

From Ledger to Budget: British Fiscal Imperialism, 1750-1800

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I Introduction

Up to the middle of the eighteenth century, the book-keeping practices of the East India Company (EIC) were considered to be exemplary, even avant-garde. From 1709 onwards, the accountant general of the East India Company was able to estimate the profitability of every single branch of trade at any given time due to the introduction of special columns for the capital account and the open account. Furthermore, monthly cash transfers were systematically recorded. According to K.N. Chaudhuri, these methods anticipated the concept of the multinational corporation.¹ This was probably true in the middle of the eighteenth century. However, the accounts department at East India House in Leadenhall Street, London never drew up a general balance-sheet, based on detailed figures. Therefore it is very difficult to reconstruct how, if at all, the economic viability of the company was calculated. As long as the Company's business was located exclusively in India, it seems that the accounts caused hardly any or no problems at all.² This changed instantly when the Company participated in the *coup d'état* in Bengal against *nawab* Siraj ud daulah in 1757. Bad business, costly troop deployment and expensive wars led to confusion, sometimes even to chaos in the ledgers.

But even in the first half of the eighteenth century, the accounts and ledgers were not nearly as accurate as they seem at first glance. The Court of Directors of the EIC constantly complained about insufficient information and unreliable figures, harbouring the justified suspicion that the individual branches wanted to conceal their private financial and economic

¹ K.N. Chaudhuri, *The English East India Company in the 17th and 18th centuries: a pre-modern multinational organization*, in: L. Blussé and F. Gaastra, *Companies and Trade. Essays on overseas trading companies during the ancien régime* (Leiden 1981), pp. 40-1 and pp. 43-4.

² K.N. Chaudhuri, *The Trading World of Asia and the English East India Company 1660-1760* (Cambridge 1978), pp. 74-7.

dealings. Especially in Bengal and Madras, the division into different columns was not as clear as might be expected from a trading company of this size. However, one should not set too high a standard for book-keeping or accounting in those days. Whilst the reasons for the inadequate accounting are easily revealed, the question remains to what extent the Company's management in Leadenhall Street sought to rectify the deplorable state of affairs.

During the second half of the eighteenth century, the financial situation of the EIC in India as well as in London ran out of control. The grant of the *diwani* (the revenue administration and civil jurisdiction) of Bengal by Mughal Shah Alam II (1759–1806) in 1765, transformed the Company into a fiscal agent which henceforth administered the revenue income of a large province of the Mughal empire. Still, the EIC was a chartered company privileged by the royal charter of 1600. Several renewals in the seventeenth and eighteenth centuries extended her rights. With the Company as a revenue collector, the English parliament regarded it as its constitutional right to investigate the Company's financial though, in fact, only her fiscal income.³

As early as 1767, parliament started inquiries into the financial affairs of the Company. Subsequent reforms between 1772 and 1793 aimed at controlling the Company's financial matters, whilst the accountant general at the central office in Leadenhall Street tried to co-ordinate the book-keeping at home and abroad. Nevertheless, arrears of the EIC grew steadily in India and in London. The more the EIC got involved in the political affairs of India, the more the commercial cum military debts were considered a threat to the shareholders of the Company as well as to the British government.⁴ Ultimately, it was Henry Dundas, president of the Board of Control for India, who funded the debts of the Company in India as "India Debt" by introducing the "India Budget" into the House of Commons after 1785.

Though book-keeping and accounting never reached the standard demanded by India House in Leadenhall Street, the consolidation of the Company's debts was, for the time being, managed by parliament. The latter's constitutional right to levy taxes and dispose of the revenue income as well as to act as the king's governor in regard to company charters caused a deep involvement of members of parliament and prime ministers in the financial "machinations" of the Company after 1767. It will be argued here that according to contemporary standards, the EIC's book-keeping was quite ad-

³ H.V. Bowen, *Revenue and Reform: The Indian problem in British politics, 1757–1773* (Cambridge 1991).

⁴ H.V. Bowen, Investment an empire in the later eighteenth century. East India stockholding, 1756–1791, *Economic History Reviews*, 2nd series 42 (1989), pp. 186–206.

vanced though not very reliable as a general balance sheet. But, after the Company had acquired the *diwani* of Bengal, financial matters deteriorated rapidly within a few years. Despite all parliamentary efforts to establish financial control over the EIC the Company's arrears increased more or less continuously.

Eventually, even a well elaborated consolidating scheme including the transfer of the "Indian debts" to England, failed completely, because the Company's accountants in India and London were never able to calculate the profitability of the mercantile cum territorial adventure. With the formation of the Company state in India in the second half of the eighteenth century, the ever accumulating debt was finally converted into a "national debt" which, though well funded, grew considerably until the 1820s. In fact, the EIC was more or less permanently on the verge of bankruptcy since the grant of the *diwani* in 1765, and finally lost control over her financial affairs. It will be demonstrated that an initial parliamentary regulation of the EIC's finances in Bengal and at home finally led to a sound parliamentary control of British India's fiscal income and the Company's financial affairs, thus facilitating Britain's imperial expansion at the end of the eighteenth century and the founding of the British Empire in India in the nineteenth century.

II Keeping the Ledgers in Leaden hall Street and the Presidency Towns

Inaccuracies in the accounts became obvious after 1754, when the Court of Directors complained about faulty invoices regarding delivered goods as well as inaccuracies concerning bills of exchange. The possibility of illegal money transfer was politely alluded to.⁵ In order to withstand the pressure of European competitors, especially the *Compagnie des Indes Orientales*, the management in Fort William raised more loans to finance her trading business after 1754. Bengal trading and banking houses took leading roles as creditors.⁶ Two years later, London criticised the lack of differentiation be-

⁵ Letter from Court, 31 January 1755, paras 119–21, *Fort William-India House Correspondence* (India Record Series, gen. ed. N.K. Sinha, 21 vols, New Delhi 1959 seq., henceforth *FWIHC*), vol. I, pp. 98–9.

⁶ R. Mukherjee, The French East India Company's Trade in East Bengal from 1750–1753: a Look at the Chandernagore Letters to Jugdia, *Indian Historical Review*, 17 (1990/91), pp. 127–8. B.K. Gupta, *Sirajuddaulah and the East India Company, 1756–1757. Background to the foundation of British power in India* (Leiden 1966), p. 34. Rayat K. Ray, *Colonial Penetration and the Initial Resistance: the Mughal Ruling Class, the English*

tween military expenses and those of the general storekeeper.⁷ The accounts of the three main branches in India were in fact kept in a very unreliable fashion, hardly distinguishing between different kinds of regular income; the same was true of the expenses. The most progressive book-keeping was in Madras, due possibly to the long-term leading role of that Presidency, though even it was far from satisfying the home authorities.⁸ The several accounts departments in India may generally have regarded running costs as one item, but not London. With the increasing military involvement, commerce and army had to be distinguished more strictly. There were years when one could hardly speak of double-entry book-keeping; this applies especially to Bengal up to 1758.⁹ Many items were entered under the heading "sundry accounts" and can not be identified today, which suggests that Company servants camouflaged some shady business.

After 1756, the financial department in Calcutta could not cope with the sudden military and political involvement. Colonel Clive's campaign for Calcutta's relief appears as a separate item with the exact sum of one million pounds sterling.¹⁰ Bills of exchange as a means of paper credit first appear in Calcutta's books for 1760 and one can only hazard a guess as to where they were included before: in the sundry accounts.¹¹ Within just a few years, the debt and interest incurred was too high for London to tolerate.¹² Soon it became obvious that the weak spot of Calcutta's book-keeping was the military "budget", which consisted of items scattered across the ledger. Listed unsystematically, the expenses for the recapture of Calcutta appear as £ 1,223,439. The costs for the military operations on the Dakhan (Central and South India) in 1758/59 and in 1759 were listed at the bottom of a page. The war against the Dutch between 1758 and 1760 amounted to £ 619,178. Under the general heading "army and navy" a lump sum turns up for the year 1760 and, finally, the "Expedition to the Northward; Ali Khan Kassim; Dutch of 1761" was mentioned, unspecified. According to these figures, the expenditures between 1757 and 1761 amounted to altogether £ 3,507,770.

East India Company and the Struggle for Bengal, *Indian Historical Review* 12 (1985/86), p. 13.

⁷ Letter from Court, 11 February 1756, para. 97, *FWIHC.*, p. 158.

⁸ Vide Madras Ledgers 1756 seq. (Oriental and India Office Collection in the British Library, henceforth OIOC, BL)

⁹ Bengal Ledgers 1756-1758 (OIOC, BL).

¹⁰ Bengal Ledger 1757.

¹¹ Bengal Ledger 1760.

¹² Letter from Court, 23 March 1759, paras 98-9, *FWIHC.*, vol. II, pp. 151-2.

Before 1760, only the “military” rubric figures in the ledgers at Fort William. From 1761, at least the different campaigns were distinguished from one another, but without being broken down into individual items. From the English point of view, this was not necessary, as military expenses were met with by raising loans and were sanctioned by Parliament without long and detailed debates in the House of Commons. It is very likely that the Company’s servants acted according to their “English habits” and took up loans from local merchants. Strangely enough (or perhaps not), these loans are not mentioned in the ledgers nor anywhere else, which leads one to conclude that the financial machinations of the servants were rather endemic. Besides, mixing and thereby confusing the trading and the military “budget” led to a lack of clarity in Calcutta’s finances.¹³ The accounts department roughly listed the costs of the military, buildings and fortifications under general expenses.¹⁴ The running costs for the military seem to have remained more or less the same, while the expenses for military and civil establishments increased tenfold between 1757 and 1759.

What becomes clear is that the accounts department at Fort William was no longer able to draw up accurate ledgers. The Court of Directors had already complained about the negligent and incomplete book-keeping. Different accounts had been sent to London at varying intervals. Although an exact amount of the military expenses had been asked for, it had not been compiled.¹⁵ The Court of Directors emphatically disapproved of the high expenses incurred through the building of military settlements, the Cantonments, which were definitely exaggerated in outlay and design.¹⁶ From the very beginning of the territorial penetration of Bengal, the East India Company planned on a generous and extensive scale. Fort William, on the other hand, let Leadenhall Street know that certain expenses, most of all the uncontrollable and irregular income from the revenues, customs and trade profit, depended on a “variety of fluctuating circumstances”. Without more personnel, the ledgers could supposedly not be dealt with.¹⁷

When the financial department in Calcutta became too brazen and tried not to mention interest payments of over £ 200,000, the general accountant at India House in London calculated the missing figure, whereupon Fort

¹³ Bengal Ledgers 1756–1761. Compared to these, the Madras and Bombay ledgers seem balanced, they do not register any exploding costs, vide Madras Ledgers and Bombay Ledgers 1757–1761.

¹⁴ Ibid.

¹⁵ Letter dated 1 June 1764, para. 46–47, *FWIHC*, vol. IV, pp. 52–3.

¹⁶ Bengal Letters Received, vol. 8, General Letter to the Honble the Court of Directors, Ft. Wm., 13th Sepr 1768, paras 68–9.

¹⁷ Ibid. General Letter to the Court of Directors, Ft. Wm., 25th Sepr. 1767, para. 14.

William declared that they themselves were quite astonished, “[...] how it can have escaped so many different Accountants and Sub-Accountants, more especially as the Governor and Council in 1764 claimed great merit in having brought our Books into great Order.”¹⁸ Although the attempt at withholding larger sums in order to conceal the extent of the debts incurred misfired, it does shed some light on the tense financial situation. Leadenhall Street noted the increasing disorganisation in the financial balance and was in dire straits to keep proper accounts even by contemporary standards.

Shortly after the expansion of British rule in Bengal, the situation deteriorated as far as both finances and accounts were concerned. In 1766, the Court of Directors informed the senior staff in Fort William that numerous “debts and credits on the balances of your books ending in 1763, [...] are in a great measure imaginary and prevent us from seeing the real balance of your stock [...]”¹⁹. But in spite of many admonitions to prevent such irregularities from becoming a habit, the Company servants in India did not react.²⁰ More and more, the Calcutta authorities lost track of their book-keeping, or the situation was concealed on purpose. After taking over the *diwani*, accounting at Fort William sank into chaos. Expenses for military costs were impossible to determine, as the book-keeping was incomplete from 1765 onwards. Because of grave errors and missing figures, the balance for 1766 had to be revised.²¹ Furthermore, London was seldom, if at all, capable of reconstructing the finances of her Indian branches.

Hardly anything changed during the following years, quite the contrary. The Court of Directors plainly pointed to the deplorable state of the balances. For years there were faulty and incomplete accounts from the smaller factories which were not completed in spite of repeated warnings, and outstanding bills were not subsequently handed in. According to the Court of Directors, there was sympathy for the fact that there had been “some loss or confusion in the state of your factory accounts” after the events of 1756 and their aftermath, but enough time had passed since to clear up the accounts. Outraged, they noted

that your not sending us a compleat series of them must be considered as a wilful neglect of our repeated orders, and this is now aggravated by your total silence on this head when we expected to have received the books of your subordinates for the several years they have been omitted.²²

¹⁸ Despatches to Bengal, vol. 4, Bengal General Letter, 11 Nov. 1768, para. 118 (OIOC, BL).

¹⁹ Letter from Court, 19. February 1766, para. 80, *FWIHC*, vol. IV, p. 158.

²⁰ *Ibid.*, para. 85, pp. 158–9.

²¹ Bengal Letters Received, vol. 8, General Letter, To the Honble. the Court of Directors, Ft. William, 28th March 1769, para. 36.

²² Letter from Court, 23 March 1770, para. 161, *FWIHC*, vol. VI, p. 46.

The continuous delay in sending the ledgers of the Military Pay Master General was particularly criticised because it prevented drawing up a balance for years.²³ Quite pointedly, the Court of Directors finally records:

We have still here to complain that the orders we have given so often and earnestly given you to send us the restitution accounts have not yet been complied with. And we are so little satisfied with your excuse for this omission that should we be longer be disappointed in this respect we shall be constrained to attribute your delay to some other reason than that of the voluminous state of these accounts.²⁴

Now and then, the accountant general at India House had an astonishingly clear overview of the ledgers and cash-books submitted. He meticulously proved omissions and faulty balances in individual entries and demanded proper explanations. Referring to a letter of 23 March 1770 regarding the missing accounts of the military paymaster and the equally astonishing fact that although he had the papers of the “Import Warehouse Keeper” from Calcutta, he did not have those of the “Export Warehouse Keeper”, the accountant general stipulated how to compile the accounts at Fort William henceforth.²⁵ Apart from that, the missing export accounts once again point towards secret trade activities, definitely including private loans from “public money”. In this way, London only saw the tip of this iceberg of embezzlement and waste.²⁶ The accountant general of the administration in Fort William also enumerated inconsistencies in the balances, including expenses of £4,000 incurred by the mayor of Calcutta for paintings, which were regarded as superfluous and disproportionate.²⁷

²³ Ibid., para. 162.

²⁴ Ibid., para. 165.

²⁵ General Letter from Court, 10 April 1771, paras 144–7, *FWIHC*, vol. VI.

²⁶ The Paymaster General of the British forces in Europe could usually use the money allocated to him for private business, which is why the office was much sought after. The highest profit was to be made by signing war loans. The Paymaster General thus invested public money from his „own coffers“ in the state, the generous interest was his private profit. L.S. Sutherland, (with J. Binney), Henry Fox as Paymaster General of the Forces, in: idem: *Politics and Finance in the Eighteenth Century* (ed. by A. Newman), pp. 416–22 and pp. 330–1. His work was hardly ever checked and the expenses of the Paymaster General of the forces were difficult to reconstruct anyway, as bills were handed in years later, if at all. The balances demanded annually for the American War of Independence were presented to the Audit Office ten years after the peace settlement. The “Commissioners of Public Account” stated in their fourth report that there were still outstanding debts of £294,836 owed to the state and incurred by the Paymaster General dating back to 1765. Even more grotesque were the “balances” of the Treasury of the Navy, as no statements or balances had been presented for 70 years, vide David C. Douglas (Gen. Ed.), *English Historical Documents*, vol. VII, 1714–1783 (London and New York 1957), No 89, pp. 332–4.

²⁷ General Letter from Court, 10 April 1771, para. 135, *FWIHC*, vol. VI.

Although the East India Company had an imposing revenue at her disposal, namely an estimated net surplus of £ 1.5 million, after taking over the *diwani* in Bengal, the debt could not be reduced; on the contrary, it continued to increase over the next years. The Court of Directors roughly balanced the finances in Bengal at the end of January 1767. The figures are, again, significantly incomplete. There contain no information on freight costs and demurrage, nor on several other items. Between 1754 and 1766, military operations cost £ 8,510,360, plus expenses for the Royal Army and the Royal Navy. Revenues, on the other hand, amounted to only £ 6,347,944, resulting in a deficit of £ 2,2 million.²⁸ Recognising the threatening financial situation, the Court of Directors recommended not to increase the dividend for the second half of the year in September 1766. The shareholders' meeting agreed to this suggestion.²⁹

In London, the financial situation of the Company deteriorated drastically during the same period. Since 1760, the proceeds from sales in London steadily increased.³⁰ But at the same time, unsold goods were piling up. Between 1756 and 1760, their annual value was less than £ 1 million, but from 1763 on there is a continuous increase, figures reaching a peak of almost £ 3 million in 1769.³¹ The amount of goods not cleared also increased four-fold within three years, accruing to nearly £ 1 million in 1768.³² Three years after the take-over of the *diwani* in Bengal and in spite of a rise in the sales in London, the trading company was heading towards bankruptcy. In 1767, the accounts department in Leadenhall Street was already calculating an enormous trade deficit of £ 1,642,156 with the help of the figures available.³³ Adding the debts incurred by the Company in India, it worked out at a total deficit of over £ 5.2 million. At this critical moment the English parliament ordered the books of the Company to be laid before the House of Commons to prevent further damage and loss to the shareholders and the

²⁸ Court Book, vol. 75 (30th January 1767) (OIOC, BL).

²⁹ *Ibid.* (24th September 1766). The dividend stayed at 10 per cent.

³⁰ Further Report from the Committee of Secrecy, No 1, p. 27, An Account [...]; also the Account of their Sales (OIOC). They amounted to £ 1,865,109 in 1761/62, reached £ 2,705,349 in 1767/68, and £ 3,526,353 the following financial year.

³¹ Miscellaneous Financial Accounts and Statements. Stock per Computation of the East India Company drawn out in respect of India and England (1757–1778) (OIOC, BL). The sum was exactly £ 2,801,771.

³² *Ibid.*

³³ Miscellaneous Papers. Charters and Treaties 1765–1772 (vol. 8), State of the Debts of the East India Company in England, and the Amount of their several Credits consisting of Cash and Goods for Sale now in England [...], Estimated to the 11th May 1767.

people of Bengal.³⁴ Government and parliament saw it as their right and duty to interfere in the affairs of a private trading company, which was still operating under a royal charter.

It is interesting to note that from the very beginning the Company's management strictly differentiated between Indian and home business, so that losses or deficits were calculated at the respective trading "end" of the Company. Thus, the business position of the Company could be glossed over, which was important for its reputation. The "Indian debt", it seems, was never part of the Company's responsibility in London, but belonged to the somehow independent overseas branches. The 1770s and 80s were marked by growing incompetence of the financial management in both the factories in India and the central administration in London. During the stormy years of the British Empire in the second half of the eighteenth century, parliament simultaneously supervised the financial administration of the Company and tightened the fiscal demands on her newly acquired colonies, in short: fiscal control as the constitutional right of the British Parliament was on the political agenda despite the American War of Independence which was still seen as a rebellion of colonists.

III Growing Fiscal and Financial Difficulties

With the increasing involvement in the political, military and fiscal affairs of Bengal the Company lost insight into the value of the remittances from the other European branches.³⁵ Extremely annoyed, the Court of Directors demanded in 1770 that all general books of the subordinate factories be sent immediately. Since the grant of the *diwani*, this had been handled inadequately. The books from Patna, for example, were missing since 1764.³⁶ An ever growing problem came up with the increasing number of bills of exchange. In spite of clear orders, Fort William did not observe the exchange rates for the bills of exchange drawn on London. On top of that, Calcutta had opened the cash box for more bills of exchange than previously agreed upon. Strict observance of the instructions issued by London was urgently demanded.³⁷ Nobody in Leadenhall Street knew about the bills of exchange for £ 1 million which were yet to arrive in London in spring 1771.

³⁴ H.V. Bowen, A Question of Sovereignty: The Bengal land revenue issue 1765–67, *Journal of Imperial and Commonwealth History* 16 (1988), p. 160.

³⁵ Bengal Letters Received, vol. 9, General Letter. To the Honble. the Court of Directors, Ft. Wm. 25th Sept. 1769 (OIOC, BL.)

³⁶ *Ibid.*, Public letter from Court, dated 28 August 1771, para 34, p. 126.

³⁷ *Ibid.*, paras 35–6, p. 126.

Since 1767 when parliament demanded to see the ledgers annually, the general accountant in Leadenhall Street had been forced to present concrete figures.³⁸ The Company's insolvency in 1771 due to the arrival of the above-mentioned bills of exchange is well known. It was followed not only by a further disclosure of the financial accounts, but also led to parliamentary legislation primarily aimed at a reform of the Company's administrative organisation in her Indian Presidencies.³⁹

The Company still had difficulties in gaining control over its financial affairs in the following years. A glance at the development of the book-keeping in Calcutta and Leadenhall Street clarifies the dilemma. On 7 March 1771, after being ordered to do so by the Court of Directors, President and Council in Calcutta decided to install a "Controlling Committee of Accounts" which was supposed to monitor all matters concerning accountancy, including the statements in regard to precious metals. The numerous factories had to assist the new committee. Only one and a half years later the committee was dissolved again, because the work had to go through several hands, which became counterproductive rather than helpful.

The so called "Board of Inspections" already established under Robert Clive in 1767 to work out plans for centralising the Company's administration and financial savings wanted to transfer the control over the accounts to one of their rotating members, but this approach also backfired and the issue was subsequently dropped. It cannot be decided whether the orders issued by the Court of Directors in January 1774 were put into practice; they concerned the control over bonds and other notes earning interest to be exercised by the Council of Commerce as well as the disclosure of account ledgers for the perusal of the President and Council in Calcutta.⁴⁰ Finally, in May 1775, Philip Francis, member of the Supreme Council in Calcutta from 1773 to 1781, and famous as well as infamous, notorious opponent of the Governor General, Warren Hastings (1772–1785), took over as "Controller of Offices", a task which also included supervising the department of accounts. The Supreme Council probably followed his advice when it decided to declare the taxes from the opium trade as an asset and not as profit earned through trade – the first attempt at differentiating between commercial profits and the public purse. Five years later, Francis was replaced by Edward Wheeler who held the office for two years. Simultaneously, around

³⁸ H.V. Bowen, *Revenue and Reform*, pp. 48–67. Michael Mann, *Bengalen im Umbruch. Die Herausbildung des britischen Kolonialstaates 1754–1793*, Stuttgart 2000 (Beiträge zur Kolonial- und Überseegeschichte), S. 102–15.

³⁹ H.V. Bowen, *Revenue and Reform*, pp. 119–87.

⁴⁰ Instructions for the Governor General and Council of Bengal and for the Council of Commerce, [London], 1774, 14th Jan., cl. xxii and cl. xiv (BL 8022.h.25).

1777, it seems that a separate Controlling Office was installed as a subdivision of the General Department headed by William Larking as General Accountant from the summer of that same year. He managed to give the post a good reputation until he retired in 1793.⁴¹ The lack of detailed sources hampers the reconstruction of the Company's institutional development in Calcutta and the other Presidency towns during the 1750s and 70s.

The "Board of Inspection" and the "Controller of Office" were responsible for keeping the cash-books as well as compiling the monthly and annual balances of income and expenses used by the Court of Directors in drawing up the final balance-sheets. As we have seen, military expenses had caused uncovered costs from the beginning of British rule in Bengal, but the situation deteriorated in the following decades that brought the Military Department a notorious deficit. The credit practice of the management in Calcutta as represented by both the Military Paymaster General and the Board of Trade caused further confusion. All the various loans could no longer be track of. The English paymasters' control, traditionally lax anyway, took on new forms in Calcutta, in short: Financial matters and their management were far from being clear.

Apart from the inconsistencies between the Import Warehouse Keeper and the Military Paymaster General, Leadenhall Street was content with the way the books were kept during the mid-seventies.⁴² Having survived the storm of 1771 to 1773 relatively undamaged, radical changes in the control over the Company's finances seemed unnecessary. Now and then, orders were issued to keep the accounts more systematically and to send them to London.⁴³ For years, the Court of Directors seems to have been content with the practices and balances in Calcutta and the other Presidencies; at least there is no correspondence stating the contrary. Until Pitt's "India Act" suddenly changed the situation and government again demanded that the books and ledgers of the Company be laid before the House of Commons. Leadenhall Street was not able to compile the material that had been asked for within the given time-frame, let alone complete it.

In their letter to the Calcutta Council dated August 1785, the Court of Directors adopted a harsh tone. Since 1781/82 there had been no entries in the General Books or in the Revenue Books. This was already true for the Bengal Presidency in the financial year 1780/81. The whole matter was

⁴¹ B.B. Misra, *The Central Administration of the East India Company 1773–1834* (Manchester 1959), pp. 95–7.

⁴² Letter from Court, dated 30th March 1774, paras 64–5 and paras 90–1, *FWIHC*, vol. VII, p. 71–2 and p. 76.

⁴³ Letter from Court, dated 3rd March 1775, paras 103–5, *ibid.*, p. 109.

particularly embarrassing since the new legislation had made it the duty of the Court of Directors to present annually the complete balances from all three Presidencies to the Lord of the Treasury. The expenses of the "Buxey", i.e. the costs of raising troops, were missing altogether, including the pay-rolls for the *sipahis*, and there were no entries in the Military Storekeeper's books after 1778/79.⁴⁴ In the light of such negligence and in view of the great distance, the verbal threat "[...]we are resolved to mark any neglect of this kind in future with the severest tokens of our displeasure"⁴⁵ seems almost amusing.

The scenario found at the end of the 1760s and the beginning of the 1770s played itself out again at the beginning of the 1780s. The Court of Directors had to send repeated reminders concerning military costs, and at the other end the Calcutta Council had frequently to apologise for missing information, especially from Madras and Bombay.⁴⁶ In the following years, the deplorable situation did not change at all. The Court of Directors' order to the accountant in Bombay to compile reliable financial calculations and to keep the books properly, seems to have been a rather desperate attempt at (re)organising the financial affairs.⁴⁷ Sometimes, the branches' balances included a note drawing attention to missing figures which made it impossible to show the total.⁴⁸ War costs were still entered as round sums, which the personnel at Leadenhall Street had to work with whether they liked it or not.⁴⁹ There was no improvement leading to greater rigour over the years, as it was impossible to plan ahead based on the available material.⁵⁰ For example, after twenty-five years, the balances for the salt tax were so inaccurate

⁴⁴ Letter from Court, dated 8th July 1785, paras 17–25, *ibid.*, vol. IX, pp. 229–30.

⁴⁵ *Ibid.*, para. 25, p. 230.

⁴⁶ Extract Letter from the Right Honourable the Governor General to the Secret Committee of the Court of Directors, dated 16th November 1786, para. 5, *House of Commons Sessional Papers* (ed. by Sheila Lambert, Wilmington, Delaware 1975, henceforth *Sessional Papers*), vol. 40, p. 396.

⁴⁷ Copy of a Separate Letter from the Court of Directors to [...] Bombay, dated 31st July 1787, *Sessional Papers*, vol. 74, p. 343 and *dto.*, [...] to the President and Council at Fort Saint George, dated the 31st July 1787, *ibid.*, p. 345. Copy of the separate Letter on the Finances of India, from the Court of Directors to the Governor General and Council at Bengal; dated 19th May 1790, *ibid.*, vol. 84, pp. 243–5.

⁴⁸ A State of the Arrears due in the several Departments of Government, 1786, *ibid.*, vol. 40, pp. 351–2.

⁴⁹ Account of the extra expenses incurred in India during the War, East India House, 5 May 1787, Home Misc. Series 370, No 35 (OIOC, BL). Vide also Estimate Account of Arrears due to the Army on the 30th April 1787, *ibid.*, No 56.

⁵⁰ Letter from Court, dated 20th August 1788, paras 38–40 and para. 54, *FWIHC*, vol. X, p. 370 and pp. 374–5.

that the accountant general issued the order to compile monthly balances to be put together every quarter and sent to London once a year as the "Annual Set of Salt Books".⁵¹

Not only had the English government demanded reports on the financial situation from the Company at irregular intervals since 1767, but since the financial fiasco of 1771/2 parliament insisted on a yearly "estimate" of the expected receipts and disbursements. Although the East India Company did not strictly comply with the stipulation, they now and then presented respective figures depending on how vigorously parliament and government demanded them. As long as the Company's business was good and no bad news from India reached London, no-one was really interested in a private trading company's practices. The so-called "estimates" were used more and more as proof of the Company's solid finances. Because of this, Leadenhall Street set great store by exact accounts which were supposed to enable the Company to present any financial reports, accounts and estimates demanded by parliament within a very short time. Thus, the general accountant complained at intervals about the careless book-keeping and the "estimates", which had now also to be compiled in the Presidencies.

Together with the problem of exact accounting, there was also the question of a reliable draft "budget", since this was worthless without a reasonable base for the calculations.⁵² Only parliament's demand to inspect the East India Company's fiscal and financial matters forced the latter to come up with financial planning based on consolidated figures. London's new guidelines could only be implemented slowly in Bengal and the other Presidencies. The Calcutta Council complained about the continuous demands for exact financial reports which had after all their limits:

[...] we have not been able to transmit to the other Presidencies, the Plan by which all your Settlements are required to furnish you with uniform Accounts, but as that of this Presidency for the year 1787/8 has been completed, we shall transmit a copy of the same and of the Estimate with which it will be contrasted deeming this practical application of the Instructions

⁵¹ *Finances of the East India Company. Heads of Speeches delivered in the House of Commons by the several Presidents or Members of the Right Honourable The Board of Commissioners for the Affairs of India, relative to the Finances of the East-India Company, vol. I, for the Years 1788 to 1789* (London 1809, henceforth *Finances of the Company*); India Budget 1790, Appendix No 17, Remarks of the Accountant General, upon a Defect in the System by which the Journal and Ledger of the Comptroller for the Manufacture of Salt have been kept, Wm. Wright, Auditor of Indian Accounts, East India House, 11th March 1790, pp. 119–20.

⁵² A Copy of the Separate Letter on the Finances of India, from the Court of Directors to the Governor General and Council at Bengal; dated 3rd June 1790, paras 6–7; 10; 13, *Sessional Papers*, vol. 84, pp. 248–9.

[...] more likely to produce that General unity in the annual General Account of the actual Receipts and Disbursements of the Honble Company's Affects in India than any theoretical Instructions that could be given.⁵³

As mentioned above it was generally impossible to provide the Court of Directors with exact figures, since the relevant part of the ledgers lagged far behind.⁵⁴ The situation worsened when the Presidencies' debts increased, because then there were also gaps or inconsistencies in the entries concerning the bonds that had been given out as a means of short term loans.⁵⁵ The "estimates" were imprecise due to faulty information. Consequently, they had no practical value at all. Since presenting the balances and the "estimates" had been established by law in 1784, it is understandable that the Court of Directors called for fundamental improvements.⁵⁶

The reforms stipulated for Bengal did not always achieve their ends. Only the reforms by Governor General Lord Cornwallis after 1786 gave lasting structures to a newly created Department of Accounts. The General, Revenue and Commercial Departments were consolidated in one department and had to report to the accountant general.⁵⁷ Difficulties in a hitherto neglected area became noticeable after Charles Grant revealed at the end of the eighties that the Company's Bengal servants made their book entries only in vernacular languages, mostly in Bengali, and just added short English summaries. Furthermore, they used the Persian-Bengal book-keeping system with which they were more familiar, making it impossible for the British Export Warehouse-Keeper to reconstruct the movements of goods or money or to distinguish the transactions in detail. It is most likely that the majority, if not almost all of the Company's employees in Calcutta, were Bengalis or Biharis using their specific skills and knowledge.⁵⁸

The language and book-keeping problem was only partially solved by exclusively appointing Britons to positions in the Department of Accounts. Generally, the books may have been kept in better order, at least they were now intelligible for English readers. But the great efforts to establish better structures seem not to have had lasting consequences; there is hardly any other explanation for Leadenhall Street's continuous complaints. However, it may be conceded that due to the immense growth of responsibilities for

⁵³ General Letter To the Honble the Court of Directors, Fort William, 12th March 1789, para. 4, Bengal Letters Received, vol. 27.

⁵⁴ Ibid.

⁵⁵ Despatches to Bengal, vol. 20 (1789–90), Separate Finances, 5 June 1790.

⁵⁶ Ibid.

⁵⁷ C.H. Philips, *The East India Company 1784–1834*, p. 100.

⁵⁸ A.T. Embree, *Charles Grant and British Rule* (New York 1962), pp. 112–3.

the Company, only Cornwallis' reforms of the accounts prevented the financial administration from collapsing.⁵⁹

The figures presented to explain the Company's financial situation remained unreliable for years, as they were sent over at different times and compiled only incompletely at the accountant's office in Calcutta. For that reason, the financial analyses drawn up in Fort William or London differed greatly depending on the figures available. For example, the debt of Fort William varied extremely in 1783 alone.⁶⁰ Bills of exchange which had been written out or the strain on the bonds were never taken into account. In a comparative calculation compiled at the beginning of the eighties, the accountant general in London stated the costs of the Maratha war in India once again at roughly £ 2 million.⁶¹ At the same time, he calculated a reduction in debt in England of exactly £ 788,194 for the years from 1779 to 1781.⁶² This, indeed, needs no further comment as figures seem to have served their own ends. The exchange rates within India and between the three presidencies made an exact calculation of the financial situation more difficult, mostly leading to incalculable deficits.⁶³ In addition, some figures could not be classified as income or expenses in the transferred form and therefore remained excluded.⁶⁴ The "Sixth Report from the Committee of Secrecy" submitted to parliament on 6 March 1782, for the first time presented relatively reliable material for 1771–1779.⁶⁵ Despite decreasing revenue income and rising expenses, parliament evidently did not think it

⁵⁹ Even with such elaborate and drastic structural reforms, the question remains how effective they were. C.H. Philips remains uncritical here and merely sees Cornwallis' reform work, cf. *The East India Company*, pp. 101–2.

⁶⁰ State of Arrears due at Bengal in the different Departments (Reg. Nr. 575), Home Misc. Series 338.

⁶¹ A Comparative Statement of the East India Company's Affairs in England in the Years 1772 and 1781, Home Misc. Series 346. L. Sullivan complained two years later that neither the general accountant nor the auditor were capable of estimating the cost of the Maratha war, vide C.H. Philips, *East India Company*, p. 44. Leadenhall Street was not able to calculate the costs of the 1778–1784 war in Bengal until 1787. Again there were only rounded sums for Bombay and Madras. Total EIC military expenditure amounted to £ 2,130,000. Account of the extra expenses incurred in India during the War, East India House, 5th May 1787, Home Misc. Series 370, No 35.

⁶² *Ibid.*

⁶³ *Finances of the Company*, India Budget 1792, p. 203.

⁶⁴ *Ibid.*, vide also App. No 18, 19 and 20, pp. 234–41, Abstract Account of Receipts and Disbursements on the Bengal Government, dto. Madras Government; dto. Bombay Government.

⁶⁵ General State of Receipts and Disbursements in Bengal, for Eight Years, from May 1771 to April 1779 in *Sixth Report from the Committee of Secrecy, 6th March 1782*, Reports from Committees [...] 1781 & 1782, vol. VIII, pp. 362–71.

necessary to take further steps to improve financial control. The Company's finances in India still did not seem to be of interest, only liquidity in London. Yet, separate treatment of finances was to change fundamentally over the following years.

General reforms were on the political agenda of those turbulent years, which not only saw the independence of the North American colonies, but also four different administrations in England. It had become clear that the structures of Britain's finances had to be overhauled completely so as to be able to consolidate the meanwhile exorbitant national debt. Parliament looked desperately for additional revenue income and was convinced that only substantial reforms could solve the ever increasing financial problems. The legislation on the EIC during the years 1782–1784 has to be viewed from this perspective which parliament started demanding a full financial report from the Company.

This report was, accordingly, presented by East India House in February 1784. Income and expenses are broadly balanced against each other in a "General Statement", followed by an extensive appendix which mostly consists of "estimates" concerning payments expected in the future, usually up to 1790, such as bills of exchange from India or stock yet unsold in London. The bonded debt in India exceeded £ 4 million. The interest of 9 per cent on the India debt amounted to £ 711,248 per year. The value of the bills of exchange from India already drawn up but not yet accepted by the Court of Directors came to roughly £ 2.7 million. The value of unsold goods from Asia was estimated to be £ 1.4 million. Because yet again figures were missing from Madras and Bombay, the report could not be completed. Apart from that, accounts in London were apparently not up to date, as sales figures ended with the year 1778, thus not covering more than the figures mentioned in the "Sixth Report".⁶⁶ All in all, the Company did not make a good impression.⁶⁷

IV Consolidating the Finances of the East India Company and the British State

What becomes clear in the course of the English "reform decade" of the 1780s was the general approach on the issue. All legislative efforts aimed at optimising state income. The initial legislation on the Company's finances

⁶⁶ The Report of the Court of Directors [...] in obedience to an Order of the Honble the House of Commons dated the 23rd January 1784, Appendix 9, Home Misc. Series 346.

⁶⁷ Ibid.

in 1767, as well as the regulation of its internal organisation cum finances in 1772, were restricted to the specific problems of a trading company, which met with little public interest. In contrast the legislation of the Pitt administration after 1784, planned thoroughly by Henry Dundas, the renowned member of parliament and unofficial president of the simultaneously established Board of Control (for the Affairs of the East India Company), predecessor of the India Office, and therefore member of government, aimed at a more imperial design integrating Britain's overseas dependencies. In fact, Dundas and Pitt developed the grand scheme of Britain's "blue water policy".⁶⁸ The "India Act" and the "Commutation Act" both tabled in 1784, and the introduction of the "India Budget" in the House of Commons, presented for the first time in 1785 in close proximity to the English "National Budget", bear testimony to this policy. However, consolidating the "India Debt" became one of the preconditions of the whole reform scheme of 1784–5.

The "India Act" not only provided the Company with a constitutional framework, but also regulated its finances according to a more accurate accounting, sound basis for an "estimate" which was from now on to be presented in parliament once a year.⁶⁹ To implement the "India Act" and to secure its success the British government took measures to make the EIC's trading activities more buoyant. The "Commutation Act" reduced taxes on tea from 120 per cent to 12.5 per cent. On the assumption that the tea demand would rise accordingly, tea supplies from China had to be increased and, therefore, more investment capital was needed. The reduction of annual interest payments was seen as an appropriate means to have more money available in India for investment in China.

The success of the 1784 legal package for the financial improvement and better management of the EIC depended to a large extent on solid finances as well as on more favourable sales in London. Henry Dundas, who had played a leading role in preparing the "India Act" under different governments since 1782, also developed extensive plans for rescheduling the Company's "Indian Debts." He saw this as a precondition for a successful introduction of any financial measures concerning the Company's and the British state's interest. To this end, he was forced to rely on the Company's accounts and balances.

To start with, some sort of solution had to be found for the high interest owed on various loans and bonds in Bengal. Lord Macartney, the then governor of Madras, had informed the Court of Directors of the necessity to

⁶⁸ Daniel A. Baugh, Great Britain's "Blue-Water Policy", 1689–1815, *International History Review* 10 (1988), pp. 33–58.

⁶⁹ M. Mann, *Bengalen im Umbruch*, pp. 281–92.

balance the "Indian Debts" in England, while at the same time increasing investments in China with the money saved on interest payments.⁷⁰ John Macpherson, interim Governor General in Calcutta in 1785–6, was of the same opinion and emphasised the possibility of converting the "remittances" from the Company servants' private trade via European competitors in Bengal back into the Company's channels.⁷¹ Henry Dundas made the issue his special priority.

Since April 1784, the Board of Control had conducted negotiations with the Company about rescheduling the "Indian Debts". Dundas, with Pitt's compliance came up with a rough system whereby £500,000 would be transferred to England per year, where the money was supposed to be consolidated.⁷² Dundas stressed that as long as the Company was so deeply in debt in India, she would totally depend on the government for better or for worse.⁷³ Apparently he regarded the Company as being at the government's disposal. In July, Dundas conferred with the Company's Secret Committee, which consisted of two directors and the chairman. A kind of pilot project was finally agreed upon.⁷⁴ It aimed basically at balancing the Company's loans in India, as Bengal's revenues had only been defined as income, without allocating that income to pay off debts. Ultimately, the exchange rate was the critical point of the programme.⁷⁵ The whole burden of the transfer would consequently have been transferred onto the Indian currencies and the Indian tax-payer.

At the same time, the "remittances" from the Company servants' and other European merchants' private trade in India were supposed to be channelled by expanding the number of bills of exchange.⁷⁶ Reducing the military debts was a necessary condition for the success of the whole scheme. But

⁷⁰ Lord Macartney to the Committee of Secrecy, 14 October 1784, Home Misc. Series 370, pp. 141–2.

⁷¹ Macpherson's Minute, 9 April 1785, *ibid.*, Appendix 2.

⁷² Effect which the bringing home of the debts from India may have upon the Company's Sales, To Mr Pitt 25th June 1785, Home Misc. Series 371.

⁷³ C.H. Philips, *East India Company*, p. 46.

⁷⁴ Memorandum of a Conversation between Mr Dundas, and the Secret Committee of the Court of Directors, Home Misc. Series 369 A, Minutes of the Court of Directors, On the Subject of bringing home their Indian Debts. "[...] consolidating all the Debts at the same rate of Interest, and making the Payments to the Creditors both on Interest and Principal in India, the other is that which suggested Lord Macartney in one of his last dispatches: the bringing the Debts home and funding them in England."

⁷⁵ Heads of Arguments in favor of Funding the Company's Indian Debts at Home, Home Misc. Series 346.

⁷⁶ *Ibid.*

even if the plan worked, the consolidation was not expected to begin before 1790 or 1791. Expanding sales and a sound profit were also an indispensable prerequisite for paying out the bills of exchange in the long run.⁷⁷ Seen from that perspective, the “Commutation Act”, which introduced the window tax in exchange for the high tea taxes, relied heavily on an increasing tea consumption and a growing national revenue. The plans for rescheduling the “Indian Debts” suddenly became dramatically interwoven with the consolidation of England’s national debt.⁷⁸

Nathaniel Smith, the deputy chairman of the Company, sceptically pointed out in a final statement that the whole project could only work if there were no internal and external disturbances or wars in India during the next years, because costs would diminish Bengal’s limited financial resources even further. On the other hand he was afraid to admit that everything depended on an anticipated increase in the volume of trade in London.⁷⁹ Dundas ultimately succeeded in carrying through his plan which did not, however, fundamentally contradict the directors’ suggestions. The annual investments in India were to be increased from £1 million to £1.5 million, which would lead to extra proceeds from sales of £2.5 million in England. The “Indian Debts” were to be transferred to England via bills of exchange with a fixed exchange-rate and to be consolidated there at 5 per cent interest. The bills of exchange were also to be paid off after a fixed period out of the extra profits calculated on the basis of the supposed increase in tea consumption.⁸⁰ Though the Secret Court of Directors agreed to this plan, they still wanted to discuss the letter to the Governor General and the Governors of Bombay and Madras.⁸¹ The president of the Board of Control, Henry Dundas, explained his position in a letter:

In consequence of the Wish expressed to us by your Secret Committee at our last Conference, we have now the honour to transmit to you your Ideas of Directions to be sent to Bengal, for transferring your Indian Debts to England at a reduced rate of Interest, and with a Profit to the Company on the

⁷⁷ Ibid. Also cf. Memorandum of a Conversation between Mr Dundas, and the Secret Committee of the Court of Directors, Home Misc. Series 369 A.

⁷⁸ Special importance was placed on increasing the profit from the China trade, Home Misc. Series 340, No 74.

⁷⁹ At a meeting of the Court of Directors, The 31st August 1785, *ibid.*, also Minutes of the Board of Commissioners, vol. I (1784–1793), No 70, Whitehall, September 2d 1785. Besides Laurence Sullivan, Nathaniel Smith and William Deyaynes were also members of the Secret Court of Directors.

⁸⁰ C.H. Philips, *East India Company*, pp. 46–7.

⁸¹ Minutes of Secret Court, 5th September 1785; *dto.*, 9th September 1785. Also cf. Copy of the Proposal, made by the Directors of the East India Company for bringing home, and paying the Company’s Indian Bond Debt in England, *Sessional Papers*, vol. 40, pp. 347–9.

Exchange. [...] The Debts in India cannot certainly be taken at less than eight Million Sterling according to the latest Advices. And we conceive that beside the Bonded Debt of the Company in England the Demand which will be made upon their Treasury at Home between the 1st of March 1786 and the 1st of March 1790 [...] will amount to nearly six Million Sterling.

[...] it is obviously impossible that the Company can undertake to clear off their Debts in England except by such payments as may be consistent with their expectations of profit on Sale. [...] Having thus stated what we consider as a fundamental point in the discussion of this Business, namely that the amount which the Company can safely undertake to pay to their Creditors abroad, is limited by the same circumstances which confine the means of realizing their Indian Resources in England, or in other words that they can safely apply no other Sum to the discharge of debts in India than might equally be applied to the same purpose in England.⁸²

Dundas forced the Secret Court of Directors to agree to his plan by using the high debts to pressure them, as he had previously informed Pitt.⁸³ Subsequent critical opinions voiced by individual directors pointing out that Indian creditors had little interest in having the debts transferred to England did not have any effect.⁸⁴

The whole plan was not only taken note of, but examined in Calcutta, supported by further figures, and finally praised for its general far-sightedness.⁸⁵ However, only a few weeks later the first difficulties arose regarding the fixing of the exchange-rates in India, since the owners of the "Bonds" did not agree to the envisaged procedure. The exchange rates between the different currencies of the three Presidencies caused additional discontent, as they obviously suited the Company only too well.⁸⁶ Nor did the Board of Control did not manage to fix the exchange rate at the usual rate, despite

⁸² To the Court of Directors, Whitehall 10th Sepr. 1785, Letters from the Board Sept. 1784 to Feb. 1801. After careful calculations based on existing figures and estimates on the income to be expected, the Board of Control concluded that the "India Debt would be fully consolidated by December 31st, 1793".

⁸³ Minutes of the Board of Commissioners, vol. I, No 74, Whitehall, Sepr. 10th 1785, and Minutes of Secret Court, 14th September 1785, ff. 37v–38r.

⁸⁴ Minutes of Secret Court, 28th September 1785, f. 51

⁸⁵ Minute from the Governor General. Recorded in Consultation 9th April 1786, Home Misc. Series 370, and Appendix 2, *ibid*.

⁸⁶ Extract of the General Letter from Bengal in the Public Department, dated 3rd July 1786, Home Misc. Series 371 Already in 1770, the Court of Directors decided to fix the exchange-rates in the three presidencies as follows: Madras: 1Ct.Pgd.:8s; Calcutta: 100CtRs:2s2.5d; Bombay: 1Rupee:2s5d, At a Court of Directors 10th October 1770, Court Book, vol 79.

changing the appropriate paragraphs in the Court of Directors' correspondence.⁸⁷

The prospects of successfully implementing the consolidation plan deteriorated not only in Bengal. The latest figures received by London in 1791 also made a further transfer of the "Indian Debt" almost impossible, because the ledgers revealed additional loans within the next two years. Yet nothing came of the suggestions to modify the consolidation plan. By renewing the Company Charter in 1793 the government started another attempt to reschedule the debts, or to at least reduce the ensuing interest of more than half a million pound sterling per year.⁸⁸ The aim was no longer to transfer to England the whole debt of seven million pounds, but to reduce it to two million.⁸⁹

Eventually, the plan for rescheduling the debt collapsed with the commencement of the Revolutionary Wars in Europe and the excessive campaigns against Tipu Sultan of Mysore in South India (1799) and the Nawab of Awadh as well as the Marathas in North India (1803–05) under Governor General Richard Wellesley (1799–1805), as had been predicted by the director Nathaniel Smith. Although the Company's sales by far exceeded the target of five million pounds sterling, the Calcutta Council was ordered to make even higher investments. Continuous warfare on the Indian subcontinent swallowed all revenue surplus. In April 1799, the Court of Directors, with Dundas' consent, ordered the raising of loans on the Indian financial market in order to at least ensure the investments for the China trade, which did, in fact, prove the final blow to the whole scheme. Additionally, the United States trade with India⁹⁰ offered far better conditions for the transfer

⁸⁷ To the Right Honorable the Commissioners for the Affairs of India, East India House, 11th July 1787, Letters to the Board of Commissioners, vol. I. The Board of Control answered with a sort of declaration of principle, emphasizing their responsibility to the public concerning all these measures, mentioning that, should all responsibility in this case fall to the government, acceptance would be swift; To the Court of Directors, Whitehall 30th July 1787 (W. Pitt, H. Dundas, Walsingham), Letters from the Board of Commissioners, vol. I.

⁸⁸ Despatches to Bengal, vol. 25 (1793), Bengal Public Department: 25 June 1793, paras 100–1 and Robert Wissett, *A Compendium of East India Affairs, Political and Commercial. Collected and arranged for the use of the Court of Directors*, 2 vols (London 1802), vol. I, Amount of Indian Debts, and the Interest payable thereon [...], p. 146.

⁸⁹ Despatches to Bengal, vol. 25 (1793), Bengal Public Department: 25 June 1793, para. 103.

⁹⁰ On June 17th 1785, the first ship from the United States appeared in Calcutta. Governor General in Council to Court of Directors (Foreign), 25 October 1785, in: A. Tripathi, *Trade and Finance*, p. 6, and C.H. Philips, *East India Company*, pp. 105–6. Another American ship had dropped anchor in Pondicheri on December 26th of the previous year, H. Furber, American trade, *New England Quarterly* 11 (1938), pp. 235–7 and pp. 242–3; on the subject of ships from the United State breaking into the East and South-East Asian trad-

of British "remittances", constituting as a further reason for the collapse of the consolidation plan. After years of experimenting the Board of Control gave up. A unified state in India under British rule, including a national banking and credit system and a "national-colonial" customs policy was needed before it was possible to implement such comprehensive measures. But this political and economic sphere did not yet exist. This all-inclusive control was only achieved by the British in the second half of the nineteenth century.⁹¹ Nevertheless, the consolidation scheme was the first though not very successful attempt to link the Indian currencies to the pound sterling.

Nevertheless, Henry Dundas was successful in establishing the "India Budget" as a matter of parliamentary fiscal control of British-India. Dundas, in temporal proximity and habitual congruence with the (English) "National Budget", annually opened his "India Budget" with a speech and the presentation of figures in the House of Commons from 1789 onwards. What had actually taken place was the incorporation of the EIC's colonial fiscal and commercial income into the mould of Britain's contemporary mechanisms of public control of state income.⁹² What commenced as a simple and momentary parliamentary act of control of the Company's "fiddly finances" in 1767 developed into a mature scheme of public control of the recently acquired colony and her finances in the 1790s.

V Conclusion

During the first half of the eighteenth century, the book-keeping practices of the East India Company in London do not seem to have posed any problems. Provided with the respective figures from the different Presidencies, the general accountant in Leadenhall Street was able to do the accounting more or less accurately. But from the middle of the century inconsistencies turned up, or rather, it was possible to discern financial machinations formerly concealed. Without any doubt, this was related to the gradual take-over of revenue rights in Bengal after 1757, when the accountants at Fort William did not distinguish properly between income from the revenue ad-

ing region vide J. de Hullu, On the rise of the Indies trade of the United States of America as competitor of the East India Company in the period 1786-1790, in: M.A.P. Meilink-Roelofs et al., *Dutch Authors on Asian History*, pp. 139-54, vide also R. Spindler, *New York und der amerikanische Indienhandel* (1784-1812), pp. 24-60 and pp. 130-47.

⁹¹ S. Ambirajan, *Political Economy and Monetary Management. India: 1766-1914* (Madras-New Delhi-Hyderabad 1984), *passim*. Ambirajan does not mention the consolidating scheme at all.

⁹² This issue is analysed at length in my *Bengalen im Umbruch*, pp. 326-35.

ministration and income from commerce. The costs of war which were never broken down, eventually led to chaos in the local financial administration. In London, too, the Company more and more headed towards financial disaster which led to a “bubble” in 1767 that finally became public as insolvency in 1771.⁹³ The Company’s *de facto* bankruptcy was only averted by the intervention of the state. After weathering the parliamentary storm of the reform legislation, Leadenhall Street only rarely bothered with the accounting problems in India. Parliament also seems to have lost interest in the Company’s finances for the time being.

Book-keeping in the Indian settlements never reached the standard demanded by London. Now and then, it seems as if the accounting of the Company was handled only mechanically. As long as it was possible to pay out dividends, no member of the Court of Directors worried about the Company’s finances. The dividend was apparent proof of the Company’s solvency or even prosperity. Admittedly, there were some items in the account columns that could be checked and which gradually diversified over the years. If necessary, admonitions or warnings could be issued. But ultimately, the Company’s financial situation in India was beyond control. In particular the military disbursement always remained vague. From 1765 onwards the accountant general in Leadenhall Street continuously complained about overdue payments for his balances. Obviously, the column for military expenses was the most popular for concealing the financial machinations of Company servants by making deliberate omissions and just giving sum totals. As the British military budget was never discussed in parliament in great detail either, this was scarcely, if at all, regarded as morally offensive by contemporaries. It was widely known that the Paymaster General used the military budget for profitable credit transactions. *Sinecures* still existed and were publicly, if not officially, accepted. According to contemporary standards one might even have the impression that book-keeping and accounting was managed quite well, except for the EIC’s ever increasing financial burden. In fact, the “Indian debt” accrued due to an accounting system which, on the one hand, could not cope with the growing fiscal-military responsibilities and, on the other hand, with the obligation to expand continuously the Company’s commercial activities.

It was only the imminent legislation regarding India after 1782 which revealed the financial machinations of the trading company once again. As in 1767 and 1771, parliament in London was also alerted by the political scheming and military involvement of the Company servants in India. Again,

⁹³ H.V. Bowen, Lord Clive and speculation in East India Company stock, 1766, *Historical Journal* 30 (1987), pp.905–920 and idem, “Dipped in the traffic”: East India stockholders in the House of Commons 1768–1774, *Parliamentary History* 5 (1986), pp. 39–53.

extensive legislation was implemented mainly in the financial sphere. It was no longer possible to run the trading company with simple book-keeping whilst it was gradually consolidating its status as a colonial power in Bengal. Not only did parliament insist on a regular presentation of the Company's ledgers, but forced her to annually disclose her finances and to present her "estimate" for the following financial year. Inconsistencies which had been criticised before were now sanctioned by parliament because from 1789 onwards, the "India Budget" was annually passed by parliament. The economic viability of the Company had long since ceased to be the issue, it was just a matter of ensuring interest payments. This was the aim of the consolidation plan for the "India Debt".

During the second half of the eighteenth century, the East India Company developed from an intercontinentally operating commercial corporation into an administrative cum trading agency. The Company's colonial adventure which derived from the idea of securing local revenues for commercial investment eventually showed her administrative ineptitude. Despite warnings and orders from London the Company muddled through until the end of the eighteenth century, accompanied by an ever growing indebtedness both in India and in Britain because of the deficiencies and gaps in book-keeping and accounting. K.N. Chaudhury's "multinational operating corporation" had its limits in the Company's inapt. Ultimately, it was the English government that consolidated the "Indian debt" by establishing the "India Budget" parallel to the "National Debt". The British state guaranteed the "India debts", not the commercial ones at home, and averted imminent bankruptcy due to bad financial figures, whilst book-keeping and accounting improved slowly until the dissolution of the Honourable Company in 1859. What was at first regarded as a problem of book-keeping led to Parliament's attempts at regulating the financial affairs of the Company and ultimately to an overall parliamentary control of the Company's accounting whilst incorporating her financial matters into the public sphere of Great Britain. From a more elevated perspective, these "operations" made the British Empire viable well into the nineteenth and twentieth century.