

Administration and Finance Of The East India Company

By

Bhimrao R. Ambedkar

*Submitted in partial fulfilment of the requirements of the degree of Master of Arts
May 15, 1915*

Contents

Part I

The Court of Proprietors
The Court of Directors
The Board of Commissioners for the Affairs of India

Part II

Zemindary Settlement of Cornwallis
Village Land Revenue System
The Ryotwar System
The Salt Tax
Customs
The Stamp Duties
The Mint Revenue

Part III

The Land Tax
The Opium Revenue
The Salt Tax
The Customs Revenue
Miscellaneous Revenue
Public Works
The Pressure of the Revenue

Part IV

The Indian Debt
The Home Bond Debt

Part V

India and the Act of 1858

Editorial Note in source publication

The copy of this dissertation was secured from the Columbia University by Dr. Frank F. Conlon of the Department of History, University of Washington, U.S.A. and was presented to Mr. Vasant Moon of Dr. Ambedkar Research Institute, Nagpur, in 1979.

The editors are grateful to the University of Columbia, U.S.A. for their kind permission to publish this unpublished dissertation which is in their ownership and possession. They also appreciate Dr. Conlon's gesture of generosity and the assistance of Dr. Ambedkar Research Institute, Nagpur, for making this paper available for printing to the Government of Maharashtra.

Without going into the historical development of it, the administration of the East India Company may be conveniently described as follows:

1. The Court of Proprietors

It was " composed of the shareholders of the East India stock to a certain amount, who elect from their own body by ballot a certain number of representatives (twenty-four) to whom the proprietary confide the planning and carrying into effect whatever measures may be deemed most conducive to the interests of India and England, reserving to themselves a surveillance and limited control over the proceedings of the delegated authority."

The requirements of a seat and a vote in this Court were as follows:

A proprietor of £ 500 stock was entitled to a seat in this Court.

A proprietor of £ 1,000 stock was entitled to one vote.

A proprietor of £ 3,000 stock was entitled to two votes.

A proprietor of £ 6,000 stock was entitled to three votes.

A proprietor from £ 10,000 to £ 1,00,000 and upward stock was entitled to four votes.

Besides this, the stock must have been held for at least one year before voting. There was no voting by proxy and minors were ruled as incapable of voting.

The voters counted Lords, Commoners, women, clergy, and officers civil and military, both of the king and the company.

The sessions of the Court were quarterly—March, June, September, and December. Nine qualified proprietors were quite sufficient to ask for a special session of the Court. The speaker was ex-officio the chairman who presided at the session, brought forward all motions requiring the sanction of the Court, and laid before the members the accounts of the Company's transactions.

The Court was authorised—

(1) To elect qualified persons to constitute what is known as the Court of Directors.

(2) To declare the dividends on the capital stock of the company within certain parliamentary restrictions.

(3) To frame, alter, or repeal such of the by-laws as hinder the good government of the East India Company, provided they do not conflict with the Acts of Parliament.

(4) To control in general any increase in a salary or pension above £ 200 a year, or over any gratuity beyond £600.

(5) To confer pecuniary reward for good service.

II. The Court of Directors

It consisted of twenty-four members. The Directors were elected by such of the Proprietors as were qualified for a vote. The qualification of a candidate for the Court of Directors were:

(1) He must be a natural or naturalised subject of Great Britain.

(2) He must possess £2,000 stock (no matter for what previous period).

(3) He must not be a director of the Bank of England or the South Sea Company.

(4) He must be a resident of England for two years after holding office in the Court.

(5) He must not have held any maritime office in the Service of the Company for two years previous to his proposed election.

(6) He must not have under any plea or pretence whatsoever, endeavoured to obtain, directly or indirectly, a vote for the election of himself or any other person to be a Director.

(7) He must take an oath

(a) (a) not to carry on any private trade.

(b) not to have any dealing with the company except as a private individual.

(c) not to hold any place or office of emolument under the Crown.

In order to fulfil the various duties, the work was assigned to several Committees into which the Court was sub-divided. They were:

1	Secret Committee	8	Buying Committee
2	Correspondence Committee	9	Warehouses Committee
3	Treasury Committee	10	India House Committee
4	Govt. Troops and Stores Committee	11	Shipping Committee
5	Legal Proceedings Committee	12	Private Trade Committee
6	Military Proceedings Committee	13	Civil College
7	Accounts Committee	14	Military College

All appointments such as writers, cadets, and assistant surgeons etc. were made by the Directors. The Civil and Military Services were recruited from the graduates of the two colleges, which were merely a burden on the revenues of the Company.

III. The Board of Commissioners for the Affairs of India (The Board of Control).

The powers of the Board are :

(1) "The superintendence and control over all the British territorial possessions in the East Indies, and over the affairs of the United Company of merchants trading thereto."

(2) "To superintend, direct and control all acts, operations, and concerns, which in any wise relate to the civil or military government or revenues of the British territorial possessions in the East Indies, in the manner hereinafter directed."

" All the members of the said Board, at all convenient times, have access to all palers and monuments of the said United Company, and are furnished with such extracts, or copies thereof, as they require. The Court of Directors are directed to deliver to the Board copies of all minutes, orders, resolutions, and other proceedings of all General or Special Courts of Proprietors of the Company, and of the Court of Directors, so far as relate to the civil or military government or revenues of the British territorial possessions in the East Indies, within eight days after the holding of such respective Courts; and also copies of all dispatches which the Directors receive from any of their servants in the East Indies, immediately after the arrival thereof; also copies of all letters, orders and instructions whatsoever, relating to the civil and military government or revenues of the British territorial possessions in the East Indies, proposed to be sent or dispatched by the Court of Directors to any of the servants of the Company in the East Indies; the Court of Directors are required to pay due obedience to, and to be governed and bound by such orders and directions as they shall, from time to time, receive from the Board, touching the civil or military government and revenues of the British territorial possessions in the East Indies." "Whenever the Court of Directors neglect to transmit to the Board their intended dispatches on any subject, within fourteen days after requisition is made, it is lawful for the Board to prepare and send to the Directors (without waiting for the receipt of the copies of dispatches intended to be sent by the said Court of Directors, as aforesaid), any orders or instructions to any of the governments or presidencies aforesaid, concerning the civil or military government of the British territories and possessions in the East Indies : and the Directors are required to transmit dispatches, in the usual form (pursuant to the tenor of the said orders and instructions to be transmitted to them), to the respective governments and presidencies in India, unless on any representation made by the Directors to the Board, touching such orders or instructions, the Board shall direct any alteration to be made in the same, which directions the Court of Directors are bound to conform to."

The Board of Control was sub-divided into six departments to answer its functions : (1) Accounts, (2) Revenue, (3) Judicial, (4) Military, (5) Secret and Political, (6) Foreign and Public. The mode of local administration in India was as follows :—

The country was divided into three presidencies namely, Bengal, Madras and Bombay, the seat of government being respectively at Fort William, Fort St. George, and Bombay itself.

In the beginning the Supreme Local Administration of India was distributed among these three governments, each one enjoying co-ordinate status. With a view to centralisation, the Supreme Local Administration of India was vested in the Governor of

Fort William in Bengal, making the other two Governors subordinate to that of Bengal who was made the Governor-General of India.

The appointment of the Governor-General was made by the Court of Directors subject to the approval of the Crown. The Governor-General was aided by a Council known as the Supreme Council, originally composed of four members, three of whom necessarily had to be the servants of the Company in India of at least ten years' standing. The fourth one must not have belonged to the Company's Service. The Commander-in-Chief of forces in India was an ex-officio member of the Governor-General's office. This Supreme Council of five members was expanded by adding to it in 1853, six Legislative members who were authorised only to sit and vote on the framing of Laws and Regulations. Four of these six Legislative members were required to be the Civil Servants of the Company of ten years' standing in Bombay, Madras, Bengal and the North-Western Provinces. The two remaining places were filled up by the Chief Justice and one other Judge of the Supreme Court of Calcutta. The Governor-General was authorised to add two more members to this Council of eleven, under Section 22 of Statute 16 and 17 Victoria Chapter 95, but the power was not exercised at best up to the time of the mutiny.

This Supreme Council of India, therefore, was composed of six members including the Governor-General and the Commander-in-Chief for the purposes of Executive Government and twelve members for the purposes of the Legislatures: seven members were deemed sufficient to form a quorum.

The power of the Governor-General was so great that he was nearly an autocrat. He could not only veto all legislation in the Council but could initiate and carry out measures independently of the Council. All " political " appointments including those of the Residents to the native States and the Commissioners to the non-regulated provinces were made by him. He could appoint the Lieutenant Governor of Bengal and of the North-West Provinces and the judges of the lower courts and controlled military patronage in Bengal and the North-West provinces.

All districts not included within the limits of any of the four Subordinate Governments were under the direct jurisdiction of the Governor-General in Council who also exercised such power over the native states as accrued to him through treaty obligation. The official staff of the Governor-General was divided into four departments, each one represented by a Secretary. These were :

- (1) The Foreign Department (foreign in relation to the native states).
- (2) The Home Department, handling the judicial and revenue correspondence.
- (3) The Financial Department.
- (4) The Military Department.

Besides these the Political and Finance Secretaries had their respective Secret Departments which were entrusted with secret dispatches.

The Subordinate Governments of Madras and Bombay were administered thus:

Each had its respective Governors and Councils consisting of three members (including the Commander-in Chief). Both the Governors and the Councillors were appointed by the Court of directors. Bengal and the North-West Provinces were each governed by the Lieutenant-Governors who were appointed by the Governor-General. The Subordinate Governments were denied the power of legislation or creating any new office, nor could they "grant any salary, gratuity, or allowance without the previous sanction of the Governor-General of India in Council." This extreme strictness though required by law was not required by custom : in order not to overburden the Governor-General, minor matters were executed by the Governor who submitted a quarterly report of the same to the higher authorities who reviewed it and as a matter of fact sanctioned it. The Bombay and Madras Governments were privileged to hold direct correspondence with the Court of Directors and did send the abstracts of their proceedings to the Court and to the Government of India. The instruments of Indian Government were furnished by what was and is known as the Civil (covenanted and uncovenanted), the Military, the Naval and the Ecclesiastical Service. The collection of revenue and administration of justice were relegated to the Civil Service.

For Civil and Military recruitment, the East India Company had maintained two colleges in England (1) the Haileburg College and (2) the Adiscombe Academy : Each student cost the Company about £ 96 a year during his period of training.

All revenue was collected in the name of the Supreme Government of India and was transferred to and controlled by the Supreme Treasury. There was absolutely no local fiscal autonomy : the deficit in one province was made up by the surplus in another and the entire India revenue was held responsible for the debts borrowed for wars in one particular province : in short, both Finance and Administration were absolutely centralised as in France under the ancient regime.

So much for the pure system of Administration. The criticism of it we will postpone till we come to the next chapter.

The last chapter must have made it clear how and why Western Europe was at a death grapple for the control of India. We followed the armies of the different leaders of different nations— fighting for a country the people of which had very little to choose in the final destiny—the Cama, the Albuquerque, the Busseys, the Lallys, the Clives, the Malcolms, the lakes and the shores as though enacting the train of ghosts of Banquo's line all that terrified Shakespeare's Macbeth out of his senses.

II

In this chapter we have more particularly to deal with the East India Company as a Political Sovereign and the Finances without dilating upon its development from a Commercial Concern into a Political Sovereign.

There is nothing strange in the fact that the East India Company succeeded in establishing its suzerainty over India as might have been seen from our past discussion. Having got a foothold in the various provinces it extended its rule over the

entire peninsula and established by law what is known as the British Government in India : in other words, it established the State and carried on the political and commercial functions jointly. As a result of this combined activity the fiscal administration of the Company in India was an entangled phenomenon. The commercial and revenue returns were merged together without any attempt at distinction. Any student of finance, therefore, has to pass over the entire period ending in 1814 when by an Act of Parliament the Company was compelled to keep separate accounts of Finance and Commerce.

With this caution we will now turn to the heads of Revenue.

(1) The Land Revenue

In spite of the early industrialisation in parts of India, the country as a whole may be classed as an agricultural country and land, today as in former times, furnished the state with a major part of its revenue.

The British Government rightly or wrongly established the principle of state landlordship versus the principle of private property regulated its land revenue system in keeping with that policy.

There are different systems of land revenue in India : It may be well to describe them in the words of Parliamentary Blue-Books.

(1) The Zemindary Settlement of Cornwallis

The most obvious feature of advantage in this system is the facility of collection, as it is a much more simple thing to obtain the revenue of a large district from a certain moderate number of Zemindars or contributors, than it is to perform the collection in details by the officers of the government themselves, and another advantage undoubtedly is the greater degree of certainty in the result of 1831 C. 3339.

This system of land tenure arose thus : When the East India Company came into possession of the revenues of the Dewanee of Bengal, Bihar and Orissa, they found the land revenue collected through the mediation of officers (subhedars) under the Mohammedan government, who had charge of districts sometimes of more, sometimes of less extent, with various titles, such as Zemindars and Talookdars, and who paid the revenue into the treasury in one sum, for which they were found managing considerable districts whose obligations consisted in paying a certain annual amount to the Government. Many of them held their districts or estates under this condition hereditarily. [2. of. 1831 C. 3114, 3115, 3215.] On the East India Company becoming possessed of the Bengal territory, great abuses were found to prevail, and to be practised by the different sorts of people employed in the collection of the revenue. The detail of the business was so great, that it frightened Lord Cornwallis and the Government of the day, and they conceived that no better method for the protection of the Riots or small cultivators, could be invented, than to create a species of landlords, from whom they expected much benefit to arise: the ground upon which they principally went was this, what those Zemindars, having a permanent interest in the land assigned

to them, would have an interest in the prosperity of the Ryots, in the same manner as a landlord in England feels an interest in the prosperity of his tenants : This was expected to produce two good effects, to create a landed aristocracy in the country, and above all to afford protection to the Ryots or small cultivators, from the kind of paternal feeling that was expected to pervade the Zemindars. [1. of. 1831 C. 3136.] With a view to the protection of the whole mass of agricultural population and with the best motives, the Zemindars in 1793, whether cultivators or officers in actual charge of districts, hereditary or by special appointment, were created landholders of the country by which a property in the soil was vested in them, in nearly as full a sense as it is to the holder of a fee-simple in England. The sum which a zemindar had been in the habit of paying was ascertained by the observation of a few prior years, the assessment or tax was *fixed forever*, and an engagement was made that this amount of land revenue should never be raised on him. Such is the nature of the settlement known by the name of " the Zemindary or Permanent Settlement ". [2. cf. 1831.0.3115,3116,3136,3215; 1832. R.C. p. 21.]

II. Village Land Revenue System

The institution of village community was and is mainly to be found in northern India. The proprietary right of land is vested in the entire community residing in the village. The administration of the village is handed over to a headman elected by the villagers and is subject to their removal. Under this system the lands are let out to men sometimes in the same village, sometimes in the neighbouring village, while certain portions and certain rights are possessed by the different craftsmen or artisans of the village, such as the schoolmaster, the washerman, the barber, the carpenter, the blacksmith, the watchman, the village accountant, etc. who have each a right to a certain portion set aside for certain recognised expenses of the village, and for defraying its hospitality towards strangers [1. of. 1830, L. 398, 399, 405, 406, 529.] These village communities are little republics, having nearly everything that they want within themselves, and almost independent of any foreign relations. dynasty after dynasty tumbles down : revolution succeeds revolution. Hindu, Pathan, Mogul, Maratha, Sikh, English, are all masters in turn, but the village communities remain the same. In times of trouble they arm and fortify themselves; [2. cf. 1832 Commons' Rev. Committee, p. 29.] It is difficult to state the proportion of the produce of the village paid to the Government: the authorities know little of the precise property of any of the proprietors; it is not the interest or the wish of the village that the Government should scrutinise and know their possessions, therefore if any one of the brotherhood fails to pay his proportion, that is a matter for the villagers at large to settle, and they will often come forward to pay it for him, but these are all private arrangements kept to themselves : and the Moceadim has no power from the Government to enforce this assessment, what each man in the village has to pay is an internal arrangement, which

it is desirable for the Government not to interfere in, the villagers settling among themselves what each has to pay, the total assessment being calculated after enquiry into the state of prosperity in the village : what it has hitherto paid : what it is capable of paying : the state of the village lands, and what assessment they ought to bear with reference to the produce. [3. cf. 1830 L. 401,402, 404, 528, 583, 584.]

Surveys of considerable expense have been made by the Government : a minute account taken of the state of the land in each village, the fields examined in the presence of surveying officers with all the assistance they can procure, not only from their own servants, but from the village communities, the people themselves interested, and also the ryots and people of the neighbouring villages who are invited to attend. The exact limits of the village are put down, and even the details of land within the village, the productions, the houses, fruit-bearing trees, and son on : the assessment is grounded upon these particulars [1. cf. 1831 C. 3492.]

III. The Ryotwar System

The peculiar principle of the third sort of assessment termed Ryotwar is to fix a maximum of assessment upon all the lands of the country [2. cf. 1831 C. 45, 65.] The money rent of each individual cultivator for the fields in his occupation is defined with as much permanency as possible, the aggregate of such rents making the total assessment, which varies each year with the increase or decrease of cultivation. Another main principle of the Ryotwar system is to protect the rights of all ryots or cultivators, as they now exist in every village, from infringement : and to prevent all encroachment upon those rights [3 cf. 1831. C. 5156:] Thus, in the Ryotwar system, the details of the interest of the respective Ryots are known completely, and not at all in the Zemindary system; and the former effectually does what the latter proposes to do, but never has done, and never can do, that is, fix an assessment upon all lands in the country. Under the Ryotwar system, the assessment goes from land to the aggregate: it respects property of every class, that of the largest landholder, and that of the smallest : it measures and assess every portion of an estate, and thus facilitates the transfer of landed property, as the first question when taken into market is—What is the amount of public demand upon the land? [4 cf. 1831 C. 4565, 4567, 4568.] The Ryotwar Settlement is applicable in every state of things: where there are proprietors it may be concluded with farmers or cultivators : it may be equally made for the largest or for the smallest quantity of land, for millions of acres or for only a few. The owner of a single field may make his terms directly with the Government, and turn to his cultivation, knowing that he cannot be called on to pay more than a certain sum : for although the assessment under this system varies according to the value of the land, difference of soil, population, situation, and other localities : and although inferior land, paying a lower assessment, becomes liable when sufficiently improved to pay the higher assessment, there is nevertheless, a maximum for the best land beyond which all produce is for the benefit of the landholder, and there are remissions in cases of urgent

distress. [1. of. 1832 C.R. P. No. 20.] Another advantage which the Ryotwar system possesses over the Zemindary is in the creation of a great body of independent proprietors, instead of a few who are proprietors only in name : and there is an advantage for the great mass of the people, but in the case of the Zemindary they accumulate for the benefit of the few, while in the Ryotwar system there is also tendency in a considerable degree to the accumulation of capital. [2. cf. 1831 C. 4577, 4578, 4579.]

Such was and is the system of land revenue in India under the regime of the East India Company. A critical estimation of the system we will reserve for the future.

The next important head of revenue is the *Opium revenue*. The opium revenue yielded next in amount to the land revenue and was levied in two different ways :

(1) " By an exclusive system of cultivation and sale carried on by the Government in Bengal."

(2) " By a high export duty levied in Bombay on opium grown in the native states of Malwa and shipped from Bombay."

By Regulation VI of 1799 section 3, poppy cultivation was prohibited in Bengal, and in the North-West Provinces by Regulation XLI of 1803 Section 2.

"Annual engagements are entered into by the Government with the Ryots in certain selected districts, to sow a certain quantity of land with the white poppy, under a system of pecuniary advances, the produce to be delivered in the form of opium to the Government at a fixed rate..... The total net receipts from the opium monopoly in Bengal amounted in 1856 to 2,767,136."

The revenue derived from transit of opium has a pretty little history : prior to 1831 the British used to buy the opium from the native states (to keep a strict monopoly of the article) through the Resident and hammer it out at Bombay or at Calcutta. But to prevent the large smuggling into the Portuguese Settlements the monopoly policy was given up in favour of the transit duties recovered by way of " passes " at a specified rate to cover the transportation cost to Bombay. The transit duty was at first fixed at Rs. 175 per chest of 140 lbs. each. This process showed a diminution in the returns, consequently the rate was reduced to Rs. 125 per chest.

The conquest of Sindh closed the additional gate of smuggling the opium into the Portuguese territories : consequently it was hoped and rightly that a higher transit duty would give added return as the change in the direction of the trade was impossible.' So in 1843 October, the rate was increased to Rs. 200 per chest, : in 1845 to Rs. 300 per chest and in 1847 to Rs. 400 per chest,

IV. The Salt Tax

Salt is obtained in India in different ways and is taxed in different ways in different parts of the country.

It is obtained either by boiling sea water as in Bengal, or by solar evaporation as in Bombay and Madras or from natural resources such as the salt mines in Punjab and

the salt lakes in Rajputana.

In Bengal the Company had a salt monopoly. It was manufactured by the natives who contracted to deliver all manufactured salt to the Government at a fixed low price. The Government then sold this quantity of salt at six different agencies, Hidgelee, Tumlook, Chittagong, Hiracan, Cuttack, Balasore and Khoredah, at a price which was composed of the actual cost plus the additional amount equivalent to the duty levied on imported salt. As a result of this " the average retail price to the consumer " amounted to about a penny per pound.

The private manufacture of salt was also allowed at Calcutta under a system of excise only equal in amount to the import duty.

But on the recommendation of the select committee of the House of Commons in 1836, there was introduced the system of fixed prices, and open warehouses, at which the sales, instead of being as before periodical "were constantly going on."

In Madras, salt was manufactured on behalf of the Government and was sold for internal consumption. The duty on imported foreign salt was lowered from Rs. 3 per pound to equal the difference between the cost price and the sale price of the article.

In Bombay the salt manufacture was handed over to the individuals under the system of an excise duty equivalent to the import duty on the article. The salt mines of Punjab were worked by the Government and the salt was sold on the spot.

The North-West Provinces depended upon the Lower Provinces of Bengal, the Sambhur Salt lake in Rajputana and parts of western India for their supply of salt. The duties were so arranged that the salt from all parts when it reached the Northwest Provinces tended to be equal in price.

V. Customs

There were innumerable transit or inland duties levied at every town and on every road in the shape of tolls. But they were abolished in Bengal by Act 14 of 1836 : in Bombay by Act 1 of 1838 : and in Madras by Act 6, of 1844 : and uniform system of customs was established all through British India. The evil effects of these inland transit duties will be discussed later on. There remained two sources of customs revenue :

(1) The sea customs on exports and imports, the former on salt and indigo.

(2) The land customs levied mainly on articles crossing the frontier lines between the native and British territories.

V. Besides the salt and opium monopolies the East India Company had the tobacco monopolies as another source of revenue.

VI. Abkarree or revenue obtained from the sale of monopolies to sell spirits and liquors. Licences were sold to the highest bidder who contracted to sell at his own price, the hours of business and the location of the shop being regulated by the Government.

VII. The Wheel-tax was levied upon hackneys, carts, buggys, etc.

VIII. The " Sayer duties " was a collective name for unclassified taxes. In different parts of the country it included different taxes. Once it included the irregular collections

made by native revenue officers. In Madras it included the transit duties, in Bengal the pilgrim tax was included under this head. In the Deccan " this source of revenue " was " divided into two great heads the first denominated mohturfa, which embraces taxes on shops, trades, etc. : the other ballootah, ^[1] which " comprehended " taxes upon the fees in kind received by the village artisans from the cultivators, and upon their *enam* (rent free) lands when they hold them. In one instance, the percentage upon bad coins was found to be included under the head Sayer."

Commented [f1]:

IX. The Judicial Fees were realised in the form of stamps requisite in cases of different amounts in order to defray legal charges; the value of stamps varied with the amount of the suit.

Suits ranging up to Rs. 16	the stamps amounted to Re. 1.
From Rs. 16 to Rs. 32	Rs. 2
From Rs. 32 to Rs. 64	Rs. 4
From Rs. 64 to Rs. 150	Rs. 8
From Rs. 150 to Rs. 300	Rs. 16
From Rs. 300 to Rs. 800	Rs. 32
From Rs. 800 to Rs. 1,600	Rs. 50
From Rs. 1,600 to Rs. 3,000	Rs. 100
From Rs. 5,000 to Rs. 10,000	Rs. 250
From Rs. 10,000 to Rs. 25,000	Rs. 500
From Rs. 25,000 to Rs. 50,000	.Rs. 750
From Rs. 50,000 to Rs. 1,00,000	Rs. 1,000
From Rs. 1,00,000 and above	Rs. 2,000

Besides this the exhibits filed, summons, answers, replications, rejoinders, supplemental pleadings, the authorisation to a lawyer to plead (sanad) are required to be stamped, the stamp only varying according to the status of the court.

X. The Stamp Duties first established in Bengal in 1797 were incumbent on all instruments such as contracts, deeds, conveyances, leases, powers of attorney, policies of insurance, promissory notes, receipts, bail bonds, and legal proceeding generally (bills of exchange under Rs. 25 and receipts under Rs. 50 were being exempted).

In Madras stamp paper was first introduced in 1808, chiefly on legal proceedings: and in 1816 the duties were extended to bonds, deeds, leases, mortgages, bills of exchange and receipts..

In Bombay the tax was first introduced in 1815.

The English mode of distributing stamps was adopted in India.

" The stamp vendors receive their supply from the collector : the vendors give security for the stamps, and distribute them to the parties by whom they are required, receiving a percentage on the sales ".

XI. The Mint Revenue was collected in the shape of a seignorage for coining of two percent on the

produce, after allowing for the difference of standard and deducting the charges of refining when such were chargeable.

XII. The Marine Revenue was recovered by means of the port and anchorage dues, etc. in order to keep up the useful establishments at Calcutta, Madras and Bombay.

XIII. Subsidies from the native states payable under treaty obligations, amounting to about a half million pounds.

These were the thirteen sources of revenue under the East India Company, many of which continue to be so even today.

It will be also interesting to note the entire revenue raised from the different sources and the percentage ratio of each to the whole.

First the land tax : its yield and ratio to the entire revenue of British India.

Periods	Land Tax Average Annual Revenue	Ratio of Land Tax to Total Revenue (Per cent)
1792-93 to 1796-97	4,068,000	50.33
1797-98 to 1801-02	4,126,000	42.02
1802-03 to 1806-07	4,582,000	31.99
1807-08 to 1811-12	5,078,000	31.68
1812-13 to 1816-17	9,018,000	52.33
1817-18 to 1821-22	13,263,000	66.17
1822-23 to 1826-27	13,567,000	61.83
1827-28 to 1831-32	13,112,000	60.90
1832-33 to 1836-37	11,942,000	57.00
1837-38 to 1841-42	12,380,000	59.05
1842-43 to 1846-47	13,432,000	55.85
1847-48 to 1851-52	14,947,000	56.06
1852-53 to 1855-56	16,183,000	55.40
1792-93 to 1855-56	10,349,000	54.07

The Opium Revenue : its yield and ratio to the entire revenue of British India.

Periods	Average Annual Revenue	Ratio to The Total Revenue Total Revenue (per cent)
1792-93 to 1796-97	264,000	3.27
1797-98 to 1881-82	312,000	3.18
1802-03 to 1806-07	579,000	4.04
1807-08 to 1811-12	767,000	4.79
1812-13 to 1816-17	958,000	5.56
1817-18 to 1821-22	1,090,000	5.44
1822-23 to 1826-27	1,641,000	7.47

1827-28 to 1831-32	1,747,000	8.12
1832-33 to 1836-37	1,677,000	8.00
1837-38 to 1841-42	1,547,000	7.38
1842-43 to 1846-47	2,965,000	12.33
1847-48 to 1851-52	3,840,000	14.50
1852-53 to 1855-56	4,943,000	16.91
1792-93 to 1855-56	1,667,000	8.71

The Salt Tax : its yield and ratio to the entire revenue of British India

Period	Average Annual Revenue	Ratio to The Total Revenue Total Revenue (per cent)
1792-93 to 1796-97	1,207,000	14.93
1797-98 to 1801-02	1,188,000	12.10
1802-03 to 1806-07	1,589,000	11.09
1807-08 to 1811-12	1,785,000	11.14
1812-13 to 1816-17	1,882,000	10 .92
1817-18 to 1821-22	2,256,000	11.25
1822-23 to 1826-27	2,603,000	11.87
1827-28 to 1831-32	2,590,000	12.03
1832-33 to 1836-37	2,036,000	9.72
1837-38 to 1841-42	2,593,000	12.37
1842-43 to 1846-47	2,798,000	11.65
1847-48 to 1851-52	2,438,000	9.14
1852-53 to 1855-56	2,677,000	9.17
1792-93 to 1855-56	2,118,000	11.07

Customs Revenue : its yield and ratio to the entire revenue of British India.

Periods	Average Annual Revenue	Ratio to the Total Revenue (Percent)
1792-93 to 1796-97	192,000	2.38
1797-98 to 1881-82	304,000	3.10
1802-03 to 1806-07	596,000	4.16
1807-08 to 1811-12	807,000	5.04
1812-13to 1816-17	1,159,000	6.68
1817-18 to 1821-22	1,667,000	8.32

1822-23 to 1826-27	1,663,000	7.58
1827-28 to 1831-32	1,747,000	8.12
1832-33 to 1836-37	1,506,000	7.19
1837-38 to 1841-42	1,418,000	6.76
1842-43 to 1846-47	1,449,000	6.02
1847-48 to 1851-52	1,439,000	5.40
1852-53 to 1855-56	1,611,000	5.52
1792-93 to 1855-56	1,190,000	6.22

Miscellaneous Revenue: its yield and ratio to the Entire Revenue of British India.

Periods	Average Annual Revenue	Ratio to the Total Revenue (Per cent)
1792-93 to 1796-97	2,315,000	28.64
1797-98 to 1801-02	3,809,000	38.79
1802-03 to 1806-07	6,857,000	47.87
1807-08 to 1811-12	7,452,000	46.49
1812-13 to 1816-17	3,990,000	23.16
1817-18 to 1821-22	1,392,000	6.94
1822-23 to 1826-27	1,986,000	9.05
1827-28 to 1831-32	1,789,000	8.31
1832-33 to 1836-37	3,059,000	14.60
1837-38 to 1841-42	1,434,000	6.84
1842-43 to 1846-47	1,636,000	6.80
1847-48 to 1851-52	1,977,000	7.40
1852-53 to 1855-56	1,575,000	5.39
1792-93 to 1855-56	3,043,000	15.90

This much for the sources of revenue and amounts raised from each one of them and their proportions to the whole.

On the expenditure side we note the following heads :

- (1) Charges incident to the collection of revenue.
- (2) Military and naval charges.
- (3) Civil, judicial and police.
- (4) Public works.
- (5) Interest on Bond Debt in India.
- (6) Allowances and assignments to native princes under treaties and their engagements.
- (7) Home charges, which included :

- (a) (a) Interest on Home Bond Debt.
- (b) (b) Dividends to Proprietors of East India stock.
- (c) Payments on account of Her Majesty's Troops and establishment.
- (d) Charges of the East India House and Board of Control.

A tabular arrangement of the expenditure in chronological sequence may be of some value.

Selecting the period 1800 to 1857 we may take every tenth year as a representative year and mark the percentage ratio of Charges to the Revenue of that particular year.

	Net Revenue	Charges	Military Charges	Interest of Debt.	Civil & Political Charges	Judicial Charges	Provincial Police Charges	Bldgs. & Fortifications
	£	£	%	%	%	%	%	%
1809-10	11,238,000	11,076,000	58,877	18,010	7.221	7.525	1.991	1.639
1819-20	13,016,000	12,934,000	64,290	12,805	8.900	6.800	2.093	1.756
1820-30	14,200,000	13,107,000	53,754	12,124	9.575	7.107	1.535	2.810
1830-40	13,742,000	13,004,000	57,721	9,756	12.296	9.565	2.062	1.428
1840-50	19,510,000	16,404,000	51,662	10,512	8.902	7.100	2.062	1.661
1857	33,303,000	28,079,000	45,55	7.19	9.62	9.38		

Public Works

According to Professor Adams the finances of a country are to be judged from the viewpoint of developmental expenditure : and among the developmental expenditure of a country the Public Works take a prominent position.

Applying the same criterion we are compelled to condemn the entire fiscal system of the East India Company.

Before 1853 the administration was engaged in war operations and not only did not project any new scheme of public works, but it allowed the old ones to fall rapidly into decay.

Dr. Spry in his "Modern India" (1837) says "It is in the territories of the independent native chiefs and princes that great and useful works are found and maintained. In our territories the canals, bridges and reservoirs, wells, groves, etc., the works of our predecessors from revenues expressly appropriated for such undertakings are going fast to decay."

Speaking of the Public Works in India, Mr. John Bright said "With regard to public works, if I were speaking for the natives of India, I would state this fact, that in a single English country there are more roads—more travelable roads—than are to be found in the whole of India; and I would say also, that the single city of Manchester, in the supply of its inhabitants in the single article of water,

has spent a larger sum of money than the East India Company has spent in the fourteen years—from 1834 to 1848—in public works of every kind throughout the whole of its dominions. I would say that the real activity of the Indian Government has been an activity of conquest and annexation."

Before the "Department of Public Works" was made uniform for all the Presidencies of India the important branch of administration was conducted in various ways.

In Bombay it was conducted by the Military Board : Though subordinate, the Superintendent of Roads and Tanks was outside the Military Board.

In Bengal the Military Board had the entire control. In Madras the administration of this department was threefold : There was—

- (1) The Public Works Department of the Board of Revenue.
- (2) The Superintendent of Roads.
- (3) The Military Board.

This variety in the system was reduced to uniformity by Lord Dalhousie who created a separate department of the state for dealing with questions connected with Public Works.

We will review in brief the Public Works that were executed under the regime of the East India Company.

(1) Canals Ganges Canal—449 1/2 miles.

East and West Jumna Canal—445 miles of the West Jumna Canal were completed.

Punjab Canals—425 miles of the Boree-Doab Canal in the Punjab were executed in May, 1856.

Madras Irrigation Works—Tanks, reservoirs, and "annicuts" or dams, across the beds of the Cauvery, Godavery, and Krishna Rivers.

(2) Truck Roads

	miles	cost
From Calcutta to Peshawar	1,423	1,423,000
From Calcutta to Bombay	1,002	500,000
From Madras to Bangalore	200	37,121
From Bombay to Agra	734	243,676
From Rangoon to Prome	200	160,000

(3) Railways

From Calcutta to Burdwan	120
From Bombay to Wassind	50
From Bombay to Compoorie	10
From Madras to Vellore	81

(4) Electric Telegraphs

From Calcutta to Peshawar }
From Agra to Bombay } in all about 4000 miles
From Bombay to Madras }

Mr. Hendricks says "Comparative to area and population, the extension of these works has not been either so great or so continuous as might be desired. If we exclude those undertakings that are of a purely military character, and review the items which may be classed under Land and Water Channels of Communication and Irrigation Works, or in other words, the Revenue—productive public Works, in recent years of most activity, it appears that an outlay of about one million and a half sterling has been the maximum for one year. If we take the most immediately productive works, viz. : of Canalisation, Irrigation, it will be seen that not more than 738,015 in the year 1853-54, and 543,333 in the year 1854-55, was thus expended.

" The condition of the Revenue, as preventing a more rapid and extensive outlay, has hitherto been an answer to those who might have been disposed to urge that even these amounts are insignificant, when the British Indian territory of 837,000 square miles, and its 132,000,000 of souls are considered. This answer resolves itself purely into one of alleged difficulty. That this difficulty is only apparent, and might be remedied, is evident, not only from the practical testimony of the productive results of such expenditure in the instances before adverted to, but also from the history and policy of the other branches of the Colonial Empire of this country. And the history of the East India Company, or of the trading companies of other countries, has shown no exception to the general rule, that expenditure on carefully selected objects of enterprise may often appear lavish and purposeless when it is but showing the field whose harvest is the proof of the wise economy of that expenditure."

The Pressure of the Revenue

This branch of our study is entirely out of question : not that it is beyond our scope but there are innumerable drawbacks in our way. First and foremost is, that we have no absolutely correct statistics regarding population. Census was never known at that period and any estimate of the population is at best a guess too broad and vague to be made the basis of any scientific conclusion.

Another serious handicap in the way of such a study is the fact that every year the East India Company saw its territory extended by several units of miles and one often wonders whether the swell in the revenue is due to the high rate of taxation or the extension of territory.

Thirdly, the Revenue accounts of the East India Company are anything but perfect. As noticed before, they were mixed with the commercial accounts till 1813 and when they were separated by the Parliamentary mandate they were

hardly made intelligible.

These serious handicaps consequently compel us to leave aside this important phase of our study. Certain detached statements if grouped together may convey to us some idea regarding the pressure of the Revenue. Speaking about the Land Tax alone, Mr. R. C. Dutt, besides whom there is no better authority on the subject, says, " The Land Tax levied by the British Government is not only excessive, but, what is worse, it is fluctuating and uncertain in many provinces. In England, the Land Tax was between one shilling and four shillings in the pound, i.e. between five and twenty percent of the rental, during a hundred years before 1798, when it was made perpetual and redeemable by William Pitt. In Bengal the Land Tax was fixed at over ninety percent of the rental, and in Northern India at over eighty percent of the rental, between 1793 and 1822. It is true that the British Government only followed the precedent of the previous Mohammedan rulers who also claimed an enormous Land Tax. But the difference was this, that what the Mohammedan rulers claimed they could never fully realise : what the British rulers claimed they realised with rigor. The last Mohammedan ruler of Bengal, in the last year of his administration (1764) realised a land revenue of £817,553 : within thirty years the British rulers realised a land revenue of £ 2,680,000 in the same Province. In 1802 the Nawab of Oudh ceded Allahabad and some other rich districts in Northern India to the British Government. The land revenue which was claimed by the British rulers within three years of the cessation was £ 1,682,306. In Madras, the Land Tax first imposed by the East India Company was one-half the gross produce of the land. In Bombay, the land revenue of the territory conquered from the Marattas in 1817 was 800,000 in the year of the conquest : it was raised to 1,500,000 within a few days of the British rule : and it has been continuously raised since. " No native prince demands the rent which we do, "wrote Bishop Heber in 1826, after travelling all through India, and visiting British and native states. " A Land Tax which now exists in India," wrote Colonel Briggs in 1830, " professing to absorb the whole of the landlord's rent, was never known under any government in Europe or Asia."

"The people of Bengal and of Northern India gradually obtained some relief from the heavy land assessment of the early years of the British rule. In Bengal the assessment was made permanent; and it has not been raised with the extension of cultivation, it now bears (including Road and Public Works assessments, which have been since imposed on the rental) a ratio of about 35 per cent on the rental. In Northern India the assessment was not made permanent, but was reduced to slightly over 50 per cent including all assessments, in 1855. But new assessments were added : calculations were made not on the current, but on the prospective rental until the tax rose to close

upon 60 per cent on the rental."

In Bombay and Madras things remained pretty much the same. In both these Presidencies the Ryotwar Settlement prevails. The working of this Ryotwar system of land tenure during the regime of the East India Company is best described by Mr. Fullerton (member of the Madras Government)—"Imagine," he says, "the whole landed interest—that is, all the landlords of Great Britain, and even the capital farmers, at once swept away from off the face of the earth : imagine a rent fixed on every field in the kingdom, *seldom under, generally above* its means of payment : imagine the land so rented, allotted out to the villagers according to the number of their cattle and ploughs, to the extent of forty or fifty acres each. Imagine the revenue rated as above, leviable through the agency of one hundred thousand revenue officers, collected or remitted at their discretion, according to their idea of the occupant's means of paying, whether from the produce of his land or his separate property : and in order to encourage every man to act as a spy on his neighbour, and report his means of paying, that he may eventually save himself from extra demand; imagine all the cultivators of a village liable at all times to a separate demand, in order to make up for the failure of one or more individuals of the parish. Imagine collectors to every country acting under the orders of a board, on the avowed principle of destroying all temptation to labour, by a general equalisation of assessment : seizing and sending back runaways to each other: and lastly, imagine the collector, the sole magistrates, or justice of the peace of the country, through the medium and instrumentality of whom alone, any criminal complaint of personal grievance suffered by the subject can reach the superior courts. Imagine, at the same time, every subordinate officer, employed in the collection of the land revenue to be a police officer, vested with the power *to fine, confine*, put in *the stocks*, and flog any inhabitant within his range, on any charge, without oath of the accuser, or sworn recorded evidence in the case."

To this Mr. Martin adds, " If anything could open the eyes of those who uphold the Ryotwar System at Madras, these torture revelations ought to do so. The late Mr. Sullivan , member of Council at Madras, declared to the author, that when he saw the cartloads of silver leaving his cutchery (treasury) for Madras, and remembered the poverty of the people from whom it was collected, he shuddered at the thought of their prospect during the ensuing year, as the demands of the government were inexorable and a certain amount of money must be forthcoming."

The Pressure of Inland Transit duties will be considered later when we come to the economic condition of India during the Company's rule.

As over against this pressure of taxation we have very little information regarding the income of the people.

Nothing gives a better idea of the pressure of the tax than its comparison with the income : but our knowledge of the income of the people is very scanty. According to Munro the average wages of an agricultural labourer was between 4s. and 6s. monthly and that the cost of subsistence was between 18s. and 27s. a head per annum.

What was the pressure of the tax we do not know. Circumstantial evidence goes to prove that it must have been great.

IV

Mr. Martin sums up the entire financial history most succinctly as follows:—

" The expectations raised by Clive of the prosperity which would follow the territorial acquisitions of the Company, were so far from being fulfilled, that it was found on this (when the Dewanee of Bengal and Bihar was granted to the Company) and on subsequent occasions, that increase of revenue was almost invariably attended with more than commensurate increase of expenditure : the cost of government by Europeans, the growth of a standing army in each Presidency, and other sources of legitimate or illegitimate expense, swallowing up all the anticipated surplus, and leaving nothing for the development of the resources of the country or even the maintenance of roads, canals, and other public works constructed by native rulers."

Strange to say , the financial affairs of the Company were woefully mismanaged. .A writer of the time said, " We have an army officered by British soldiers, manoeuvred according to European tactics. The spirit and much of the letter of the English law pervades our jurisprudence : our assessments for revenue are supposed to be based upon the doctrines laid down by Adam Smith and his followers (?). Our finance alone is Indian. Our military men study the strategy of Jomini: Blackstone and Bentham, Mills and Ricardo are the text-books of our civilians, but the system of our financiers is almost the same now as that of Abul Fazal, Akbar's minister some three centuries ago."

Year	Gross Revenue	Gross Expenditure
1792-93	5,512,761	3,873,859
1793-94	8,276,770	6,593,129
1794-95	8,026,193	6,567,808
1795-96	7,866,094	6,888,997
1796-97	8,018,171	7,508,038
1797-98	8,059,880	8,015,327
1798-99	8,652,033	9,139,363
1799-1800	9,736,672	9,955,390
1800-01	10,485,059	11,468,185

1801-02	12,163,589	12,410,045
1802-03	13,464,537	12,326,880
1803-04	13,271,385	14,395,405
1804-05	14,949,395	16,115,183
1805-06	15,403,409	17,421,418
1806-07	14,535,739	17,508,864
1807-08	15,669,905	15,850,290
1808-09	15,525,055	15,392,889
1809-10	15,655,985	15,534,711
1810-11	16,679,197	13,909,981
1811-12	16,605,615	13,220,966
1812-13	16,336,290	13,515,828
1813-14	17,228,711	13,617,725
1814-15	17,297,280	15,955,006
1815-16	17,237,819	17,059,968
1816-17	18,077,578	17,304,162
1817-18	18,375,820	18,046,194
1818-19	19,459,017	20,396,587
1819-20	19,230,462	19,689,107
1820-21	21,352,241	20,057,252
1821-22	21,803,108	19,856,489
1822-23	21,171,701	20,083,741
1823-24	21,280,384	20,853,997
1824-25	20,750,183	22,504,156
1825-26	21,128,388	24,168,013
1826-27	22,383,497	23,312,295
1827-28	22,863,263	24,053,837
1828-29	22,740,691	21,718,560
1829-30	21,695,208	20,568,358
1830-31	22,019,310	20,233,890
1831-32	18,317,237	17,048,173
1832-33	18,477,924	17,514,720
1833-34	18,267,368	16,924,332
1834-35	28,856,647	16,684,496
1835-36	20,148,125	15,994,804
1836-37	20,999,130	17,363,368
1837-38	20,858,820	17,553,525
1838-39	21,158,099	21,306,232
1839-40	20,124,038	22,228,011
1840-41	20,851,073	22,546,430
1841-42	21,837,823	23,534,446
1842-43	22,616,487	23,888,526
1843-44	23,586,573	24,925,371
1844-45	23,666,246	24,293,647
1845-46	24,270,608	25,662,738

1846-47	26,084,681	26,916,188
1847-48	24,908,302	26,747,474
1848-49	25,396,386	26,766,848
1849-50	27,522,344	26,960,988
1850-51	27,625,360	27,000,624
1851-52	27,832,237	27,098,462
1852-53	28,609,109	27,976,735
1853-54	28,277,530	30,240,435
1854-55	29,133,050	30,753,456
1855-56	30,817,528	31,637,530
1856-57	31,691,015	31,608,875
1857-58	31,706,776	41,240,571

Taking into account the period between 1792 to 1857 Mr. Ramesh Chandra Dutt says, " It will be seen that if there were fourteen years of deficit, there were thirty-two years of surplus; and if the deficit amounted altogether to nearly seventeen millions the surplus amounted to nearly forty-nine millions. The net financial results of Indian administration was therefore a surplus of thirty-two millions during forty-six years. But this money was not saved in India, nor devoted to irrigation or other works of improvement It went as a continuous tribute to England to pay dividends to the Company's shareholders; and as the flow of the money from India was not sufficient to pay the dividends, there "was an increasing debt called the Public Debt of India." [1.R.C. Dutt. " India under Early British Rule." p. 408.]—

There were two distinct ways in which loans were raised in England and in India.

In India when the government was in need of money it advertised that the Treasury was open to receive money upon loan at certain rates specified in the advertisement and upon the conditions there contained. So long as the loans remained open, parties were admitted to make what payments they pleased, and to receive what are called loan notes in acknowledgement, and these to any amount. The money raised on loan was all raised in India.

In England a different mode operated. The only mode, it was so stipulated by the Parliament, by which the East India Company was able to raise loan there was analogous to that of other corporations viz. on bonds, and all the Home debt was raised on bonds.

The Public Debt of India, at least under the Company's rule was entirely the creation of war. We will follow the progress of these two debts separately.

The Indian Debt

In 1792 the Indian Debt was a little over £7,000,000: within seven years it had risen to £10,000,000. In 1800 it was £ 14,625,384 carrying a total interest of £

1,342,854. Now came the wars of Wellesely with the Marathas and in one sweep he raised the Indian Debt to the amount of £ 30,098,857 in 1807-08 bearing a total annual interest of £ 2,339,087. After the conclusion of peace, attempts were made to lower the debts by redemptions : as a consequence of this policy the Indian Debt was brought down in 1810-11 to £22,545,843 and the interest to £ 1,503,434. But wars were the rule and peace the exception :and in 1819-20 by the Nepal War and the First Maratha War the Indian Debt was raised to £ 31,338,855. By 1823-24, as a result of the intervening peace, the debt was reduced but the next year the First Burmese War of 1824-25 raised it to £ 38,316,486. In 1835-36 the debt was reduced to £31,821,1 18: but a train of military operations were awaiting India. The Afghan War , the Sindh War, the two Sikh Wars, the Second Burmese War increased the debt which in 1852-53 amounted to £52,313,094 and the interest to £2,479,133. In 1853-54, however, the Indian Debt was reduced to £49,762,876. In 1853-54 the Public Works policy was inaugurated and as a consequence of it the Indian Debt increased to £ 55,546,650 in 1855-56.The year 1857-58 witnessed what is known as the Indian Mutiny or the War of Independence, raising the Indian Debt to £ 60,704,084.

The Home Bond Debt (in England) In 1800, the Home Bond Debt amounted to £ 1,487,112 at 5 % interest. But the wars of Wellesly also told upon the Home Debt and increased to £4,205,275 in 1807-08 : in 1811-12 the Home Bond Debt reached its maximum limit of £ 6,565,900 at 5 %. In 1816-17 the rate of interest was reduced to 4 % and it never rose above it. In 1814-15 the Home Bond Debt was reduced to £4,376,976. By occasional reductions it lowered to £ 1,734,300 in 1840-41. As a result of the Afghan War and the Mutiny the Home Bond Debt rose to £ 3,894,400, besides £ 40,000,000 as the cost of the Mutiny.

It is likely to be a matter of surprise when one sees the smallness of the Indian Home Bond Debt as compared with the Indian Debt. But the surprise will no longer exist when we know that the capacity of the East India Company to borrow in England was strictly limited by Parliamentary Regulations. The Parliament was ever eager to obtain the advantages of the rule of the Company without its disadvantages. It was eager to obtain command of the Indian Empire, but till the end was achieved always looked upon it as problematical and did not want to jeopardise the interests of the country in a project which in spite of its apparent success looked anything but certain of beneficial results. Hence, the Parliament put a strict embargo on the Company's raising the loans beyond a certain limit lest the Company lose its hold upon India and bring ruin on England by jeopardising English capital.

V

INDIA AND THE ACT OF 1858

The East India Company in spite of the fact that she was a source of great prosperity to England suffered great humiliation at the hands of the British Parliament and people.

The East India Company was jealous of her monopoly of the Indian trade and the British were determined to derive as large a gain as possible for allowing her that privilege. Every weakness in the administration was made an excuse for extortion and interference : and renewal of charter was often an occasion to disgorge her of her wealth accumulated by the monopoly of Indian trade.

Very early in the history of the Company a controversy as to this monopoly of trade had arisen and pros and cons were acrimoniously discussed. Up to 1833 the Company, by means fair or foul, managed to win over the English statesmen to continue her monopoly. But in that year the cry against her monopoly had grown so loud that both the Company and the Ministers had to give in and the East India trade was thrown open to all the English public.

By the Act of 1834 the Company ceased to be a commercial corporation. How the obligations of the Company were met may be seen from the following :

"The tangible commercial property sold under the Act of 1834, realised £15,223,480 which was thus disposed of: £8,191,366 towards discharges of India Debt: £2,218,831 was applied in payment of territorial charges in England: £ 1,788,525 was applied in liquidation of part of the Home Bond Debt: £ 2,000,000 was paid into the Bank of England, for investment in the funds, to provide a " Security fund " at compound interest, for the ultimate redemption of the capital stock of the Company (6,000,000) in 1874: £561,600 was applied in compensations to ship-owners and other persons : and the remainder of £ 463,135 was retained in England, as an available cash balance for the purposes of government in India. The unavailable assets claimed as commercial by the Company—viz. the India House in Leaden Hall Street, one ware-house retained for a military store department, and house property in India, the whole valued at £ 635,445—remains in the hands of the Company but applicable to the uses of the Indian Government."

Though as a trading body the Company disappeared, she continued her existence as a political sovereign of her territories in India. Unfortunately for the Company her days were fast being numbered.

It is an error to suppose that the East India Company was abolished because of her inefficiency as manifested in the Mutiny of 1857. On the contrary, before the mutiny had actually taken place, the discussion about the direct assumption of the Government of India by the Crown was set afloat, which is indicative of the fact that mutiny or no mutiny, the British statesmen were impatient to have direct

control over the "leaves and the fishes" that came but indirectly from their rule in India by a process of disgorging a corporation which directly fed them on beef fat.

This round about process was tiresome and mentally exhausting for impatient minds. Lord Palmerston having been returned by a strong majority in 1857 as a result of his success in the Crimean War immediately notified the Directors of the Company to their great surprise that he proposed to introduce a Bill for the abolition of the Company and the resumption of the direct Government of India by the Crown.

Unfortunately, the mutiny did occur in 1857 and gave a strong impetus to the abolition movement already in full swing.

On the 31st day of December, 1857, the Chairman and the Deputy Chairman of the Company replied to the notification of Palmerston urging that "an intermediate, non-political, and perfectly independent body" similar to the Company was a necessity for the administration of India.

Besides this the Company sent a formal petition to both Houses of Parliament. John Stuart Mill who drafted the petition showed the fallacy in the arguments of the mover of the Bill for the abolition of the Company. From the very beginning the Crown had exercised its control over the Indian Government through its Minister presiding over the Board of Control. Between the Government in India and the Crown Minister there was the Court of Directors which the new Bill wanted to do away with. Mill argued that this Court of Directors (the organ of the East India Company), the embodiment of experience was a good guide for the Crown Minister who really controlled the entire administration of India, and said that if evils have really arisen from the mode of administration the remedy that was sought viz. of doing away with the Court of Directors and thus making the Crown Minister an autocrat was worse than the disease. "To believe that the administration of India would have been more from error had it been conducted by a Minister of the Crown without the aid of the Court of Directors, would be to believe that the Minister, with full powers to govern India as he pleased, has governed ill, because he had the assistance of experienced and responsible advisers."

A diversity of opinion prevailed as to the future connection of India with England.

The Stanley Review, an important newspaper in England argued that the East India Company be maintained to keep India away from English politics. It made quite a point of the fact that Englishmen who went over to India became autocrats and that in it there was a danger to democracy. It boldly proclaimed that "India, like a colossal torpedo, will paralyse the beneficent activities and benumb the free moral life of England "... and if..... " brought full in sight of

England, will serve her as a great school, in which she may learn the principles of the King of Naples and the practices of Mrs. Stowe's Legree."

Others, notably a certain Richard Congreve, a disciple of Conte pleaded that India should be left to work out her own destiny. He maintained that the rule of one people by another is demoralising and not wise for the better development of humanity. In order to prevent any other nation from stepping into India after the English had left he proposed that an international board be appointed to regulate the administration which was ultimately to devolve upon the Indians when they became capable of self-government.

None of these views, however, fall in with those of the British Parliamentarians who decided differently. They were determined to abolish the East India Company and take the government of India immediately-under the Crown : they desired to substitute direct government for the double government. As a result of this neither the petition nor the independent public opinion proved of any effect and Palmerston introduced his Bill for the Abolition of the Company and the future government of India. Before the Bill was passed, the Conspiracy Bill threw out the government of Palmerston which was succeeded by a conservative one under the leadership of Lord Derby. After Lord Palmerston's Bill had gone out by his overthrow, Benjamin Disraeli, the Chancellor under Lord Derby introduced his India Bill. John Stuart Mill's comparison of the merits of the two bills is very instructing and later events have borne out his contentions. He says :—

"The means which the Bills provide for overcoming these difficulties (of the government of one nation by another) consist of the unchecked power of a minister. There is no difference of moment in this respect between the two Bills. The minister, it is true, is to have a Council. But the most despotic rulers have Councils. The difference between the Council of a despot, and a Council which prevents the ruler from being a despot is, that the one is dependent on him, the other independent; that the one has some power of its own, the other has not. By the first Bill (Lord Palmerston's Bill) the whole Council is nominated by the minister; by the second (Disraeli's Bill) one half of it is nominated by him. The functions to be entrusted to it are left, in both, with some slight exceptions, to the minister's own discretion."

Disraeli's Bill suffered worse fate than the one of Lord Palmerston. It simply fell. A new bill was therefore introduced in August, 1858, and passed designated as an "Act for the better government of India."

The Provision of this Act (of Section 75) which still largely regulate the administration of India may be divided into classes according to their nature :

- (1) Those dealing with the past affairs.
- (2) Those dealing with the future affairs.

We will first consider those that deal with the past affairs— mainly the settlement of the fiscal and commercial obligations of the Company. Section 42 of this Act " provided that the dividend on the capital stock of the East India Company, should be charged and chargeable upon the revenues of India alone."

Amidst all the questions between India and England that had to be settled with equity none was more prominent than the question of the Indian debt. Who should bear the burden of the Indian debt was the burning question of the time. The crux of the question was who was responsible for it and what was its purpose ?

The most enlightening commentary on the problem is that of Major Wingate who immediately after the mutiny argued :

" Have the people of India had a voice in the management of their affairs, or have the taxation and expenditure of the Indian Government been regulated with a view to the welfare of India alone, without intervention or interference on the part of the government of this country ? By no means, the Government of India, whether viewed with reference to its forms or powers, has been, from the first hour of its existence up to the present time, the creation of the British Parliament. The power vested in the Government of India to contract debt, was a delegation of authority from the British Parliament, which, up to this hour, as in the case of the last debenture loan, exerts a right of interference over its exercise..... The East India Company have been declared by Parliament to have been simply trustees for the British nation, which, in accordance with this view, altered the conditions of their trust from time to time, and finally relieved the trustees of its exercise altogether. When the subject is carefully examined, it will be found that the Government of India, so far from being the Government of a distinct state, has been, from the first, simply a *department of the British Government*. The British ministry, acting through the President of the Board of Control, formed the real motive power which decided the policy of successive Indian administrations, and the East India Company was simply a convenient screen..... If the facts be so, then, and they cannot be gainsaid, we seem to be shut up to the conclusion that the acts of the Government of India, from first to last, have been the acts of the British nation. India has never had even the shadow of a constitution, or of a national government, but has been ruled as a conquered country, according to the views of successive British Parliaments and the British administrations. The Indian debt has really been incurred by the Government of this country : and how, then, can we possibly shake ourselves free of Indian liabilities ?"

Mr. Wingate also appealed to the humane part of the British public by dwelling upon the advantages to England and the injuries to India:

" In proceeding to consider these advantages, there is one most important fact, which should ever be present to the mind of the reader, and that is, that

those advantages, be they great or small, have cost the nation nothing to acquire. This may sound as a startling assertion in the ears of Englishmen of this generation, who have not yet forgotten the heavy bills which they have had to pay for Canada rebellions Caffre wars, Ceylon insurrections, and many manumissions of West Indian. Slaves; and who are annually reminded of the cost of governing, or protecting our colonies and dependencies, by the financial estimates submitted to Parliament; but the assertion, nevertheless, is strictly and liberally correct. " Strange," may we wonderingly exclaim, " that we, who have spent so much on our colonial possessions, and have waged so many costly wars for thankless foreigners, should have laid out no money in the acquisition or improvement of our great Indian Empire. The thing cannot be : it is too astounding for belief." Astounding indeed it is: but there is something still more astonishing behind; for not only is it a fact that India has been acquired without the expenditure of a single shilling on the part of this country, but it is equally a fact that, so far from involving outlay, India has regularly paid to Great Britain a heavy tribute, which there is reason for thinking has not fallen far short of the almost incredible sum of a hundred millions sterling in the course of the present century."..... " The Indian tribute, whether weighed in the scales of justice, or viewed in the light of our own true interest, will be found to be at variance with humanity, with common sense, and with the received maxims of economical science."

Touching the grievances of India, Mr. Wingate asked the English public:

" Has our policy in India been determined out of pure, unselfish, and benevolent regard for the welfare of the people of that country, and without the smallest regard for the manner in which it may affect our own away ? Was this the principle which guided us in imposing prohibitive duties upon Indian manufactures imported into this country, and merely nominal duties upon British manufactures imported into India ? Was it out of pure regard for India that cotton exported to Great Britain from India, is exempt from duty, while it is taxed on exportation to all parts of the world besides ? Was it Indian interest which dictated the fixing of import duties upon goods brought to India in British ships, at one-half of the amount levied upon similar goods brought in ships to any other country? Were native interests solely concerned in the exemption of Europeans in India from the jurisdiction of the ordinary courts of criminal justice, by which native redress for British wrong-doing, has been made a practical impossibility in ninety-nine cases out of a hundred ? Was it out of consideration for the tax paying Hindu and Mohammedan, that the official European in India was provided with a costly ecclesiastical establishment before anything else was done for their education or enlightenment ?

Was it unselfish regard for the natives that dictated the policy of obtaining,

upholding and extending British dominion in the East, by means of taxes raised in India, in opposition to the rule obtaining in all other British dependencies, of providing for the costs of their military defence from the British Exchequer ? And lastly, were the arrangements for defraying what is styled " the home charges," out of the Indian revenues, under which nearly one hundred millions sterling of taxes collected in India, have been transferred to Great Britain in the course of the present century, devised for the purpose of benefiting the people of India alone ? Let the candid reader thoughtfully and conscientiously answer these questions for himself, and then say whether British interest as well as Indian interests have not had a share in determining the course of our Indian policy." All the arguments legal and humanitarian failed to win the day. The English Parliament flatly refused to share in the Indian Debt which created the acquisition of the Empire. The entire heavy load of the debt of the East India Company amounting to £ 69,473,484—mostly unproductive—was placed on the shoulders of the poverty-stricken natives who had no voice in the doings of the Company. This was not all : the unfortunate mutiny had cost £ 40,000,000, and as a legitimate expenditure for the acquisition of an empire, England in justice ought to have paid the cost of the mutiny. John Bright who often exposed the cause of the Indian tax-payers appealed to the Parliament saying " that the forty millions which the revolt will cost is a grievous burden to place upon the .people of India. It has come from the mismanagement of the Parliament and the people of England. If every man had what was just, no doubt that forty millions would have to be paid out of the taxes levied upon the people of this country (England)."

The practical outcome of these unjust arrangements was that the people of India purchased the empire at many millions for the debt was only a part of the cost, and made an offering of it to the British Crown : in other words, the Empire was either a gift or a trust.

The arrangements regarding the stock of the East India Company are in the same iniquitous strain. The stock of the Company was redeemed by a loan which was also added to the already enormous debt consolidated into what is known as the India Government Debt.

What the Act really did was to annihilate the Board of Control : the Company though legally extinct continues to live for all practical purposes and enjoys her dividends even to this day in the shape of interest paid out of Indian revenues. The astounding result of this policy was gains to England and costs to India. When every effort at giving justice to India failed in the British Parliament, Lord Derby moved that this enormous debt of India be guaranteed by the Parliament so that on the security of it the interest rate be lowered and the Indian tax-payer be relieved. He said:

" I am aware that the uniform policy of the Parliament and the Government of

this country has been to decline all responsibility in regard to the debt of India, which has been held to be a charge only on the Indian Exchequer. Dealing with the present state of affairs I may say at once that I am not going to recommend any change in that policy. I know well the alarm which any such proposition would create and I know the refusal which it would inevitably receive. But this is a question which will recur again and again, and which will have to be considered in the future as well as in the present.

I would likewise ask the House to bear in mind that if ever the time should come when the established policy in this respect should undergo a change, and when a national guarantee should be given for those liabilities, that guarantee would operate to reduce the interest paid upon the Indian Debt by no less than £ 750,000 or even £ 1,000,000 which, formed into a sinking fund, would go far to pay off the whole." John Bright who through sheer short-sightedness opposed said:

" I object to an Imperial guarantee on this ground—if we left the services of India, after exhausting the resources of India, to put their hands into the pockets of the English people, the people of England having no control over Indian expenditure, it is impossible to say to what lengths of unimagined extravagance they would not go : and in endeavouring to save India, may we not go far towards ruining England ?"

Not only was there no warrant for Mr. Bright to magnify this danger so much, but he failed "to see that the people of England would have very soon ceased to neglect the affairs of India, and would have obtained a real control over Indian expenditure, if some share of the liability of the Indian Debt had been thrown on them."

The discussions were all abortive and did not even recompense the breath that was wasted and in no sense did the natives get any relief from "the direful spring of woes unnumbered."

Let us now see what the Act willed for the future. Section 55 said, " excepting for preventing or repelling actual invasion of her Majesty's Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external frontiers of such possessions by her Majesty's forces charged upon such revenues."

With profound respect for the intellect of Mr. R. C. Dutt, one, however, cannot understand on what ground does he characterise this section as " one salutary financial provision ". That it was an improvement over the financial administration of the East India Company no one can doubt. But it is by no means salutary in that the revenues of India have been spent outside India for non-Indian purposes, even after the Act. The fatal error lay in this,—the excepting clause in

the above section which sanctions the expenditure of Indian revenue outside of India omits the vital word **previous**. The clause in order to be salutary in effect ought to run—" the revenues of India shall not, without the previous consent of both Houses of Parliament, be applicable etc....." and not in the way it does. An unknown writer says, " in all probability that essential proviso was comprised in the original draft, but afterwards eliminated by the same mischievous hand which contrived in Sections 26, 27,28 to secure the entire immunity, irresponsibility, and personal autocracy of the secretary of state."

After showing that Lord Stanley and the Earl of Derby who had so much to do with the framing of the statute were united in including the neglected proviso the writer quotes the opinion of Mr. Gladstone regarding Section 55 as follows :—

In my view it was the purpose of this clause to require the Preliminary consent of parliament to the issue of Indian money for the purpose of operations carried on by the forces charged upon India beyond the Indian frontier, except in certain special cases, which were very carefully defined. It was, in fact, to prevent the use of Indian money for military operations. I remember this; for I myself was the author of the clause, and the present Lord Derby, who was Secretary of State for India at the time, concurred with me as to its objects."

The same writer goes on to say :

"There are few, if any causes, that have brought more disaster and financial damage to " India of the Queen "than has the utter disregard of the safeguards ostensibly ordained under these despised and neglected provisions of the Act. We are well aware that, even had the saving word " previous " been included in the Section, the clamour on behalf of pseudoimperial interests, or the exigencies of party schemes, might have sufficed to override the claims and rights of the Indian people. But that word would, at least, have secured an Invaluable respite, during which the voice of reason might have been heard."

The non-fiscal sections of this Act were :—

(1) The territories of the East India Company were vested in her Majesty, the Queen, and the powers exercised by the East India Company and the Board of Control were vested in the Secretary of State for India. He was to have a Council of fifteen members who would hold office during good behaviour, and each member was to have a salary of £ 1200 a year out of the revenues of India. The pay of the Secretary of State and all his establishment would similarly be charged to India.

(2) The Secretary of State was empowered to act against the majority of the Council except in certain specified matters. And on questions of peace and war (which had hitherto been dealt with by the Board of Control through the Secret Committee of the Court of Directors), the Secretary of State was empowered to send orders to India without consulting his council, or communicating them to the

members.

(3) The Governor-General of India and the Governors of Madras and Bombay would henceforth be appointed by Her Majesty the Queen; and the appointments of Lieutenant-Governors would be made by the Governor-General subject to the approbation of Her Majesty. Rules should be framed by the Secretary of State for admission into the Civil Service of India by competition.

The evil tendencies of the administrative section above referred to have been attested to be (1) autocracy, (2) secrecy, and (3) irresponsibility, all of which are inimical to the good administration of the country. It is lamentable that the Act made no provision for enlisting the voice of the natives in the administration of their own country. In this vital respect, can any one say that the administration of the Company differed very much from the administration of the Crown ?

In order to give publicity to the provisions of this Act, Queen Victoria asked Lord Derby (apparently not being satisfied with the first draft of it) to issue a Proclamation which, as she said, " should breathe feelings of generosity, benevolence, and religious toleration, and point out the privileges which the Indians will receive in being placed on an equality with the subjects of the British Crown, and the prosperity following in the train of civilisation. "

This Proclamation was read out in India and has been regarded as the Magna Chart of India not that the Magna Chart contained the rights of people but that it was a Great Document. It remains, however, to estimate the contribution of England to India. Apparently the immenseness of India's contribution to England is as much astounding as the nothingness of England's contribution to India. Both are, however true statements if looked at from economic points of view. But from another point of view, if India's tribute cannot be weighed in the scales of justice and humanity then England's contribution cannot be weighed in the scale of gold and silver. The last statement is both literally as well as figuratively true. England has added nothing to the stock of gold and silver in India : on the contrary, she has depleted India— " the sink of the world."—

Her contribution lies in an uneconomic realm: but just the same, it is too great to be measured in terms of coin.

" Englishmen can look back on their work in India, if not with unalloyed satisfaction, at least with some legitimate pride. They have conferred on the people of India what is the greatest human blessing—Peace. They have introduced Western education, bringing an ancient civilised nation in touch with modern institutions and life. They have built up an administration which, though it requires reform with the progress of the times, is yet, strong and efficacious. They have framed wise laws, and have established Courts of Justice, the purity of which is as absolute as in any country on the face of the earth. These are results which no honest critic of British work in India regards without high

admiration."

But whether mere animal peace is to be preferred to economic destitution, let every one decide for himself.