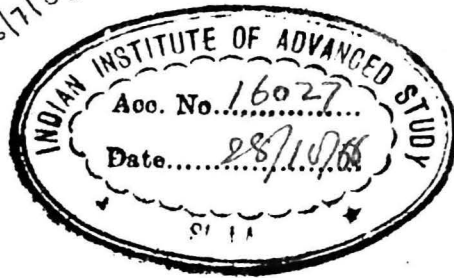


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The Provision of Funds for the East India Company's Trade at Canton during the Eighteenth Century

By H. B. MORSE, LL.D.

NOTE

Picul = 100 catties = $133\frac{1}{2}$ lb. av.

1 English ton = 16·8 piculs.

1 cwt. = Pls. 0·84 (84 catties).

Tael of Canton = 579·84 grains.

100 taels = 120·8 oz. Troy.

Tael of currency (Canton) = 579·84 grains of 940 silver, nominally equivalent to 6s. 8*d.* (£1 = Tls. 3).

Dollar, Ryal of Eight, Piece of Eight :—

Intrinsic value 4s. 2*d.*

Ordinarily invoiced at 5s. (£1 = 4 dollars).

Exchange against 365-day bills 5s. to 5s. 7*d.*

100 dollars = 72 taels of currency.

THE dominating factor in the China trade for over two centuries was the problem of “laying down the dollar”. The dollar was not the currency of China; but during those two centuries—positively to 1834, and practically to 1857—it was the token by which the pound sterling and the woollen cloths of England were converted into the taels of silver and the silks and teas of China; and on the answer to the question whether the dollar delivered to the Company's treasury at Canton had cost to lay down four shillings, or five, or six, might depend the degree of profit on the round voyage.

In primitive times the adventurer to distant parts took on his ship an assortment of the products of his own country—wine, crimson-dyed cloth, bronze tools, and arms, if he were from Tyre—and exchanged them by barter for the produce of the outlandish countries he visited. In trading to the Indies the English were dealing with peoples, who, in many respects, were in a higher state of industrial development than themselves. The trade of the English with European

countries had been built on wool, and later on woollen cloth ; and this was the principal commodity which they had to offer to the inhabitants of tropical and sub-tropical countries. Their precursors the Portuguese had made the Spanish Ryal of Eight, Piece of Eight (peso duro of 8 reals), later (from about 1680) called generally the Dollar, the means of providing the funds for buying the return "investment" for their ships ; and from the early days of the English Company the principal part of the outward "stocks" consisted of silver, nearly always silver coin, for the greater part Spanish dollars. In the first nineteen years of the English Company, 1601-20, the total stock sent by its ships to the East Indies was as follows :—¹

English products (woollens, lead, etc.)	£292,286 (35%)
Silver bullion and coin	548,090 (65%)

This general tendency increased, more marked in the China trade than elsewhere ; and in the fifty years 1710-59 following the amalgamation of the two English Companies, the stocks sent to the East Indies were as follows :—¹

English products	£9,248,306 (25%)
Silver bullion and coin	26,833,614 (75%)

Certainly no more unprofitable way of laying down the dollar could be adopted than that of sending the actual coin over fifteen thousand miles of ocean.

The first English ships to carry English trade to a Chinese port were those despatched by the Courteen Association, under Captain John Weddell as Commander and Nathaniell Mountney as Cape (Chief) Merchant. They had made some purchases in India, but had sent them direct to England ; and they arrived at Canton in 1637 having no goods on board, and silver to the amount of 145,000 Ryals of Eight ; of this sum they were, after many vicissitudes, able to invest 65,000 R₈^s, leaving 80,000 R₈^s to be carried away uninvested.² They

¹ Wissett, *Compendium of East Indian Affairs*, i.

² *Peter Mundy, Travels of*, vol. iii, Hakluyt Society, Sec. series xlv (1919).

had disposed of some lead in India, but not a dollar's worth of English products at Canton.

From that date until 1680 only five ships of the English Company visited Chinese ports; of these one, the *Return*, in 1673 records that at Lampaçao the supercargoes "sold their Pepper in truck", but of their English goods they were "not able to sell above eleven pieces of Cloth in truck and that at poor rates".¹ This ship had been despatched from Bantam and had no silver in her stock. From 1680 to 1699 the English trade was conducted solely at Amoy. At this port in 1681 the stock of the *Barnardiston* was made up as follows:—²

50,000 Dollars ³ (regularly invoiced at 5s.)	£12,500
Woollens (Broadcloth, Rashes, Perpetuanocs)	£8,997
Lead	426
Firelock Musketts, Gunpowder, etc., for sale	1,027
	10,450
	<u>£22,950</u>

In 1682 four ships (760 tons in total) at Amoy carried a stock of £14,599 in goods and £28,000 in silver; and they were for the first time ordered to invest in some tea, Bantam being instructed to "send home annually fine Tea to the value of 1,000 Dollars".⁴ These were unusually large proportions of goods; but an invoice of 30 to 40 tons of lead was then (and for the next hundred years) "as good as money", and at that date the Court of Directors were always pressing their factors to "vend" larger quantities of English products.

In 1699 the English trade to China found a more solid and regular footing. In that year the new or English Company sent to Canton the *Macclesfield* frigate (250 tons) with a stock of £5,475 in goods and £26,611 in silver. His goods, chiefly woollens, the Chief Supercargo, Mr. Robert Douglas, sold to

¹ Diary of Supercargoes, *Return*, 1672-3.

² D. of Sup. *Barnardiston*, 1680-1.

³ So called for the first time in the records.

⁴ Court to Bantam, D. of Amoy Factory, 1682.

good advantage at prices about 30 per cent higher than those obtained in Amoy during the previous season—and then his troubles began. Supplies from Amoy came to the Canton market; and the purchaser of the *Macclesfield's* cloth was in difficulties, faced by a falling market, cast in prison for having monopolized the ship's trade, compelled to share his contract with rivals, driven into a position of hostility to Mr. Douglas, until in the end Mr. Douglas was left with a fourth of his cloth on his hands and the *Macclesfield* had "lost her monsoon". The ship then went to Chusan and completed her trade there.¹

In 1702, under the Managers of the United Trade (of the two companies) the *Aurungzebe* (425 tons) and the *Chambers* frigate (350 tons) were at Amoy trading as one joint stock for the London (the old) Company. The stocks in goods of the two ships were sold to one merchant, the principal trader in the port, and with him they contracted for the return investments, the actual amounts realized and contracted for being shown as follows:—²

Stocks :—

Broadcloth and Rashes, ³ 30,111 yards	Taels 42,156
Other woollen cloths	" 20,139
Lead, 1,958 piculs (115 tons)	" 5,875
Sundry commodities	" 5,487
	<hr/>
Total Goods	" 73,657
Silver at the rate of Tls. 51·50 ꝓ 60 ounces :	
53,895 Ryals of Eight, wt. 46,260 oz.	Taels 39,706
71,500 Ducatoons, wt. 74,986 oz. & 2 ꝓ Ct.	
advance	" 65,650
12,000 French crowns, wt. 10,440 oz. & 1 ꝓ Ct.	
discount	" 8,875
41 Bars silver, wt. 41,672 oz. at par	" 35,769
	<hr/>
Total Silver	" 150,000
	<hr/>
Total Stock	" 223,657

¹ Diary of Supercargoes, *Macclesfield* frigate, 1699–1700.

² Diary of Sup. *Aurungzebe*, 1702. ³ Cloth of Arras, so called.

Investments :—

Raw Silk, 500 piculs at Tls. 132	Taels 66,000
Japan Copper, 9,500 piculs at Tls. 10-50	„ 99,750
Gold, enough to balance the account	„ 57,907
	<hr/>
Total Investment	„ 223,657
	<hr/>

Excellent prices had been obtained for the English products, but the satisfaction of the supercargoes was mitigated by the fact that, after a lading had been provided for the two ships, there remained in the merchant's hands unliquidated advances amounting to 60,000 taels, which were recovered only some years later.

By the Company's charter its ships were required to take not less than one-tenth of their outward stock in "goods the growth produce or manufacture of the Kingdom", and up to this date the requirement was met, and even bettered; but in every voyage there is evidence that the demand for English products was limited. Even when the entire lading was sold, it was always in truck, overt or covert—usually the latter; when cloth was sold at certain prices, silk (and later tea) was invariably contracted for at prices fixed at the same time, and the one was conditional on the other. The Court year by year gave instructions that cloth was never to be sold by barter, but always for cash, in order that they might be able to gauge the course of their trade; but the supercargoes were constrained by circumstances to disregard the spirit of the instruction, while conforming to its letter. The Joint Committee (from 1703) and the United Company (from 1710) continued to repeat this instruction, but they abandoned attempts to exceed the statutory one-tenth; and for fifty years we never find a ship despatched from London with more than one-tenth of her stock in goods. Thus the *Kent* (350 tons) trading at Canton in 1704, took from London a stock of £51,450, of which £4,966 in goods and £46,484 in silver; and her supercargoes record :—¹

¹ Diary of Supercargoes, *Kent*, 1704.

The Earthenware [Chinaware] was mostly purchased in truck for Cloth, which they found unexpressable Difficultys to get quit of at any rates; in bartering it they observed the Company's Orders as far as possible, not to mix Money with the Manufactures but had they been entirely obedient thereto, they must have carried the Cloth & Perpetts back, or have given them away after having paid the Custom.

The restricted demand was well known to the Court; and in three successive years, 1713-14-15, while renewing the instruction, they informed the supercargoes¹ that

the Woollen Manufactures sent from hence for divers Years past, are not all disposed of, but several Quantitys yet remain in the Warehouses . . . We have heard that the Chineeese apprehend we are obliged to send out, and therefore impose upon our Supra Cargos, and will have it at their own prices.

The Court struggled along, trying to maintain their statutory obligation, but in a few years they abandoned the effort. For the season 1730 they dispatched four ships (1,895 tons) and a sloop (200 tons) from London to Canton with the following stock:—²

Long Ells, 984 pieces, realised Tls.	6,201	
Lead, 120 tons	7,511	
		Tls. 13,712
Silver, Pillar (Seville) Dollars,	588,000	} Tls. 582,112
Mexico Dollars,	75,000	
Ducatoons,	93,000	
French crowns	44,000	
		Tls. <u>595,824</u>

It is to be noted that the stock contained none of the Broad-cloth on which England's foreign trade had been built up, and that the silver constituted 97·7 per cent of the total stock. This was the most expensive method of laying down the dollar, since at the end of the outward half of a voyage for which the Company paid ordinarily from £25 to £30 per

¹ Court to Supercargoes, *Loyal Blisse* (1713), *Hester* (1714), *Dartmouth* (1715).

² Diary of Council, Canton, for 1730.

ton Charter money for the ships engaged, the stock realized no more than the exact invoiced value ; and this method, with sometimes 98 per cent of the stock in silver, was followed for some years, as evidenced by the following figures :—

1732.—Four ships were sent from London with a stock of 1,000 pieces of Long Ells, 160 tons of lead, and 656,000 dollars in silver. The supercargoes reported that the market could absorb 1,000 pieces of Perpetuanoes (Long Ells), but practically no Cloth and no Callimancoes : and that 160 tons of lead, which formerly was as good as money, was now too much, the maximum to sell at a profit being 80 tons in one year.¹

1736.—The *Normanton* carried as stock Tls. 115,497 in silver and Tls. 7,155 in goods (lead 100 tons, Long Ells 100 pieces).

1739.—Four ships at Canton ; of these, one the *Walpole* had as stock :—²

Lead, 80 tons . . .	realised Tls.	4,820
Perpetuanoes (Long Ells) 1,000 pieces . . .	realised Tls.	6,600
		Tls. 11,420 = £3,800
Pepper from Banjar-massin, 115 tons	Tls.	19,430 = 6,475
Silver dollars invoiced at		23,000
		£33,275

1741.—Five ships at Canton ; particulars are given of the stock of two :—

Duke of Dorset : ³

Lead, 75 tons . . .	realised Tls.	4,820
Perpetuanoes, 988 pieces	„ „	6,916
Broadcloth, 96 pieces—2,200 yards	realised Tls.	1,772
		Tls. 13,465 = £4,488

¹ Diary Council, Canton, 1732.

² Diary Supercargoes, *Walpole*, 1739.

³ Diary Supercargoes, *Duke of Dorset*, 1741.

The silver on the *Duke of Dorset* is not recorded, but it was not appreciably below that on the *York*.

York:¹

Lead, 80 tons	realised Tls.	5,122	
Perpetuanoes, 997 pieces	„ „	6,979	
	Tls.	12,101	= £4,030
Silver dollars invoiced at			£30,000
			£34,030

1742.—One ship the *Defence* was sent from London to Canton direct, and one the *Onslow*, from London to Bombay, there to take a stock to Canton. The *Onslow's* transactions will be considered later; the silver on the *Defence* is not recorded, and her goods realised the following sums:—²

Lead, 80 tons	realised Tls.	5,644	
Long Ells, 1,880 pieces	„ „	10,904	
Broadcloth, 2,040 yards (90 pieces)			
	realised Tls.	2,766	
	Tls.	19,314	= £6,220

1751.—Four ships were despatched from London direct to Canton, carrying total stocks of £129,842, consisting as to £10,842 of goods, and £119,000 of silver.³

The particulars given above are not selected to demonstrate the fact that, in this period, the stocks of the ships sent direct to Canton consisted of silver to the extent of from 90 to 98 per cent; they give the only instances from 1713 to 1751 in which the archives in the India Office give such details as will allow of any exact statement being made on the subject.

The English trade with China was conducted from Bantam, until the factory was expelled in 1682; the ships making the venture were there provided with stocks of English and

¹ Diary Supercargoes, *York*, 1741.

² Diary Supercargoes, *Defence*, 1742.

³ Court to Council, Canton, 1751.

Indian produce and of silver, and they brought back their investments there to be forwarded to London. After 1682 a few ships were despatched from Surat; but, from 1699 on, the ships for China were generally despatched from London and were provided there with their stocks. Occasionally one ship of the season, instead of sailing with the fleet in January or February, was sent off in the previous August or September, with orders to proceed to Banjar-massin in Borneo, or to Benkulen in Sumatra, to be there provided by the factory with a stock of from 100 to 300 tons of pepper for the Canton market. The trade between the Indian Peninsula and Canton was neglected by the Company, and was left to be developed by the private merchants (English or Indian) and country ships, trading and voyaging under the Company's licence. Only in a few instances, all after 1730, did the Company engage in this direct trade, until the period of the maritime wars from 1748 on.

1732.—The *Compton* carried Chinese produce and gold to Bombay; they were sold there at a good profit; and, under orders from the Court of Directors, a total stock of 360,000 rupees (at 8 R. per £ = £45,000) was provided by the Bombay Presidency, with which the ship returned to Canton in 1733 and loaded for London. Her account at Bombay was as follows:—¹

Net proceeds of sale of cargo from Canton	Rupees 160,455
Proceeds of gold sold at Bombay or coined at Madras	„ 134,666
Balance provided by Bombay Council	„ 64,879
	Rupees 360,000

The *Compton's* Canton cargo, costing Tls. 37,950, realised at Bombay a gross profit of 40 per cent, and her Indian cargo (chiefly pepper, costing 75,000 rupees) realised at Canton a gross profit of 38 per cent.

¹ Diary Supercargoes, *Compton*, 1732-3.

- 1732.—The ship *Wyndham* followed the same course as the *Compton*, going from Canton to Madras, where her stock was made up to 360,000 rupees; but her records have not been preserved.
- 1736.—The ship *Richmond* repeated the voyage of the *Compton*, her stock being made up to 320,000 rupees (£40,000) by the Bombay Council. This stock she took partly in Indian produce (pepper, sandalwood, etc.), which realised at Canton the sum of Tls. 56,384, a gross profit of 47 per cent.¹
- 1739.—The *Harrington* was despatched from London with a stock for Bombay; and at Bombay was given a stock for Canton of 240,000 rupees = £30,000, viz. cotton and pepper invoiced at 45,106 rupees, and silver (dollars, French crowns and rupees) at 194,894 rupees. At Canton her cotton was sold at a gross profit of 107 per cent, and her pepper 51 per cent.²
- 1742.—The *Onslow* followed the course taken in 1739 by the *Harrington*; the details of her transactions at Bombay are not recorded, but there is reason to infer that she received for Canton a stock of 240,000 rupees. At Canton her cargo (cotton, sandalwood, putchuck and olibanum) realised Tls. 29,920, presupposing an invoice cost of about 60,000 rupees; and, as Spanish dollars were not at the moment obtainable in Bombay, she had on board a varied assortment of silver:—
- Bar silver: invoiced at 99 touch (990 fine);
- Bar silver: „ at 74 „ ;
- Nadirees: “ a Persian coin lately introduced by Shaw Nadir since his invasion and subduing the Mogul Empire ”: invoiced at 99 touch ;
- Rupees: “ 93½ tale weight of Rupees to be accounted Tale 100 wt. Dollar money.” i.e. 100½ of Chinese touch ;
- Zelottas: invoiced at 61 touch, but accepted at Canton at only 57 touch ;
- Piasters: invoiced at 61 touch ; presumably so accepted.

¹ Diary Supercargoes, *Richmond*, 1736-7.

² Diary Supercargoes, *Harrington*, 1739.

These were the only recorded instances in which the Company engaged directly in the trade between the Indian settlements and Canton down to the year 1748; and to that date the Court had taken no other steps to use the resources of the Indian settlements for the development of the Company's China trade.

From 1754 to 1774 inclusive there is a complete and much to be regretted hiatus in the existing records of the English East India Company. In that interval, in 1770, the Court abandoned the practice of sending their supercargoes out in the ships of the season, to buy the investment for those ships, and to return in them; and they now established a permanent resident Council of supercargoes, transacting the business of the season at Canton, but compelled to spend at Macao the between-season period from usually April to the arrival of the first ship of the next season in July or August. For one season, that of 1780, and permanently from 1786 on, the Company was represented by the Select Committee, consisting of the senior supercargoes, having a higher status than the Council, exercising more undisputed authority at Canton, and treated with more consideration by the Governor-General and the Presidencies in India. Under both resident Council and Select Committee transactions were carried on from season to season, and were no longer closed on the departure of each ship. This allowed of greater continuity and greater flexibility in the methods of providing funds for the China trade than had been possible before; and that was fortunate, because a succession of maritime wars drove the Company to devising new methods of laying down the dollar.

ENGLISH PRODUCTS

On re-opening the records in 1775 we find that *woollens* have increased notably. In that year the shipments of Cloth and Long Ells from London to Canton were invoiced at £124,545, a figure in marked contrast with those given above for the years 1704 to 1751. The maritime wars (1779-83 and from

1793 on into the nineteenth century) interposed no stoppage to the movement of the Indiamen, well armed themselves and protected by the British Navy; and the shipments of woollens maintained this level for a few years until the resumption of peace in 1783, and then steadily increased: £113,763 in 1784; £323,107 in 1788; £431,385 in 1791; £527,020 in 1796; £746,130 in 1800. There was, however, a seamy side to this trade. In 1775 the Cloth, 3,533 pieces, prime cost £62,400, realized Tls. 167,367, showing a loss of 10·5 per cent; and the Long Ells, 26,600 pieces, prime cost £62,145, realized Tls. 180,880, a loss of 3 per cent. That such a loss on the woollens was a constant factor is shown by the evidence given forty-five years later before a committee of the House of Lords, 1820, when the Court stated that their net loss on English products shipped from London to Canton in the preceding twenty-three years had been £1,688,103, or an annual average loss of £73,400. The loss was an element in a settled policy, well understood by the Court and their agents for a hundred years past. In 1700 the Court had written:—

We are very intent upon promoting and increasing the Vent of our English Woollen Manufacture; ¹

but a year later they wrote to the Council for China:—

Mr. Gough tells us that the sending Woollen Manufacture, or other Europe Commodities will not turn us to account, because in the Goods you take from them, the Chinesees will advance the prizes more than the profit that can be made by the said Europe Goods;—however we must endeavour to keep on that Trade, and to promote their Vent as much as possible, because the more wee send out, the more acceptable it will be to the Nation, and for that we are by our Charter obliged to export at least 1/10 part therein; wherefore we continue to recommend that matter to you.²

¹ Court to Sup. *Sarah, Trumbull, China Merchant, and Neptune*, Nov. 1700.

² Court to Council, China (at Chusan), Nov. 1701.

In 1780 the Select Committee, sending home an indent for a largely increased quantity of woollens for 1782, remarked :—

By the Indent for Woollens will be seen how much the importation of that important article may be increased ; especially as quantity, not profit, appears to be the object of the Company ; and indeed a large importation is the only effectual check on private trade and the foreign Companies.

In that season, 1780, the English Company had twelve ships at Canton, imported directly no silver, and exported 69,445 piculs of tea and 2,514 piculs of raw silk ; the Dutch, Swedish, and Danish Companies (the war kept the French away) had ten ships, imported £159,000 in silver (636,000 dollars), and exported 85,559 piculs of tea and 502 piculs of silk ; and a large stock of cheap woollens (inferior though they were to the Dutch) was an important weapon in the hands of the English supercargoes. They were disposed of in veiled truck ; and it mattered little to the English Company if it received 100 taels for woollens and paid 100 taels for tea, or received 90 and paid 90 ; the adjustment of the account was in the hands of the Chinese merchants, for there was no open market ; but, subject to this loss, the Company was able to dispose of increasing quantities of English products, the value realized amounting in 1799 to Tls. 2,382,322.

Lead usually showed a profit of about 40 per cent on the prime cost. In the years of peace 1784 to 1792 the value of shipments ranged from £27,000 to £40,000 ; but in war time, when it could not realize the prime cost, it was often below £10,000. Under a contract with the Cornish miners, English *copper* was shipped without profit during the five years 1787–91. Shipments of *tin* began in 1789 and continued, profitably or without loss, thereafter year by year, the value rising in some years to £90,000. *Flints* were shipped as ballast, between 500 and 1,000 tons a year ; they were at first sold at Canton for Tls. 1·50 to 2·00 a picul (a penny a lb.), but fell later to a fifth of that value.

The above were all the English products for which a demand existed, or could be created by the Company, at Canton. Woven cottons were then an article of export from Canton, the Company sending to England an annual quantity of 20,000 pieces of nankeens, rising after 1785 to 40,000, and by 1794 to 90,000. Of Manchester cottons samples were sent out in 1786, but were not approved; in 1788 the Select Committee indented for a trial shipment of 400 pieces, to be dyed in plain colours—blue, brown, ash, etc., but not scarlet or orange—but, arriving in 1790, they met with no favour.

The supercargoes were now no longer allowed private trade by the Company's ships; but they might act as agents of consignors in India engaging in the country trade, and for this they usually divided a commission of 5 per cent with the consignor's own representative, generally the captain of the country ship. The captains of the ships engaged in the Company's service were liberally treated in the matter of private trade, and the officers and petty officers on board all had some indulgence, the total privilege at the end of the century being 99 tons for each ship. The value of this private trade was considerable, between £100,000 and £200,000 to the end of the eighteenth century; in 1811 it amounted to over £300,000 for the season,¹ and in it were not included any of the Company's staple articles of trade.

INDIAN PRODUCE

The Councils in the Indian Presidencies, Bombay, Fort St. George (Madras), and Fort William (Calcutta), made some spasmodic efforts, under explicit instructions from the Court of Directors, or, occasionally, from the Governor-General at Fort William, to make direct shipments of Indian produce. As a rule, however, this was left to the private merchants engaging in the country trade, and either shipping in country ships or hiring tonnage space on the Company's ships; sometimes tonnage space was granted free under certain

¹ Milburn, *Oriental Commerce*, ii, p. 480.

conditions. In 1788, when the cotton shipped to Canton on the Company's own account was only 3,300 piculs, there were imported at Canton in the English trade 61,632 piculs by Company's ships and 84,168 piculs by country ships, the value realized being upwards of Tls. 2,000,000. Cargoes of pepper came occasionally from Benkulen, but the great discovery of this period was that a demand for Indian cotton existed in China, which was itself a great cotton-producing country; until 1823, among Indian imports at Canton the value of cotton always exceeded that of opium, was often more than twice as great, and not infrequently five times as great. Only once in all its history was the Company directly concerned in the conveyance of opium to China, an occasion which will be referred to below.

SILVER FROM ENGLAND

The Spanish colonies in the Americas continued to pour a stream of silver into the mints of Mexico and Seville, but the Court of Directors, even at a time when peace prevailed in Europe, found increasing difficulty in laying their hands on Spanish dollars to dump into the bottomless pit of Canton. In 1777, under date of 25th July, the Governor and Council of Fort St. George, wrote to the Council at Canton:—¹

The Honble Court of Directors in their Commands of 3rd January last have inform'd us that in order to give all possible assistance to the increase of the China Stock, they have contracted for the value of Seventy or Eighty thousand Pounds of Silver, which they proposed sending to this Presidency, to be forwarded to you from hence by the China Ships of this Season. They recommended to us at the same time, that in case it should not arrive before the latest of the Coast and China Ships² should have left us, we should use every means in our Power to supply the Deficiency by collecting a Quantity of Silver equal at least to the abovementioned sum, and consign the same to you.

¹ Consultations, China Council, 1777.

² Ships despatched from London to Canton *via* Madras.

In that season the Madras Council sent to Canton country produce to the invoice value of 19,229 pagodas (£7,692), and in addition 308,000 Spanish dollars (nominally £77,000) in specie; while the Bombay Council sent two lakhs of rupees, turning out Tls. 70,252 = 97,572 dollars; only small amounts of silver were in that season received at Canton from England. It is to be noted that from 1776 and for some years after that date the dollar (intrinsic value 4s. 2*d.*), which had for a century and more past been regularly invoiced at 5s. per dollar, was now invoiced at a prime cost of 5s. 5¼*d.* per oz. for new dollars, and 5s. 6¾*d.* for old dollars.

In February, 1779, France formally recognized the independence of the United States of America, and in the summer of that year Spain entered the war. The competing neutral Companies to which Canton was still open—the Dutch, Danish, Swedish, and Imperial—found means to obtain the supply of Spanish dollars required for their trade; but the market was not accessible to the English, and for the seven seasons 1779 to 1785 the Court sent not a dollar in their ships from London to Canton. From India some small supplies were sent in 1779 and 1780 by means which will be described below, but in 1781 the Governor-General under the exigencies of war prohibited the export of the precious metals,¹ and this prohibition continued to be the policy of the Indian administration even after the restoration of peace. In 1785 the Court again obtained access to the Spanish market, and for the seven seasons 1786 to 1792 sent in their ships from London to Canton a total of Tls. 10,188,439 in Spanish dollars; then none in the three years 1793 to 1795; thereafter smaller amounts ranging from Tls. 120,960 to Tls. 1,623,171 in a year.

The Company's investment at Canton amounted, between the years 1775 and 1786, to a value in each year ranging between Tls. 1,500,000 and Tls. 2,500,000 (£500,000 to £800,000). In 1784 the Commutation Act of the previous

¹ Fort St. George to Canton, Consult., China Council, 1781.

year reduced the English duty on tea from about 125 per cent on common Bohea and 75 per cent on the finest Hyson, to a uniform tax of $12\frac{1}{2}$ per cent. This cut at the root of the French, Dutch, and Scandinavian smuggling, and the annual investment of the English Company rose with a bound to Tls. 4,000,000 in 1786, Tls. 4,500,000 in 1787, and the same in 1788. The stocks sent out in goods and silver in 1775, 1776, and 1777 fell short of the amount required for the investment by a million taels in each year, and the deficit exceeded a million taels in each of the remaining years to the end of the century. Even after the Court resumed the sending of dollars from London the investment increased faster than the inflow of silver. Under these circumstances the Court called on their Indian possessions to supply the needs of their China trade. Apart from or in conjunction with the operations of the Supercargoes at Canton, this was done by several methods.

SUBSCRIPTION

In 1776 the Governor-General's Council at Fort William, having no official funds available for the purpose, invited subscriptions to a fund, the subscribers to receive bills on London at the Canton rate of the season, which was then uniformly 5s. per dollar. Under this scheme the treasury at Fort William received from 40 subscribers, nearly all army officers, a total of $966,666\frac{2}{3}$ Arcot Rupees = Current Rupees 1,044,000, for which they were credited with 420,520 dollars at Canton, and were given bills on London at 365 days after sight for £105,130.¹ The silver was sent to Canton in a king's frigate.

In 1778 the Governor and Council of Fort St. George adopted another method of transmitting dollars to Canton, without commercial risk to themselves and without sending their own specie out of India. They advanced to Mr. Thomas Ferguson, a private merchant, the sum of 483,544 Sicca Rupees, in consideration of which he

¹ Consult., China Council, 1776.

engaged to pay into the Treasury at Canton the sum of Spanish Dollars 205,555 on condition he may be permitted to send 4,000 Bales of Cotton [12,000 piculs] and 6,000 piculs of Tin freight free on the Hon'ble Company's Ships to China, to be consigned to one or more of the Supra Cargoes jointly with his agent and in case a sufficient quantity of the above goods should not be procurable to make up the Sum in Pepper, Silver or Gold.

Mr. Charles Grant made a similar agreement

to pay 1,50,000 Current Rupees at the rate of 40½ Spanish Dollars for 100 C.R.

and Mr. Thornhill for an amount not identified.¹

In 1779 the Councils of Bombay and Fort St. George sent funds to Canton by a modification of the subscription plan. They invited private merchants to send silver to Canton freight-free and at the Company's risk, to be paid into the Company's treasury at Canton against 365-day bills on London at the exchange of the season. Under this scheme 1,581,816 rupees were received, realizing 661,700 dollars for which bills for £165,425 were granted.²

In 1782 Bombay could give no help. From Fort St. George Lord Macartney wrote to the Canton Council :—

Our distress for Money has rather increased than diminished & we cannot therefore flatter you even with the most distant hope of any supply from hence.

At Fort William the Governor-General, Mr. Warren Hastings, in order to relieve the stringency in his own treasury, and by the same stroke to supply the treasury at Canton, initiated a transaction in opium—the only one for carrying opium outside India in which the Company was directly concerned in the whole of its history. He invited subscriptions for ten lakhs of rupees to be paid into his treasury, and gave the subscribers certificates for the equivalent in dollars; these were to be exchanged at Canton for 365-day bills on

¹ Consult., China Council, 1778.

² Consult., China Council, 1779.

London at the exchange of the season, which that year was 5s. 6d. To provide cover for this operation he withdrew opium from the Calcutta sales and shipped it on the Company's account : 1,466 chests on the sloop *Betsy*, invoiced at Current Rupees 719,108, for the Malay Coast and Canton ; 1,601 chests on Lieut.-Col. Henry Watson's coppered private Ship of War *Nonsuch*, invoiced at Current Rupees 825,023, for Canton direct. The *Betsy* sold along the Malay coast opium to the amount of 59,600 dollars, and was then captured by a French privateer ; the money was rescued and brought to the Canton treasury, but the rest of the sloop's lading was lost. The *Nonsuch* made her way to Canton, where her opium was sold with great difficulty at 210 Head Dollars a chest ; the purchaser found no market at Canton, sold 200 chests at Macao, and sent 1,400 chests down to the Malay coast. The invoiced cost, with Canton charges added, was Tls. 291,709 ; the price realized was Tls. 237,082, a loss of Tls. 54,637, or 18·7 per cent ; and the purchase-money was not fully paid for two years.¹

GOLD

In 1779 the Canton Council received into their treasury a quantity of gold from India, for which they gave bills on London. At the beginning of the century gold was bought in Canton at the ratio of 1 : 10, Tls. 94 for 10 taels of gold of 94 touch ; but the price had risen under the impetus of half a century of buying for the European and Indian mints with their ratio of 1 : 15½ or 1 : 16 ; and in 1779 the price of gold was Tls. 175, or in the ratio 1 : 18. Of the import at Canton in this year, 4,880 taels weight (5,895 oz. Troy), value Tls. 85,000 came in bars and dust ; 7,934 gold Mohurs, value Tls. 56,730 ; 245,993 Pagodas, value Tls. 393,600 ; and other gold coins to a value of Tls. 331,800 ; total Tls. 867,130. The other gold coins included English Guineas ; Turkish Stamboles and Germabots ; Venetian, Austrian, Hungarian,

¹ Consult., China Council, 1782.

and Dutch Ducats ; Persian Messieries and Custoons ; and the Pagodas included coins of four different touches and two different weights.¹

FREE-FREIGHT PRIVILEGE

In 1777 the Council of Fort St. George adopted for Indian produce a plan, which in 1779 was followed for silver, of allowing the shipment on the Company's ships, free of freight, of private merchants' goods shipped under licence to Canton—

Our situation being such as render'd us utterly incapable of supplying the Deficiency from our own resources, the only methode we could devise for this purpose was to enter into such agreements here as might give you the option of receiving Money into your Treasury, in the same manner as was practised last year for Bills upon the Court of Directors. We accordingly accepted the proposals to this effect, which were then made to us by . . . and have in consequence permitted them to load a Quantity of Tonnage as mentioned in the Manifest by the respective Ships free of Freight, in consideration of which they promise to pay to you the full produce of the Goods so laden in case you shall be willing to receive it, and to grant Bills on the Court of Directors for the sum they may so pay at the stated Exchange of this Year.²

This plan was again adopted in 1778 ; but thereafter it was found that private merchants were ready to pay freight on goods so licensed, the proceeds to be paid into the treasury at Canton. In 1788 a total of Tls. 43,178 was paid as freight on private (licensed) cargo so shipped on the Company's ships from Indian ports to Canton,³ and in other years similar sums.

CERTIFICATES

The Company's ships were never fully laden outward, but on the homeward voyage they were crammed to the hatches with tea ; there was therefore less restraint on the quantity

¹ Consult., China Council, 1779.

² Consult., China Council, 1777.

³ Diary, China Sel. Com., 1788.

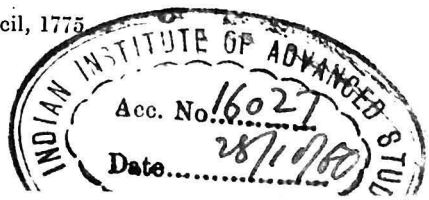
and value of the private trade of the commanders and officers of ships on the voyage to Canton ; and they had considerable sums from their outward ventures which they were not permitted to invest in Chinese produce to be taken to England. Of woollens, for example, each commander was permitted to take out, up to a prime cost of £1,000, any kinds except Broadcloth and Long Ells (in which the Company traded), but on condition that the entire proceeds were sent home through the Council and not in their own private trade. These and any other surplus moneys were paid into the treasury and Certificates were granted for them, half at 90 days, half at 365 days, which were in effect bills of exchange on the Court of Directors, at the rate of exchange of the season. Their amount was considerable : 183,295 dollars in 1780 ; 56,842 dollars in 1784 ; 223,784 dollars in 1785 ; 303,484 dollars in 1790.

ISSUE OF BILLS

In what year the supercargoes began the practice of issuing bills on London cannot be stated with any degree of certainty, the records 1754 to 1774 being missing. It cannot have been more than a couple of years before 1775. In that year, in addition to Certificates for 120,000 dollars, they issued bills, at 365 days after sight, on the Court of Directors for a total of £136,705, the equivalent at the exchange of the season of 546,820 dollars paid into the treasury by those engaged in the country trade. The opportunity for finding money from this source is referred to by the supercargoes in a minute in which, after enumerating their available resources for meeting their commitments, they continue—¹

. . . there will remain a deficiency of Tales 202,948 to make good the said investment of Raw Silk. Tho the amount may appear large, the immense sums lodged at this place, with no other view than to catch the first opportunity of a remittance ; moreover the expected bullion from Manilla, and other places, to answer the same purpose ; the eagerness the foreigners, as

¹ Consult., China Council, 1775



well as individuals, have expressed to embrace such an opportunity, indicates to us more than a possibility of attaining such a sum.

The modesty of the supercargoes in thus estimating the possibility of finding so moderate a sum as three lakhs of dollars from this source, when twelve years later, no less than forty lakhs were paid into the treasury for this purpose, indicates that the practice was of quite recent origin.

The bills issued were, as a standing rule, payable at 365 days after sight. In 1779 the Council received 1,145,379 dollars (Tls. 825,073) against 365-day bills at the exchange of 5s. 2*d.* per "new milled Mexico Dollar". This was enough for their needs for the investment of that year, but, as more money was tendered, they offered 730-day bills at 5s. 3*d.* per dollar; for these they received a further sum of 990,171 dollars (Tls. 712,923), and they rejected a tender of four lakhs of rupees offered at the close of the season. This was repeated in 1780, when they received Tls. 1,203,562 for 365-day bills at 5s. 1*d.*, and Tls. 182,415 for 730-day bills at 5s. 4*d.* In 1791, 1792, and 1793, having sufficient funds in the treasury, they issued no 365-day bills, but accepted silver offered to them against 730-day bills, at the rate of exchange which in 1790 had been the rate for 365-day bills. The reason for so long a term as one calendar year was to allow of the money advanced in Canton being repaid from the proceeds of the sale in London of the cargo for the purchase of which it was taken into the treasury; and it will be useful to record the period covered by the transactions for one season at Canton, called in this paper the season 1779.

The silver dollars, woollens, and lead for stock were contracted for in the spring and summer of 1778, and shipped before the close of that year; ships ordered out via Benkulen, Bombay, or other Indian ports ordinarily sailed in August or September, 1778; direct ships received their sailing orders in January, February, or sometimes March, 1779, and sailed from the Downs as soon thereafter as the wind permitted

(cases are on record when ships were wind-bound in the Downs for forty days) ; the first ships arrived usually in July, 1779, and the others were strung along from then until, sometimes, as late as February, 1780. Contracts for the homeward investment were made from March, 1779, to December, 1779 ; but purchases of odd lots were made up to March, 1780. The earliest ships were sometimes dispatched from Canton in November, 1779 ; the greater number by the end of January, 1780 ; a belated few in March, 1780 ; and occasionally one in the first week of April, 1780. A few early ships arrived in the Downs on the return voyage before the September sales of 1780 ; a considerable number arrived after that date, and their cargo must then wait for the December sales, 1780, or the March sales, 1781 ; and at the sales the Company must give six months' credit to the purchasing merchants. The bills sometimes arrived in London by the ship which brought the cargo to cover them ; but more commonly they were sent to Calcutta or Bombay, were sold there, and were then sent to London by the Suez overland route, or by Basra, and might reach London before the corresponding Canton ships. In either case there was ample time, even with the long credits of the period, to obtain from the sale of the Canton cargo the funds needed to meet the bills.

The exchange of the season had for more than a century past (since 1619) been 5s. per dollar. In 1779 the Council fixed the exchange at 5s. 2*d.* in order to encourage further receipts ; but in 1780 it was at 5s. 1*d.* ; both for 365-day bills. In 1781 the war kept away the French and the Dutch, but the attention of the Danish and Swedish Companies had been drawn to this method of providing funds ; the two Companies together exported 55,000 piculs of tea, against the English Company's 63,000 piculs, and they brought in their ships 580,000 dollars, while the English ships brought none. The Swedes now offered 9-months bills for 5s. 7*d.*, and the Danes 6-months for 5s. 6*d.* The shorter term was attractive, but

London was the better money market; and the English Council obtained all the money they needed at 5s. 6*d.* for 12-months bills. The next year the Swedish and Danish ships brought a million dollars, and the English none; and again the English Council obtained all they wanted, but again at 5s. 6*d.*; and this rate was maintained until 1788, when it was lowered to 5s. 4*d.*

The money which bought these bills came for the most part from the country trade between Indian ports and Canton. Some considerable sums came indirectly from Spanish sources; dollars were sent from Acapulco to Manila, from Manila to Macao, and there used to buy Chinese produce, which was then sent Manila-Acapulco-Panama-Cadiz.

Opium.—The opium trade to China in the eighteenth century was centred at Macao; the Bengal opium being shipped from Calcutta in English country ships, the Malwa and Persian opium coming generally in Portuguese ships from Goa and Damán. The annual quantity between 1780 and 1787 was about 1,400 chests, which was sold at prices ranging from 200 to 500 dollars, making an annual total of about Tls. 400,000, all of which went in the Company's London Bills to Calcutta or Bombay. Only once, in 1782, had the English Company embarked in a direct venture in opium, as described above; but in 1786 the China Council proposed to the Governor-General that some quantity of opium offered at the Government sales in Calcutta should be sold subject to the condition that the purchase-money should be paid in dollars into the Company's treasury at Canton. The next year Tls. 350,000 was paid in at Canton for opium so sold—

The Government of Bengal has this year made an effort to assist us with 22 Lacs of Rupees of which they remitted 10,51,223 in the mode we recommended of delivering Opium in Calcutta to be paid for at Canton.

A further sum of 2 lakhs of rupees was received for copper and salt-petre shipped from Calcutta to Bombay and sold there

on condition of paying the amount into the Treasury here [Canton] . . . The remainder of the 22 Laes they have never been able to send, chiefly we suppose from the difficulty of finding Modes of remittance without exporting the Currency of the Country.

Later in the same season, 1786, in connexion with a project of co-operation with the Spanish at Manila, the Council withdrew their proposal for the opium sales—

Also resolved to recommend to the Government of Bengal that in future the whole of what they intend for our Supply be remitted thro' this Channel & that the Opium be disposed of in the usual way, instead of being sold to be paid for into the Treasury here ; for the latter mode altho' it seems a Medium of Remittance from thence, is so much taken from the produce of the Country Trade which would otherwise be paid in for Drafts on England ; & as we shall require whatever funds can be thrown into our hands by any means, it will be advisable to drop this mode when a better can be substituted in its place and not liable to its uncertainty, for altho' the amount of the Agreements made this Season is not very great, we have every reason to think that little more than $\frac{3}{4}$ will be paid.¹

Country Trade.—It was from the country trade between Indian ports and China that the Council obtained the greatest part of the money paid in for bills. This country trade increased *pari passu* with the growth of the Company's trade : in 1775 out of a total of 26 foreign ships at Canton 5 were English Company and 8 English licensed country ships ; in 1788 out of 66 foreign ships 26 were English Company and 24 English country ships. In the country trade China took from India produce having a relatively high value—opium, cotton, putchuck, olibanum, myrrh, sandalwood, etc.—but the goods carried back were of cheaper kinds—sugar, alum, tutenague (spelter), etc., with sometimes fairly large quantities of raw silk. There was consequently always a large surplus not required for the return investment, and for this the country traders welcomed the means of remittance afforded by the Company's sterling bills.

¹ Consult., China Council, 1786.

Bills on Bengal.—In 1786 the China Council granted bills on Bengal for a considerable amount, nearly seven lakhs of rupees, at the exchange of 39 dollars for 100 Ct. rupees. The new Governor-General, Lord Cornwallis, wrote at once protesting against this drain on the resources of Bengal and against the unduly favourable rate of exchange, and ordered that no more such bills should be granted. The Council obeyed the injunction, but, as regards the exchange, pointed out that the Company, by its London office, paid more for sterling bills than, by its Bengal office, it did for rupee bills. The sterling bills were commonly sold in Calcutta and Bombay at 2s. and often 1s. 11d. per rupee, and the transactions of 1786 had by the two methods the following values :—¹

Head Dollars 258,479 paid into the Canton Treasury		
at 2 per cent discount is Old Mexico Dollars	.	253,310
at 5s. 6d. per Old Dollar is	.	£69,660
at 2s. per rupee is	.	Current Rupees 696,600
at 1s. 11d. per rupee is	.	726,888
Head Dollars 258,479 at 39 Dollars per 100 R."	..	662,767

Transfers in the Treasury.—An immediate result of the prohibition of rupee bills was a notable development of the practice of granting transfers in the treasury.

This Transaction had its origin at a time when the want of Specie rendered it an object of reciprocal convenience to the Company, the Merchant, & the Remitter, & was an order from the Merchant to whom the Company was indebted to pay the amount of the Balance owing or any part thereof to an Individual who has at the same time a demand on the Merchant, which payment it is always understood is to be made by a Bill of Exchange on the Hon'ble Court of Directors. Totally to suppress such a mode of Payment will we believe be impracticable, the necessity of remitting large sums into the Country leaves so little Specie in Canton that the whole collected Currency of the place would not suffice for the payments which must be made in our Treasury for Bills in the course of the Season—but as the granting Bills upon such orders at a time when we are not indebted to any Merchant

¹ Consult., Sel. Com. China, 1789.

is in reality a Payment in advance rather than a Transfer of Debt & as such payment in advance would not have been made in Specie without some consideration in favour of the Company so it appears but reasonable that a Credit afforded by this means should be accompanied with similar Advantages.

Resolved therefore that no Transfer or Order from any Merchant for the Payment of Money by Bills on the Hon'ble Court of Directors be accepted except the same be in discharge of a debt actually existing, or that the same be considered as an advance on some Contract which shall take place in consequence thereof ; except as to such Merchants and in such case or situation as the Committee would otherwise on application have made a payment in Silver.¹

The Committee had closed the season 1785 with a debit balance of Tls. 804,307 and that of 1786 with a debit balance of Tls. 914,308, the latter being the resultant of the amounts owing to the merchants, Tls. 1,397,602, less silver in the treasury and tea in godown, Tls. 483,294 ; but though owing so much, they were still able to give the advances required for making their winter contracts for the coming season by means of the system of transfers. These transfers, amounting to some lakhs of dollars, served in fact as currency for the needs of the Company—

This evil was the necessary effect of want of Money, & whilst the Company continued in debt was unavoidable not being able to pay by means more eligible it would have been unjust to reject these which were in our power.²

In 1798 the Select Committee opened the season with a debit balance of Tls. 2,810,798 ; imported silver to the value of Tls. 1,321,984 ; and granted bills on London and Bengal to the amount of Tls. 2,497,576, of which Tls. 1,637,506 represented transfers in the treasury.

Bonds.—In addition the supercargoes received money on deposit for one year, with interest at 10 per cent per annum ;

¹ Consult., Sel. Com., 1787.

² *Ibid.*

but these deposits gave temporary relief only, and did not add permanently to the resources of the Canton treasury. The amount so received did not exceed Tls. 50,000 to Tls. 70,000 in any one year.

By these various methods—remittance of specie, shipment of goods, and banking procedure—the Canton treasury was kept supplied with the funds required for the Company's business at Canton, in proportions which may be gauged by the figures for certain typical years from 1775 on :—

	1775.	1781.	1787.	1793.	1798.
	Tls.	Tls.	Tls.	Tls.	Tls.
Carry over : credit + . . .	340,395	842,789	—	2,946,341	—
debit - . . .	—	—	914,308	—	2,810,798
English products realized . . .	369,839	266,136	741,823	2,062,030	1,524,046
Indian " " . . .	37,444	129,162	103,670	88,100	—
Total goods . . .	407,283	395,298	845,493	2,150,130	1,524,046
Silver brought in ships . . .	169,920	—	1,912,320	—	1,321,984
Cash received for Bills, on Certificates, and under Agreements	493,835	1,107,418	2,875,923	1,386,343	2,497,576
Net Total Assets . . .	1,411,433	2,345,505	4,719,428	6,482,814	2,532,808
Investment	1,210,851	? 2,000,000 ¹	5,258,676	3,838,868	2,911,251

¹ Eleven ships of which six carried an investment of Tls. 1,049,306.

