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A Letter to the Proprietors
of East-India Stock.

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LETTER

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TO THE

PROPRIETORS

OF

EAST-INDIA STOCK.

CONTAINING

A BRIEF RELATION

OF THE

NEGOTIATIONS WITH GOVERNMENT,

FROM

The Year 1767, to the present Time; respecting the
Company's Acquisitions in INDIA.

TOGETHER WITH

Some Considerations on the principal Plans for adjusting the
Matters in dispute, which have been discussed in the General
Court of Proprietors.

L O N D O N :

Printed for B. WHITE, at Horace's Head,
in Fleetstreet.

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ADVERTISEMENT.

THE following sheets were written during the transactions therein related. The novelty and greatness of the object, enabled a few designing men to delude the Proprietors, and sacrifice the public interest to their own *temporary* views; which, however, to the ruin of the authors, have been defeated by unforeseen accidents. If the perusal of these papers will lead gentlemen to consider the conduct of men, without the violence and prejudice of party, no apology will be necessary for this publication.

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[I]



A B R I E F

R E L A T I O N, &c.

W H E N the first news arrived of our acquisitions in Bengal, so sudden an encrease of wealth naturally drew the attention of every enterprizing man, who, having little to lose, thought his engagements could not possibly be too large in a stock where there appeared a certainty of gaining much. A great number became speculators for time,
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and it was then confidently reported that more than double the Company's Capital had been thus negotiated within six months. The harvest however was not so near as these Gentlemen had flattered themselves. The Directors now proceeded to lay open the state of affairs at home, which prudence had before obliged them to conceal. It then appeared, the Company had been compelled to exceed those limits the Legislature had prescribed; that the debts amounted to 800,000*l.* more than the Company were enabled to borrow. The Directors admitted the prospect was great; but at the same time represented, that it was indifferent to the Proprietor whether he borrowed to divide, or waited till the money was actually received in the Treasury; giving it as their opinion, that the payment of these extra debts should be the first application of the returns from India, as a voluntary continuance in this excess might afford an handle to those who envied their present situation. Such advice was little relished by the speculating Gentry; they had already waded beyond their depth, and, *ne fœnore trucidentur*, an immediate ostensible dividend became necessary. Their number encreased every day: Mr. Sullivan, from other views, put himself at their head; the friends of Lord Clive, thinking to delay the

the fruits was to doubt the reality of his success, concurred; and, though some delay interposed, an addition of four *per cent.* was made to the Dividend. www.libtool.com.cn

A party being thus formed, Mr. Sullivan proceeded to enlist every man who had conceived disgust against the reigning powers. Continual abuse was heaped upon the Directors: they were accused of decrying the Stock to buy with more advantage themselves, and refusing a dividend when 30 *per cent.* was inadequate to our success. In vain did the Directors deny the charge, and call upon their antagonists to name the man among them who had either bought or sold. The *Continuators* in the Alley were disappointed of their expected profits, and the clamour increased.

In the mean time, a doubt had been suggested to the Ministers, that the Revenues in Bengal might possibly belong to the Crown. A message was accordingly sent to the India-House, intimating that the Company's affairs would probably be the subject of examination in Parliament. The alarm once given, L—ds, Lacquies, and Merchants ran with equal haste to the Alley. Stock fell 30 *per cent.* while the terror and anxiety in every countenance afforded a truly ridiculous and comic scene.

In Parliament the attack upon the Company was led by a Gentleman, who has ever been considered as a strange mixture of folly, wildness, good sense, and absurdity; who talked of forfeiture of Charter, right of conquest in the Crown, &c. In short, were we to gather his opinion from his language (an attempt we confess to be rash), he seemed to think it lawful to treat any *rich* body of men as our King John did the Jew, who had seven teeth drawn before he *consented* to part with his money.

Our Directors, particularly our Chairman and Deputy, who were examined at the Bar of the House, explained the cause which had obliged the Company to exceed their power of borrowing; and shewed, that the imputed offence was the necessary consequence of an act of the Legislature itself, the effects of which had been an addition of 500,000*l. per annum* to the Revenue. This silenced the threats of a forfeiture; but the apprehension of a decision upon the question of right in Parliament (though it confessedly could produce nothing without a further violation of our Charter) operated so powerfully on the minds of the Proprietors, that authority was given to their Directors to treat with the Treasury

fury respecting a participation of the late acquired Revenues between the Public and the Company.

The Election approaching, an offer of Mr. Sullivan to give more to both parties than the Directors thought possible, *viz.* 14 *per cent.* to the Proprietors, and 900,000 *l.* to the Public, created some embarrassment; but the proposition of the Directors upon a ballot prevailed.

The negotiation continued; and, after a prolongation of Charter, &c. had in vain been insisted upon, an agreement was well nigh established upon the following terms, *viz.* 400,000 *l.* or 12½ *per cent.* to be first deducted from the clear produce of sales of the year, for a Dividend to the Proprietors; one half of the remainder [a] to be paid into the Treasury, the other half to be appropriated to the payment of debts.

If the duty of one shilling *per* pound is taken from black teas, the Company to indemnify one half, provided the same shall never in any one year exceed 70,000 *l.*

[a] The difficulty here was—whether one half or two thirds of this remainder should be paid to the Treasury.

Delay was ruinous to the Stockjobbers, who in general paid an immense interest for money. They became impatient for a further Dividend, and 12⁺ *per cent.* was voted by a General Court.

Some Members of Administration, thinking the increased Dividend ought to have accompanied the agreement above-mentioned, introduced into the House of Commons a restraining Bill for one year. *Hinc labor! hinc lacrymæ!* No compliance was too great; every public interest was to be sacrificed, rather than our Dividend delayed. Accordingly, after some private meetings with the Chancellor of the Exchequer, and assurances [b] by him given of defeating the impending Bill, a vote was proposed in the General Court, and carried, for an immediate gift of four hundred thousand pounds *per ann.* to the Public, and a full indemnification stipulated on the part of the Company for the one shilling *per* pound duty on black teas.

The Directors, hearing of this design, produced an unanimous resolution of their court, condemning the intended motion as dangerous and unsafe to the Company. Their opposition however was vain. Friends and Foes,

[b] This passed at the St. Alban's Tavern, where several Leaders of the Opposition to the Directors were present.

equally

equally flattered with gaudy dreams of riches, thought no undertakings beyond our present strength; and the adherents of a noble Lord in particular, unacquainted with the mercantile difficulties of remittance, declared this grant but a small proportion of our boundless wealth.

It is difficult to account for Mr. Sullivan's conduct, who supported this question, without supposing an utter ignorance of our Trade; but as this Gentleman's abilities have been much extolled, we must conclude that his knowledge refers to some other branch of the Company's affairs. Be this as it may, his friends found themselves deceived by Parliament, and an heavy burthen entailed upon the Company; while at the same time the restraining Bill passed the House, Mr. Townsend, the Chancellor of the Exchequer, dividing in the Minority.

It was seen, that the resolutions of the Proprietors might again be governed by the expectation of an additional $2\frac{1}{2}$ per cent. dividend, when the subsisting agreement expired: and the precedent being already established, next year a second restraining Bill took its rise in the House of Commons. Petitions were presented: an estimate of the probable receipts and disbursements was fabricated, to prove

prove the Company's debts would be discharged within the year. Mr. Rous's testimony at the Bar of the Lords, upon this occasion, gave great scandal to the more violent Partizans of Dividend. He still thought, as before, that granting to Government, or dividing among ourselves, before the Company's extra-debts were paid, and the difficulties at home removed, was beginning at the wrong end; but at the same time maintained, that the Proprietors were entitled to a preference. Being examined as to the Estimate, he explained the principles upon which it had been formed, and assigned some reasons for believing the receipts [c] were considerably over-rated. Counsel were moreover employed, to contend for the free disposal of private Property. Both Houses of Parliament notwithstanding thought it just to restrain; and the Bill passed.

Here let us pause a moment, and take a short view of the two plans above-mentioned. As these are supposed to have been the productions of the then two rivals in the Company, a comparison of their respective merits may enable us to form a just judgement of

[c] By the accounts afterwards produced, in January 1769, it appears, that the real produce of our sales actually fell short of this *Estimate* the moderate sum of four hundred thousand pounds.

the relative knowledge and abilities of these Gentlemen.

Our right to the acquisitions made in Bengal, together with the Northern Sircars, having been questioned in Parliament, and the ablest Lawyers being divided in opinion concerning it, some maintaining that these possessions were gained by conquest, and consequently vested in the Crown; others, that they were such an acquisition as our Charter enabled us to make; it was by a General Court recommended to our Directors to treat with Administration, of a mutual participation of these revenues between the Company and the Public. Thus empowered, it must have occurred to them, that the novelty of an attempt to bring the revenues of one country annually into another at the distance of half the globe, rendered the event uncertain: that therefore it could not be safe for the Proprietors to engage to pay a specific sum, or even a certain proportion of the revenues, *here in England*; and to pay any thing abroad would be useless to the Public. But though our claim to the revenues was problematical, our right to an exclusive trade for seventeen years more was indisputable; it is just therefore, it is reasonable, that the Proprietors should enjoy the profits of this trade. Here another difficulty

difficulty occurs; to bring these sums to Europe, our investments must be increased to an extent hitherto unthought of; and the natural effects of such an increase are the enhancement of commodities in India, and the decrease of the price at our sales, by glutting the market; consequently a partial, perhaps a total, loss of the former profits of trade will ensue. As, however, this loss would be occasioned by bringing home the revenues, it appeared reasonable that it should be made good to the Proprietors out of that aggregate sum which such *extraordinary* investments should yield at our sales. The only danger in *thus* blending the trade and revenues is, the difficulty of adjusting accounts with Government; a difficulty which will vanish upon examination.

Impressed, probably, with these sentiments, the Directors produced the following proposal, as the basis of a negotiation.

1st. That the Company's term in the exclusive trade be prolonged for fifty years, from the present time; for which the sum of 500,000*l.* is to be paid within the year.

2dly. All civil and military expences to be paid out of the revenues abroad in the first instance; the accounts thereof to be annually transmitted

transmitted from each Presidency where they shall be incurred [d].

An account of the whole produce of all goods imported (which by Act of Parliament are to be sold by public auction) is carefully and correctly taken, *at present*, by the Officers of the Customs, who attend at every sale, in order to calculate the duties payable to Government. From this gross sum (after payment of duties) the Directors proposed to make the following deductions :

Prime cost of goods exported.

Interest of bond debt.

Five *per cent.* for charges of different kinds.

Dividend of 400,000 *l.* to the Proprietors.

Freight of ships.

Bills for coral, and remittances indulged the servants.

[d] It is evident, that upon this plan of the Directors, these accounts are unnecessary, since the Public is to partake of what shall be *actually* brought home ; but it should be understood by both parties, that all expences abroad are to be first defrayed. It is equally the *interest* of the Company to bring home as much as possible ; the Public, therefore, may safely rely upon the operation of this interest.

The neat remainder, after these deductions made, to be equally divided between the Public and the Company. www.libtool.com.cn

We have seen that the gross produce (of goods imported) at our sales is already in the hands of the King's Officers: if the sums to be deducted can be as easily ascertained, where is the difficulty of accounting with Government?

1st. Of the prime cost of goods exported, an account is annually delivered to the Lords of the Treasury upon oath, signed by the Chairman and Deputy-Chairman for the time being.

2dly, 3dly, and 4thly. The interest of bonds, 5 *per cent.* for charges, and the dividend, being certain proportions upon given sums, it is unnecessary to say that these may be easily ascertained.

5thly, and 6thly. There remain then only the two last articles, freight of ships and bills of exchange: the one account may be proved by the receipts of the ships husbands; the other by the bills themselves [e], and the

[e] All these articles were reduced to a certain *per centage* upon our sales, by a subsequent improvement upon this plan.

oath of the Treasurer, or Cashier, who pays them.

It must have been impossible to say what part of the revenues can be brought to Europe, therefore no specifick proportion could *safely* be agreed upon with Government. The profits of trade may be lost in part, or wholly annihilated, by the increase of investment, in order to bring these revenues home; therefore, from the whole produce of our sales (of goods imported) a sum, equal to our *usual* profits, is given to the Proprietors, and the nett remainder (being that *additional* income which our revenues produce to our treasury in Leadenhall-street) is divided, the one moiety to the Public, the other to await the disposal of the Proprietors, as independent of Administration as the produce of our sales at present, after payment of duties.

A power of borrowing is added, if the same should be necessary.

I have only to observe, that in a country loaded with an immense accumulation of debt, the interest of the Exchequer must often be opposed to that of Commerce. Was it necessary, it would not be difficult to point out instances where the Company has lost
double

double what the Public has gained, by taking off drawbacks [f]. This has been, this must be the case, in a country where ten millions are annually raised upon the subject. Surely then it was no inconsiderable advantage (when our commerce must be extended to bring home our revenues) that this plan makes it equally the interest of the Public and the Company to encourage and promote this commerce.

Mr. Sullivan having this plan before him, and having heard the objections thereto, promised to produce one, in which the difficulty of accounting should be avoided. To understand his plan, it must ever be remembered, an universal opinion then prevailed, that the revenues of Bengal amounted to seventeen hundred thousand pounds, after all civil and military expences defrayed, according to an account transmitted from India.

[f] If a drawback (suppose 5 per cent.) is not allowed, the goods exported will produce 5 per cent. less at our sale. For, as no man will give more at our sales than he can buy for of the French and Dutch, the foreigner buying for exportation fixes the price at the sale: consequently the Public gains 5 per cent. upon the goods exported; and the Company loses not only 5 per cent. upon the goods exported, but likewise 5 per cent. upon those consumed at home.

Propo-

Propositions, to serve as the Basis of a Negotiation with Government.

“ 1st. That the Charter,” *i. e.* the term in the exclusive trade, “ be extended fifty years from the present time.

“ 2dly. After payment of military expences, he proposes to deduct 560,000 *l.* from the revenues of Bengal, and the Northern Sircars (or provinces of Golconda), for a dividend of 14 *per cent.* to the Proprietors [g]; the residue to be the property of Government, valued at 2 *s.* 1 *d.* the current rupee, and to be paid six months after the sale of the cargoes, in which the merchandise purchased therewith shall have been invested.”

The first observation that occurs is, how are the accounts of the military expences, and of

[g] It is remarkable, that Mr. Sullivan stood up at a General Court, and desired, that after the words “ 14 *per cent.* to the Proprietors” “ *for fifty years*” might be inserted: and lest this should not be sufficiently apprehended by those to whom it was addressed, he repeated his request at the next Court.

collection, to be adjusted with Government? Who does not see that, in this plan, it is made the interest of the Company to collect as little as possible? for the smaller the surplus to be invested for the Public, the greater will be their profit upon the trade, the less their loss upon the remittance.

Is the money of the Company, or of the Public, to be first invested? If the Company's, then, as the increase of investment will destroy the profits of the trade, by enhancing commodities abroad, and lowering the price at home, will the agents of the Company make a faithful collection of the revenues? Will they invest them when collected? Or, will the Directors put the goods, in which such money shall be invested, up to sale, when they do arrive, until the property of the Company is sold?—A fruitful source of disputes!

Not only a minute inspection into our military accounts and charges of collection must be allowed at each Presidency, for on this depends the *quantum* of the Government's property; but our private mercantile books must be laid open, to see *how much* of that property is invested, and *in what goods*, that “the bills
“ may be drawn payable six months after the
“ sales

“ sales of *those cargoes* in which the mer-
 “ chandizes purchased *therewith* shall have
 “ been *invested*.” Should all the ships arrive,
 our books at home must be inspected. Let
 us know what these goods are? When shall
 they be sold? Shall the Company dispose
 of theirs first? If there should not be a
 demand for the whole, even at any price,
 whose money shall remain locked up in the
 warehouse? Will not this prove a constant
 source of heart-burnings and jealousies be-
 tween the Company and the Public?

The arrival of these goods will be very un-
 certain in point of time; and, consequently,
 it will be extremely difficult to adjust the
 payment of bills drawn in favour of the Chan-
 cellor of the Exchequer, unless it is proposed
 to discharge these by the produce of such
 goods as should first arrive, and to postpone
 every other payment, and by these means to put
 the Company annually in a state of bankruptcy.
 Here also it will be necessary for the Officers
 of the Crown to see what goods are sold, and
 what they produce: the exports must be de-
 layed, and all business each year stand still till
 the whole amount is paid to the Public. But
 if payment is to be made out of such goods
 as shall arrive according to the respective
 D concerns,

concerns, or even after deducting such necessary expences as are now immediately discharged; here is a plentiful harvest of intricate accounts, difficulties, and disputes!

The interest of bond debt, freight of ships increased probably to 600,000 *l.*; charges at home of various kinds, amounting to 5 *per cent.* upon the gross sales not being mentioned; are, I presume, to be defrayed by the supposed profits of Trade, which, should the whole revenue be invested, would perhaps totally be annihilated. Should the whole not be invested, may not Government have reason to complain?

The prime-cost of goods exported, is likewise omitted; the returns of which, together with the necessary provision for bills indulged the servants abroad, must considerably enhance this difficulty.

“ 3dly and 4thly. To raise two millions,
 “ by increasing the capital to four millions.
 “ Subscriptions for 800,000 *l.* to be taken in
 “ at 250 *per cent.* Twelve hundred thousand
 “ pounds are to discharge the Company’s
 “ debts, eight hundred thousand to be given
 “ to Government.”

It may be fairly doubted, how far an increase of capital, as an expedient for paying debts, is proper, when our commerce must be engrossed by the carriage of the revenues. An appropriation of whatever the Company may from time to time accumulate to a gradual discharge of debts, will by many be deemed preferable; as the power of borrowing would equally remain a resource in time of need.

A declaration of 14 *per cent.* dividend for *fifty years*, would raise the price of stock to 400 *per cent.* And what would the buyer gain? What would there be to answer sixteen millions (the value of the increased capital at 400 *per cent.*)? Nothing, but what the Company possess in their forts and warehouses: for the two millions raised, are disposed of in the 3d and 4th propositions.

In short, we may venture to pronounce, that Mr. Sullivan here built a Chalcedon, though he had a Byzantium before his eyes.

In Feb. 1769, the agreement with Government expired. After a long negotiation, between the Directors and the Treasury, a

propofal to renew this agreement (with fome additional articles refpecting the exportation of manufactures; loan of furplus at 2 *per cent.* to the State, &c.) was ushered into a General Court of Proprietors, with a recommendation from our Court of Directors.

A gradatim increafe of dividend to $12\frac{1}{2}$ *per Cent.* being made part of this agreement, with the approbation of the Treafury, did not fail to captivate the fpeculators in ftock, and procure their moft zealous fupport.

Though many of the former Directors were this year out by rotation, fome of the old leaven ftill remained in the houfe. Thefe, confcious of the fuperior advantages the Company might derive from the plan of the year 1767, had endeavoured to obviate thofe objections which had before been made to it. Satisfied that this plan, in its original ftate, might have been executed upon a much more fimple calculation than the duties to Government are eftimated at prefent; but, defirous to remove every fhadow of difficulty, they reduced, by reference to former years, every article to a certain *per centage* upon the Company's grofs fales of the year; and propofed, after deducting likewise a dividend of

of $12\frac{1}{2}$ to the Proprietors, to give two thirds of the remainder to the Public, one third to be appropriated to the payment of the Company's debts.

This plan being rejected by the Lords of the Treasury, had the adventurers also its enemies, to whom some agreement was *immediately* necessary. Nevertheless, it was strenuously supported by the Deputy-Chairman, with Mr. Rous, and others, without the bar. They urged, that if the Company's abilities were equal to the proposed engagements, nothing would be lost to the Public by adopting this plan: if not, Parliament would certainly be satisfied with less. That the Proprietors would, at least, be safe; and the Company might moreover derive many advantages from this mode of participation. It is obvious, that a system of revenue laws, calculated for an exclusive monopoly, where the price of the commodity is regulated at will by the quantity brought to market, must be highly improper when our investments are greatly extended from every quarter. Many alterations will be necessary; but these can only be obtained by blending the interest of the Exchequer with our own. In the present state of this country, loaded with
an

an immense debt, Ministers will be extremely fearful of innovations in this tender article of revenue, unless sure of receiving in one shape, what is remitted in another. Should this once be effected, by making the sum paid to Government depend on the produce of our sales, experiments will be tried, every channel will be opened, to bring home our wealth with the greatest advantage; and, probably, a larger profit will, in the end, accrue [b], both to the Public and the Company, than could possibly be obtained by any other means.

Such were the arguments used; but little attended to. For, after some previous debates, a question was stated on the proposal, recommended by a majority of our Directors, and approved by the Lords of his Majesty's Treasury. It now became a battle of accounts; in which, each man laboured to prove the Company's abilities to be such, as his arguments required. The stipulated payments, however, appearing to be 31 *per cent.* on our capital, or one million sterling *per annum*, a majority of forty votes declared against the question.

[A] Vide Note, p. 8.

The proposal was now softened in several obnoxious articles, and confirmed upon a ballot by a much greater majority of Proprietors than had before condemned the former. The Lords of the Treasury, observing the fluctuating opinion of the General Courts, ventured to reject it.

The report was, at first, received with general indignation by the Proprietors; and Mr. Sullivan, whose conduct had hitherto been equivocal, now declared himself vehemently against all further negotiation with the Minister. Nevertheless, when repeated adjournments, artfully interposed, had abated the general resentment, the friends of the first measure ventured again to propose it; and, having exhausted the patience of their opponents, and gained Mr. Sullivan to their party, with difficulty, prevailed.

In the midst of these contests, a proposition was offered, by Mr. Rous, which some thought would have been readily adopted by all parties. He observed, that great difference of opinion had arisen, respecting the abilities of the Company: that to those who conceived them equal to *all* their proposed engagements.

engagements, and none other could support the present plan, it must be indifferent, whether the Public received their portion first or last; whereas, by blending the two plans together, perfect satisfaction might be given to those who entertained a contrary opinion. He therefore proposed, according to the first plan, that four hundred thousand pounds, or $12\frac{1}{2}$ per cent. should be deducted from the clear produce of our sales for the year, as a dividend to the Proprietors; and that four hundred thousand pounds should then be paid to the Public, if the remainder was found sufficient for that purpose. It was added, by another gentleman, that the dividend, being the criterion by which the price of stock was in a great measure regulated, ought to be as fixed and certain as the nature of a trading company will admit. If this, by any accident, should be diminished, or even danger apprehended (and every idle rumour would produce this effect to a certain degree), a proportional part of the capital will be instantly annihilated: whereas, should the Exchequer suffer, it could only be a partial loss of the annual sum.

Such were the negotiations: during which, the integrity, knowledge, and abilities, of the principal

principal actors in the Company were brought upon the public stage ; and one may venture to foretel the consequences which will result from the conduct of each, without affecting the gift of prophecy.

Mr. Sullivan, by his last compliance, will gain the support of Government ; and, probably, obtain a seat in the Direction. The old Directors, from the same causes, together with their opposition to friends within doors, and the disgust naturally thence arising, will risque a defeat ; but may, possibly, as happened once before, rise again, stronger from their fall. As to the Speculators, they must be the dupes of their own folly ; and, on the first alarm from abroad, will sink under the weight of their own engagements.

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Mr. Sullivan, by his late conduct, will
gain the support of the people; and pro-
bably obtain a seat in the Parliament. The
old Directors, from the fact that, together
with their opposition to the new scheme, they
and the dissenting minority among them, will
incure a defeat; but they will be able to
period once before, the new scheme will
exist still. As to the dissenting minority
be the dupes of their own feelings; and, on the
first alarm from abroad, will fall under the
weight of their own opinions.

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