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LETTER

FROM

SIR PHILIP FRANCIS, K. B.

TO

*LORD VISCOUNT HOWICK,*

ON THE

STATE

OF THE

EAST INDIA COMPANY.

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SECOND EDITION.

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1807.

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*Price One Shilling.*

*Extract of Mr. FRANCIS's Speech, 1803.*

“ Most earnestly would I urge and entreat His Majesty's Ministers not to neglect this great national interest; to think of it in time, and put the consideration of it into a right course. The evil is not stationary. While Ministers delay, they lose ground; and at last the object will force itself upon them with increasing difficulty and disadvantage.”

*Extract of Mr. FRANCIS's Speech of 10th July 1804.*

“ Every new fact that appears, and every fresh light we obtain, serves only to confirm the declaration I made a year ago, that the mischief was in a state of progression, and to convince me that the case is a good deal worse than it was then.”

*Ditto, 1805.*

“ The Corporation, and the Subscribers or Proprietors are different persons. One of them

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borrows, the other lends. In all cases, the debt should appear and be acknowledged. I believe the worthy Directors would be very tender of telling the Proprietors, the widow and the orphan, whose fortunes are invested in the Stock, that the corporate body owed them nothing. Undoubtedly they are different parties; and accordingly the Legislature has repeatedly interposed in the management of their domestic affairs, for the necessary purpose of protecting one of them against the other."

*Extract of Mr. FRANCIS's Speech of 10th July 1806.*

"The Noble Lord on the other side (*Lord Castlereagh*) says, he shall be happy to hear that this Indian debt (*of thirty millions*), or the greater part of it, is on its travels to England. In that hope I believe his Lordship is very likely to be gratified. Above seventeen millions and a half are payable in England at the option of the holders of the securities."

TO  
**LORD VISCOUNT HOWICK.**

July 1, 1807.

ON the 10th of March 1806, I declared in the House of Commons, that it was my intention to withdraw myself generally from the discussion of political questions purely and properly Indian, and not involving any immediate British interest; but that, as long as I had a seat in Parliament, I should watch and take care, to the utmost of my power, to prevent the finances of Britain from being ruined by those of India.

The special case reserved and excepted from a general intention, which I might have wholly

relinquished at any time, is now very likely to occur. As far as I am able to judge, the India Company cannot pay their current expences and establishments in England, much less their debts, dividends, and duties to Government. Not possessing a seat in Parliament, I have no way left to perform the duty, for which I hold myself pledged to the community, and equally binding upon me in all situations, but by furnishing some Member of the House of Commons, qualified as you are, with the means and materials to perform it for me. The facts and propositions, stated in the inclosed paper, are carefully taken from authentic documents furnished by the India Company. A common excuse for not examining into the state of the Company's affairs, and for voting on that subject without knowledge or inquiry, or for not attending to it at all, is founded on the mass and intricacy of their accounts, and the difficulty of understanding them. I have taken pains to obviate that difficulty, and to silence such pretences. No man, as I conceive, who

will take the trouble to read this paper, can say, with truth, that the case is unintelligible, or that he is not master of the general question at least, on which he may be called upon to decide.

PHILIP FRANCIS.

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1. THE last India Budget, produced by Lord Morpeth on the 10th of July 1806, brought the state of the Company's affairs abroad no farther than to the 30th of April 1804. At that period, the Company's debt in India amounted to £25,046,000; and, in the debate on the Budget, it was generally admitted that the debt in July last might be fairly estimated at £30,000,000. The estimated revenue in India for the year 1805-6 fell short of the estimated charges of that year to the amount of £2,655,957. Whether the debt has been increased or diminished, since April 1804, is not known. The accounts are three years in arrear. On the 24th of April last, the Directors informed the House of Commons, "That the statements, from which the accounts, required by the Act, are to be formed, have been only lately received." The Directors

then have suffered the law to be disobeyed by their servants with impunity.

2. From their own accounts it appears that, on the 1st of March 1803, the balance of their annual account of receipts and payments in Leadenhall Street was £1,009,822 in their favour. That on the 1st of March 1804, the balance of the same annual account was reduced to £172,448; though, in the year ending on that day, they had received one million from Government on account of stores and supplies, and had issued Bonds for £95,560 more than were paid off. That on the 1st of March 1805, the balance was reduced to £12,020; though, in that year, they charge themselves with having received one hundred thousand pounds borrowed of the Bank, with £500,000 borrowed of Government out of Tea Duties, and with Bonds issued for £567,525 more than were paid off: which three sums, amounting to £1,167,525, make part of what they call their *receipts*, which if they had not borrowed, the balance on the

face of the annual account, ending in March 1805, would have been against them to the amount of £1,155,505, instead of £12,020 in their favour.

On the 1st of March 1806, the balance appears to be in their favour £669,794, which balance is created by the receipt of another million from Government, and by another issue of Bonds for £701,100.

On the 1st of March 1807, the balance is stated in their favour to amount to £511,978, and in that year they received another million from Government on account of *what was due to the Company*. If they had not received that supply from Government, the balance would have been against them on that day to the amount of £488,022. By their estimate for the current year, ending the 1st March 1808, the balance against them, or the deficiency of their receipts compared with their payments, is suddenly raised to £2,213,796.

3. By a state of their debts and assets at home, dated 24th March 1807, they make out

a balance in their favour of £12,663,969. Before any step is taken in Parliament to grant or refuse assistance to the India Company out of the public purse, this account should be strictly sifted by a Committee of the House of Commons, in order to ascertain, first, whether any proper debits are omitted, and then the true value of many of the items for which credit is taken. For otherwise it is impossible for the House of Commons to know whether the ostensible balance, exhibited on the face of this account, be true or false, and consequently what the real situation of the Company is. For example, whether the amount of the Company's capital, for which the corporation received £7,780,000, ought not to be debited against this account. Secondly, whether they have a right to take credit for £2,460,000, as still due from Government for stores and supplies, after having already received three millions from the public on that account. Thirdly, what is the true saleable value of the India House and Warehouses, for which they give

themselves credit for £1,025,000? Fourthly, whether their annuities in the funds are valued at par, or at the market price? Fifthly, in March 1793 the Company were in possession of a sum arising from former profits, amounting to £467,896, which was called their *separate* fund. It belonged to the Proprietors, and as such was lent to the trading capital: consequently it ought to stand as a debt against this account, but the head itself has disappeared, and, if we may judge by omission, the money is gone. Other items in the same account require examination, but these are the most material.

By the Act of 1793, the Company's Charter was renewed for twenty years. The only compensation receivable by the public, in return for a surrender of the general rights of the nation to participate in the revenues and commerce of the British empire in India, was to be a payment of £500,000 in every year into the receipt of His Majesty's Exchequer. Of this annual stipulation only one year's amount

has been paid by the Company, on whose behalf it is said that Government have no legal demand on this account, because the net proceeds of the Company's sales did not furnish a surplus, out of which the participation due to the public could be defrayed; that is, in plain English—*We have spent the money; of course you have no claim.* Is that a sufficient answer to the House of Commons demanding the payment of a debt due to the public, and is it to be admitted without inquiry into the fact?

In these circumstances of the Company, in which the actual state of their finances abroad is not included, because it has not been produced, a General Court of Proprietors resolves, on the 17th June 1807, as they have done for many years successively, that the half-yearly dividend on their capital shall be  $5\frac{1}{4}$  per cent. or  $10\frac{1}{2}$  per annum. Any other merchants or trading body would have cast up their accounts before they made a dividend, and ascertained out of what commercial profits, or out of what other available fund such dividend was to be

made. Will the House of Commons permit the India Company to vote dividends to themselves not only without a surplus to divide, but without assets of any kind? The plain and obvious question to be asked, and which the Directors should be compelled to answer distinctly, is—*Out of what fund do you propose to pay the dividend you have now voted?* The result of that single question may possibly show that either the Proprietors of India stock must go without a dividend, or that they must receive it from Parliament out of taxes to be raised on the community. Expedients may be found to disguise or perplex this conclusion, but this in fact will and must be the conclusion. Their debts also, which at home at least are very pressing, must be paid by the public or not paid at all. The power of Parliament to distribute or even to waste the property of their constituents has been too long established by practice to admit of a dispute. But has the House of Commons a moral right, does it possess a constitutional competence, does it fall



within the limits of any rational idea of the trust reposed in them, to feed the wants and support the existence of a mercantile corporation out of the public purse? And, if the right to do so were as clear as the power, what purpose could it answer in the present case, but to put off for some short period the certain and unavoidable ruin, and at last the declared insolvency of the East India Company? Even a direct payment or liquidation of the balance existing at the end of the current year, would not mend the matter in the succeeding years. The same causes, which create the *deficit* in one year, will reproduce it in the next, and so on for ever, until the system itself shall be so corrected and improved as to produce an equality, at least, between the receipts and the payments.

It may be said that these merchants or any other mercantile body are at liberty to raise money, *if they can*, on their own credit. My answer is, No. First, they have not the power, because they have already exhausted their credit, and can borrow no more. Their bonds

actually in circulation, with the interest due upon them, amount to £2,969,389. They cannot issue more, because the market will not take them; or, if they did, they would gain nothing by it, because the bonds would be under par, and of course paid in at their sales. How is it possible for them to circulate additional bonds to the extent of two millions? Or where is a lender to be found of such a sum on such security? They already owe the Bank £842,666 principal and interest; and even this they could not have borrowed without mortgaging their annuities in the public funds to the Bank. But it is said that they may raise two millions by augmenting their capital, that is, by an addition of one million to their stock, at ten and a half per cent. and of £105,000 to their annual charge. This, if it could be done, would be only borrowing in another form at an interest higher than legal, and with a proportionate diminution in the value and security of the present capital to the present proprietors. They

have no mercantile use for such an increased capital; and, if they had, they could not so apply it; the money must go to discharge instant demands, which cannot be postponed without avowed bankruptcy. They have already raised five millions in this form, during the administration of Mr. Dundas, viz. by augmenting their capital, without any new market or demand of trade, in which a new capital might be beneficially employed. On the contrary, a Committee of their own Court of Directors have declared, in a Report dated the 25th of March 1802, "that the original capital of £2,800,000 was sufficient to enable the Company to carry on their trade, *when it was truly exclusive*, for near a century."

Supposing, nevertheless, that it were still possible for the Company to raise a large sum, by their own means or on their own credit, would it be justifiable in Parliament, considering all the circumstances, to permit them to do so? The money must, in some way or other,

be raised on the public; while the borrower, so far from having any security to offer to the lender, is actually insolvent, and has no view in borrowing but to put off the evil hour. The House of Commons cannot, without a breach of trust, connive at such a transaction. They cannot suffer two millions sterling to be levied, in the shape of a loan, on the ignorant and the unwary, who may be tempted by the promise of a high interest to sink their capital, not in a commercial adventure, but in the payment of debts already incurred in a losing concern. In such a case, neglect or connivance on the part of the House of Commons, in a court of conscience, would amount to a participation. If the House of Commons should think fit to guarantee a loan to the India Company, in this form or any other, or to pledge the faith of Parliament for it, they may as well lend them the public money directly and without disguise; and then the question occurs, Why should the public money be so employed? Another course has been talked of for relieving the India Com-

pany at once from the whole or the greater part of their difficulties, *videlicet*, by funding their debts at home and abroad in 3 per Cent. Consols, and adding the amount to the national debt. It will be time enough to argue the merits of such a scheme, when the proposition shall come before Parliament. For the present, it would be useless and unsafe to suppose it possible that a Minister could be found to propose the measure, or a House of Commons to accede to it.

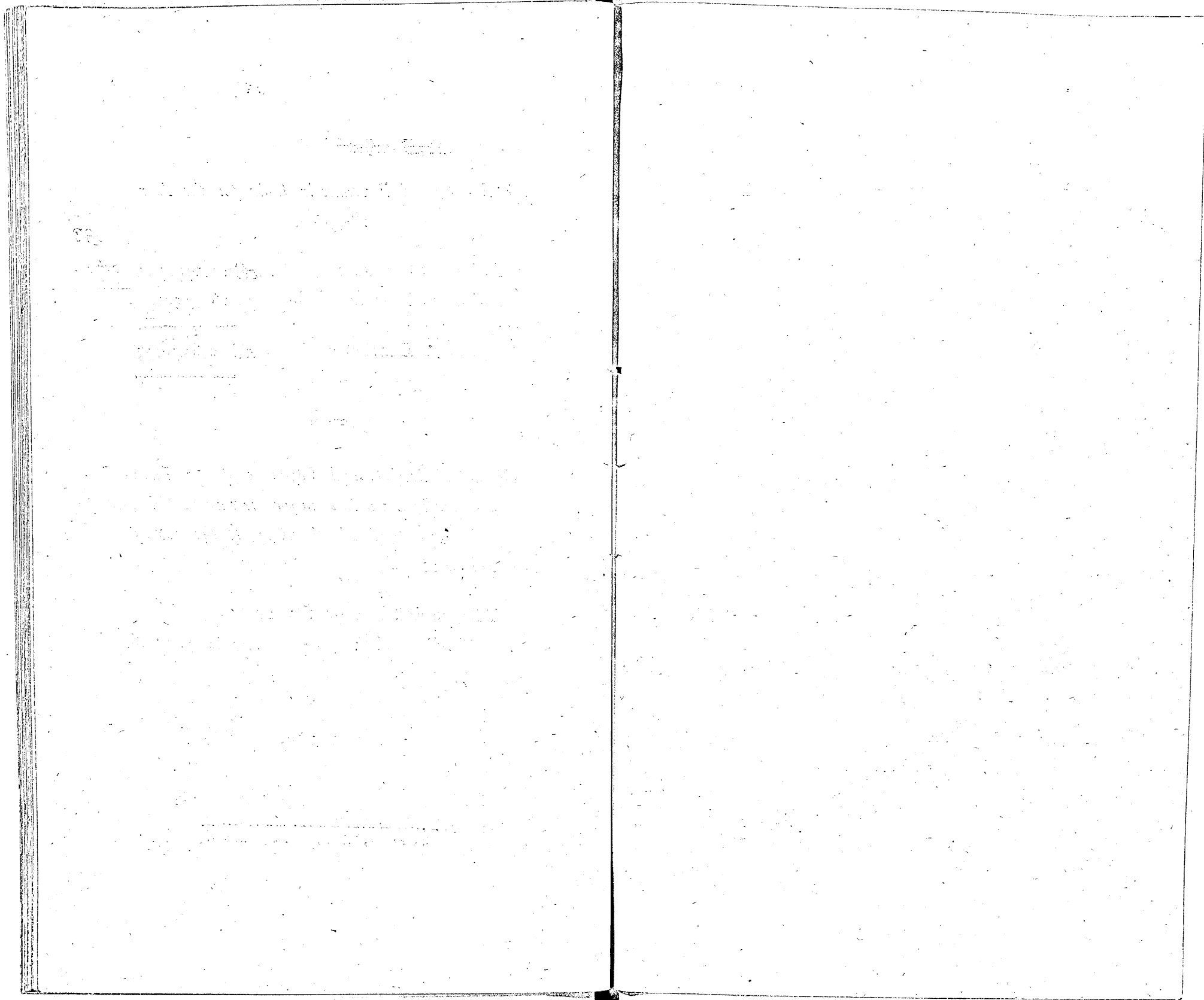
*Total estimated Revenues in India for the Year*  
1805—6.

Estimated Revenues	£ 14,279,533
Estimated Charges	— 16,935,490
Estimated Deficiency	£ 2,655,957

*Estimated Receipts and Payments of the India*  
*Company in Great Britain for the current Year,*  
*from the 1st of March 1807, to the 1st of*  
*March 1808.*

Balance deficient on the 1st	
of March 1808	— £ 2,213,796

THE END.



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