dated 21st June, 1811. P. 171. Observations on the Report of the Committee, dated 21st June, 1811.

must be understood to signify not an estimated surplus revenue, but an actual surplus revenue only. If it were otherwise it would be in the power of a sanguine calculator to abrogate, at pleasure, the just and salutary provisions of the legislature in this behalf, at any time, and under any circumstances; a power which it is apprehended that neither the spirit, nor the letter, of the law in question will warrant.

Admitting, however, for the sake of argument, that the surplus revenue may be legally applied, within the year in which it shall accrue, exclusively to commercial purposes, still it would be impossible, so to appropriate such surplus, with the strict accuracy required in the orders before quoted. In Bengal, the actual amount of the surplus revenue, of any year, cannot possibly be ascertained until some months after such year shall have elapsed. If, therefore, the facts had been, that there was an actual surplus revenue accruing in Bengal in the year in question, and that such surplus had not been strictly applied to commercial purposes as required in the orders from home, it may be asked to whom could any blame for such failure have been justly attached?—certainly not to the government abroad, or to any of its officers; since so to attach blame to them would be, in fact, to blame for not doing that which was absolutely impossible to be done.

*Report of the Committee, dated
21st June, 1811, P. 372.*

“Your Committee having
“thus given a short sketch
“of the general measures
“adopted from time to time,
“for the reduction of the
“Indian debt, will draw this
“part of their Report to a
“conclusion, by a few ob-
“servations respecting the
“debt itself; a further ex-
“planation which is the more
“necessary from the altera-
“tion in the terms of bor-
“rowing in India, being the
“admitted cause of those
“embarrassments of the
“treasury in England which
“have been, upon another
“occasion, brought to the
“view of the House. Your
“Committee will not go in-
“to detail upon this subject,
“but be satisfied with ad-
“verting, generally, to what
“preceded the year, 1798.
“Previous to that time,
“whatever was the rate at
“which money was raised
“by Loan in India, the
“transaction was almost en-
“tirely local, and no power
“of demand in England,
“either for principal or in-
“terest was allowed to the

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

With regard to the alteration in the terms of the Indian Loans here referred to in the Report, it might be sufficient to observe, that when such alteration was made, it was not practicable to raise pecuniary supplies in any degree proportioned to the extent of the Public exigencies, in the ordinary manner in which such supplies had been obtained in former times. It may, however, be added that, if it had been practicable to pursue that mode, with any prospect of success, it was, under the existing circumstances, much more advantageous for the real interests of the East India Company, to raise such supplies upon the plans of the Loans which were adopted about the year 1798.

It should be recollected that, notwithstanding every practicable effort was made to support the value of the Public Securities abroad, the eight per cents. had actually fallen in value, at that period to 14 per cent. below par. It was evident therefore that any further issues of the same description of Public Securities could not fail to produce a still further depreciation of such Securities; and consequently that if recourse had been had to that measure, it would have afforded but a precarious and scanty supply to the Public Treasuries, even at a constantly increasing rate of expense, proportioned to the

*Report of the Committee, dated
21st June, 1811, P. 372.*

“lender, (except as far as
“related to the principal,
“under the remittance plan)
“consequently, whatever
“pressure arose, fell in the
“first instance upon the In-
“dian treasuries. The spe-
“cies of loans, termed op-
“tional, (from vesting in
“the lender a right to de-
“mand Bills upon England,
“for the interest half-yearly,
“and for the principal when
“due, according to the te-
“nor of the obligation,)
“commenced in 1798, with
“the Decennial Loans, at
“10 and 8 per cent. per an-
“num; which amounted to
“3,820,000*l.* The Loans
“on the register, since the
“year 1800, were uniformly
“raised with this option, till
“the arrival of the orders of
“the Court of Directors,
“dated 9th December, 1807,
“in which they pointed out
“in strong terms, the incon-
“venience arising from this
“practice, and directed that
“the system of borrowing,
“with the allowance of an
“option, should be disconti-
“nued. The Receipt of these

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

progressive depreciation of those Securities. The probability certainly was, under such circumstances, that such depreciation would, in a very short time, have far exceeded the extent which it did actually attain in the former Mysore war in 1791-2; which was then sometimes from 20 to 23 per cent. Calculating the depreciation, however, at only 20 per cent. the comparative rate of expense in raising supplies by the issue of 8 per cents. and under the plan of the Decennial Loan, may be stated as follows:

For 100 Rupees, capital in 8 per cents. 80 Rupees would have been obtained in cash. The annual interest upon this sum would have been 8 Rupees, being at the rate of 10 per cent. per annum, until the capital should be discharged. The annual charge for interest, therefore, upon the *Cash-Receipts*, from the issue of 8 per cents. would have been precisely the same as the annual charge for interest upon the *Cash-Receipts* obtained under the plan of the Decennial Loan; viz. 10 per cent. per annum. But there was this additional and important advantage in raising supplies upon the plan of the Decennial Loan. No fictitious capital was created, and when the principal of that Loan was to be discharged, no more was payable in cash, on account of that principal, than had been actually re-

Report of the Committee, dated 21st June, 1811, P. 372.

“orders was acknowledged
“by the Bengal Govern-
“ment, on the 14th of May,
“1808; and by subsequent
“advices it appears, that the
“system has not only been
“discontinued, in so far as
“regards the principal, but
“that nearly the whole of
“the Obligations coming
“under the description of
“optional loans at the se-
“veral Presidencies, have
“either been liquidated in In-
“dia by cash-payments, and
“transfer to other loans, or
“have been transferred by
“Bills to England, under
“the option originally grant-
“ed to the lender. The ef-
“fect of the transfer to En-
“gland has already borne,
“and will still further bear
“with such weight upon the
“Treasury in England, as
“to create the necessity of
“extraordinary measures, to
“enable it to meet the de-
“mand, which may not
“perhaps be termed impro-
“perly an unnatural one
“upon the Funds of the
“Company at home.”

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

ceived into the Public Treasuries in Cash. Whereas, when the eight per cents. were to be discharged, for every 80 Rupees received into the Public Treasuries in Cash, a Principal Sum would have been payable of 100 Rupees in Cash; 20 per cent. thereof being Fictitious Capital. In this view, therefore, the plan of the Decennial Loan was more advantageous to the East India Company than a continuance of the former mode of raising supplies by the issue of 8 per cents. could have been, by 20 per cent. upon the whole capital so raised; while the additional accommodation and security afforded to the subscribers to the Decennial Loan, by allowing the interest of that Loan to be remitted by the public officers abroad, (if so desired) by bills on the Court of Directors, at a fixed rate of exchange, and for a certain term of years; and the principal also, in like manner, and at the same rate of exchange, upon the expiration of the term of the Loan, were in fact considerably less than the advantages which the subscribers were fully entitled to expect, considering the opportunities which existed at that time, and for many years afterwards, of effecting a remittance upon still more advantageous terms, even through the medium of bills upon the Court of Directors; and particularly by the subscription of the six per cents. to the remit-

Report of the Committee, dated 21st June, 1811. P. 372.

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

tance for the transfer of the debt. The rate of exchange of that remittance was 1s. 11d. per current Rupee. The discount upon the six per cents. was 20 per cent.; and, at this rate of discount, they afforded a remittance at the exchange of 2s. 9½d. per Sicca Rupee; while the rate of exchange at which the Decennial Loan was remittible was only 2s. 6d. per Sicca Rupee; being less than the rate to be obtained by the transfer remittance by ten and an half per cent.

The amount raised by the Decennial Loans is stated in the Report to have been 3,820,000*l.* The superior advantage of these Loans, compared with the plan (apparently preferred by the Committee,) of having recourse to the further issue of 8 per cents. has been shewn, upon the calculation above stated, to have been full 20 per cent. upon the capital so raised. And the result therefore is, that, exclusive of the high importance, in a political point of view, of securing the necessary supplies in the order of time in which they were required, the pecuniary advantage alone derived by the East India Company from the adoption of the Decennial Loans, in preference to the other alternative of having recourse to the issue of 8 per cents. amounts to no less a sum than 740,000*l.* sterling.

Such was the effect of the first altera-

Report of the Committee, dated 21st June, 1811. P. 372. *Observations on the Report of the Committee, dated 21st June, 1811.*

tion in the terms of the Indian loans referred to in the Report. And when the rate of interest was generally lowered to 8 per cent. (B.) after the reduction of the power of the late Tippoo Sultaun, in 1799, the advantage arising from the alteration in the general system of the loans became, of course, augmented in proportion to the reduction effected in the rate of interest.

The unprecedented amount of the pecuniary supplies, which were raised in India by the Decennial Loans, in the short space of about twelve months, and which supplies enabled the Government to provide effectually for the emergencies of the extensive and complicated warfare in which it was unavoidably involved, to relieve itself from the pressure of its previously existing embarrassments, and to continue, without any very material interruption or diminution, the usual advances for the investment for England, affords a remarkable instance of the salutary operation of the institution of the Sinking Funds. It has been clearly proved, that the terms offered to the subscribers to the Decennial Loans were not only not

(B.) During a part of the years 1796, 1797, and 1798, many attempts were made to raise money upon Loans at 12 per cent.; but even at that rate of interest (the highest allowed by law in India) supplies could not be obtained to an amount at all adequate to the relief of the public embarrassments.

Report of the Committee, dated 21st June, 1811. P. 372. *Observations on the Report of the Committee, dated 21st June, 1811.*

immoderate, in any respect, but that they were, on the contrary, highly advantageous to the East India Company. Neither fear nor favour, present or prospective, could have had any influence upon the occasion. It is, therefore, to the cause above stated, combined with the thorough confidence which pervaded all classes of the community in the justice, energy, and talents, which then peculiarly distinguished the character of the Public Councils in India, that the unprecedented success of the measure in question is to be attributed.

With regard to the optional loans at 8 per cent. which were afterwards adopted in India, it may be observed that the nature of that option was regularly communicated to the Court of Directors. It was known also to the Court, that the adoption of those loans, with such option, was forced upon the Government abroad from necessity, occasioned by the extreme pressure on the Public Finances. The Court appears also to have been fully sensible of this necessity, and, under that impression, to have given, at least, a tacit concurrence in the principle of those loans, for a period of about nine successive years. And, as a right to demand payment of those loans in England was known to the Court to exist, under the option originally granted to the Lender, it may well be questioned whether the

*Report of the Committee, dated
21st June, 1811. P. 372.*

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

exercise of such right, which has lately taken place, can be properly deemed (as it has been termed in the Report) "*an unnatural demand upon the Treasury in England.*" (C.) This at least is certain, that it is a demand which had been long known to the Court to exist, and which, according to the natural course of human affairs, ought to have been expected.

It may also be added that, if it had not been for the measures which were so precipitately pursued for the purpose of inducing the holders of the Optional Securities to relinquish the right of transferring them to England, the pro-

(C.) Upon a former occasion the measure of the Optional Loans, above discussed, appears to have been condemned by the Honourable Gentleman alluded to in note A, (page 10) upon grounds of a very different nature from those assumed in the Report now under consideration. That Honourable Gentleman is reported to have stated, in his place in the House of Commons, in the debate upon the India Budget (vide Parliamentary Debates, 15th July, 1806,) "that they (the Optional Loans) were a dangerous instrument in the hands of any Government, by enabling it to undertake schemes of conquest and ambition, unsuitable to the intrinsic powers of our Indian Government, and our true line of policy." This intended censure is, however, in reality, decisive evidence of the merit of the measure in question, even in the view of the Honourable Gentleman, by whom it was thus arraigned. For it were vain to contend, that the measure might be a dangerous instrument in the hands of a weak or a wicked Government, without admitting also the converse of the proposition,—that the measure was well calculated to be an useful and salutary instrument in the hands of any Government competent to exercise the many other important functions, necessarily confided to its charge, with safety and advantage to the public interests.

*Report of the Committee, dated
21st June, 1811. P. 372.*

*Observations on the Report of the Com-
mittee, dated 21st June, 1811.*

bability is, that there would not have been any desire to transfer them in so large a proportion at once as to occasion any inconvenient pressure upon the Treasury in England, which is, at present, so much the subject of complaint.

Upon these Views of the several financial measures of the government abroad, and of the various, complicated and pressing embarrassments under which those measures were concerted and executed, it is conceived that it cannot fail to be evident to every man of an impartial and ingenuous mind, that those measures possessed no small degree of merit. It is hoped, therefore, that these Observations will tend to dispel some of the delusions which have been circulated with too much success, in regard to the character of those measures. That those measures were eminently successful cannot be doubted. The only remaining consideration with respect to them may, therefore, be comprised in this short Question; Whether, under all the circumstances of the case, those measures were, or were not, the best and the most expedient which could have been devised, with an equal degree of certainty, of securing the same beneficial results?

It would seem, indeed, scarcely possible that any impartial person should

Report of the Committee, dated 21st June, 1811. Page 372. *Observations on the Report of the Committee, dated 21st June, 1811.*

hesitate to answer this Question in the Affirmative. If, however, there should be persons who still conceive themselves justified in maintaining the Negative of the Proposition, it is to be hoped that they will candidly and distinctly state in what particular respects it is, that the merits of the measures in question can be regarded as incompletely established.

END OF THE FIRST PART.

The remaining Observations, which appear to be material for the better elucidation of the several points, comprehended in the second division of the subject matter of the Report, will be speedily completed, and published in Part II.