INTRODUCTION
INTRODUCTION

LETTERS FROM COURT

These letters to and from the Court of Directors cover the years 1767-69. But it is difficult to treat the two series together. The Directors were discussing in March 1767 Lord Clive's abstract of the expenses of the year 1765, sent in March 1766, and the President and Council at Calcutta were replying towards the close of 1769 to the Court's letters written early in November 1768. For this reason each series is best read separately. The letters from the Court reflect the policy and outlook of the Directors in London while the letters to the Court present the views of their servants at Calcutta. As far as possible an attempt has been made to show how the servants of the East India Company in Bengal and the Court of Directors in England influenced each other's policy and action.

The Court of Directors, giving nominal salaries to their servants in India, had the greatest difficulty in creating a healthy tradition for the Company's service. The servants of the company were interested mainly in their private trade in which they were making fortune very quickly. The Directors would not perhaps have minded much, if their servants' commercial enterprise had not affected their own balance sheet and their position in England. One of the grounds assigned in the House of Commons for an enquiry into the affairs of the East India Company was "the rapacious, oppressive and disobedient conduct of the servants of the East India Company" (4 March 1767 para 4). The Court's remedy consisted in fighting the symptoms instead of attempting a radical cure. They were conscious of "the corruption, licentiousness and total want of public spirit" in the company's service (4 March 1767 para 5). The junior servants, intent on private trade, wanted to be employed in subordinate factories in preference to the headquarters of the Presidency. The Directors were anxious to check this tendency. The servants of the Company were not to be allowed to exploit the special privileges of the Company to further and safeguard their private trade and their commercial transactions were to be limited to articles of export and import under the farman of Furrukhsiyar. The Court wanted a copy of the register of dastaks "granted from the Presidency and from all the subordinates" (4 March 1767 para 15).

For refusing to qualify himself for a vacant seat in the Mayor's Court, the President and Council suspended Mr. French and this
was approved. The Court, anxious to check this tendency to avoid responsible offices that were not very lucrative, further ordered that he was not to be restored unless he repented (4 March 1767 para 35). The Court felt that the junior servants by their extravagance became indebted to their banians and became their tool. This extravagance was to be checked by a set of sumptuary regulations. But we have every reason to believe that these regulations as given in the general letter of 4 March 1767 (paras 36-44) were not obeyed. We do not find the writers leading such Spartan lives as the Court wanted, though the directions were to the effect that any writer declining to comply with these regulations was to be suspended from the service. The Court of Directors, conscious of the want of public spirit in their service, positively forbade the supply of building material and other articles to the Company by any of their servants. The committee of works was to contract with country merchants in future (16 March 1768 para 185). On another point also the Directors were very insistent. The Company's affairs were not to be the subject of private letters (17 March 1769 para 49).

Lord Clive's plan of remunerating the senior servants of the Company by granting them a monopoly of salt, betelnut and tobacco was turned down. It was ordered that "no Company's servant, free merchant or any European shall in any mode or shape whatever either by agent or themselves directly or indirectly trade in or be concerned in an inland trade in salt, betelnut and tobacco or in any other articles produced and consumed in the country". The Company's servants or European free merchants were not to be concerned in such inland trade or in farming the Khalaris (i.e., places where salt is manufactured). Any disobedience in the case of their own employees was to be punished with dismissal from the Company's service and in the case of the European free merchants with the withdrawal of the Company's protection. The trade of the Company's servants was to be confined to objects of export and import only but in view of the increase of the Company's business, the Court of Directors decided to give to the senior servants 2½ per cent commission on the net revenues to be divided into 100 parts or shares—the Governor to have 31 shares, the Commander-in-chief 7½ shares, the second-in-council 4½ shares, and so on. These shares were to be in addition to the salary and allowance. Military officers were also to participate in the privilege. The Governor's commission of 1½ per cent on the diwani revenues was to cease and he was to be responsible for the removal of abuses. The commission on the revenues was to commence from 1 September 1767 (20 November 1767 paras 108-119).

It is necessary to note that the Court of Directors supervised the grant of dastaks and in their letter of 17 March 1769 pointed the
irregularities committed, revoked all particular indulgences formerly
granted and laid it down as a maxim that no dastak was to be
granted “for any goods or merchandise to or from the inland places
to any but the covenanted servants above the rank of writers
and such of the writers who have attained the age of 21 years”
(para 118).

During the period under review the Court of Directors failed
to find a remedy for the greed and extravagance of their servants.
The Court declared that they looked on “every innovation in the
inland trade as an intrusion on the natural right of the natives”.
They proclaimed that it was their duty to maintain the barrier
between the two interests as much as to defend the provinces from
foreign invasions. In their letter dated 11 November 1768 (para 80)
the Court of Directors expressing their approval of the deportation
of Bolts wrote—“Mr. Bolts has been a very unprofitable and un-
worthy Servant to the Company, his Conduct has been distinguished
by a Tenacious adherence to those pernicious Principles relative to
the Rights to the Inland Trade, in which he was conspicuously
oppressive”. If Mr. Bolts suffered, it was because he was conspicuous,
for many others, equally oppressive, escaped punishment because they
had the merit of not being conspicuous. In spite of their injunctions
and peremptory orders against receiving presents and carrying on
exclusive trade in salt, betelnut and tobacco, the Directors had strong
reasons to suspect that there was largescale evasion of this prohibition.
In the Instructions to the Commissioners dated 15 September 1769,
the Directors wrote, “It excites our utmost indignation to find that
great fortunes have been acquired by persons in our service in trades
carried on in direct opposition to our express injunctions and
commands.” The Commissioners were asked to discover the principal
actors and abettors in these acts of disobedience, to dismiss them
and to take legal means of redress (para 27).

The Directors were keenly interested in two things—investment
and land revenue. But they insisted that the distinction between
commerce and land revenue should be preserved

Investment

and expressed strong disapproval of the proposal
of holding the pooniah at Fort William as it would look like
removing the capital from Murshidabad to Calcutta. These letters
reveal the anxiety of these merchant princes to increase their in-
vestment and so far as the diwani was concerned they were naturally
more interested in revenue than in the welfare of their subjects.
Prospects of the increase of investment were always welcome and
the President and Council at Calcutta were fully aware of their
employers’ sentiments in this respect. Fine piecegoods and raw silk
were considered the best commodities for the European market. The
Directors thought that the French and the Dutch ships carried more valuable cargoes from Bengal than their own and wrote that they had reasons to believe that some of the Company's servants and free merchants residing under the English Company's licence provided these rival companies with their cargoes, thus prejudicing the interests of their masters. The Court directed that dismissal from service in the case of the Company's servants and withdrawal of protection in the case of free merchants should be the punishment for these malpractices. In letter after letter the Court referred to this subject. The Company was eager to receive as large a proportion of the Bengal revenues as possible through investment. They wanted the surplus revenue to be sent to England in the shape of commodities. This surplus was to be as large as possible so that the investment might be proportionately profitable. Any rival company carrying on a thriving trade was an eyesore. But the condition of the French Company was not really so thriving as the Court of Directors in their jealousy suspected.

The East India Company sold in Bengal broad cloth, copper, iron, lead and a few other commodities from Europe and purchased cotton and silk piece goods, raw silk, saltpetre and other articles for the returning ships. It is only fair to note that the Directors were in favour of a much better treatment of weavers and silk-winders than their servants in India would advocate. Many of the Company's servants would not hesitate to use force to make the weavers enter business contract with the company. The Directors' comment deserves quotation: "The Gentlemen at Dacca say the Foreigners give 20 and 30 per cent more than we do but the fact that comes the strongest to the point is The Sale of the Ferritt and Damaged Goods which sold at Public Auction from 10 to 100 per cent advance, a clear Proof of the injustice done to the Weavers, at once Accounts for the reluctance to work for the Company; and violence being added to that, we are no longer to seek for the reasons why so many of them quit their looms." The servants of the Company at Dacca proposed that they should co-operate with the French and the Dutch in providing for investment. In the absence of competition they would jointly be able to monopolise the whole manufacture of the country and the weavers would be entirely at their mercy. The Directors' comment on this proposal shows that in this matter at least their sense of what would serve their interest was somewhat different. They wrote, "Such a measure would be destructive of all Manufactures of the Country, and every exertion of Power, every measure that checks the Freedom of Commerce, increases the evil you complain of... Due Encouragement and Protection to the weavers will be the only means of promoting the Manufactures." Not only did the Directors turn down the proposal of establishing a monopoly, they
were also of the opinion that native gomastahs should be recalled and the old practice of providing for investment by contracts with the merchants should be revived. This was, however, a recommendation, not an order. They wrote, “Merchant and Manufacturer is a natural union, but the Manufacturer dreads the hand of power which always handles him too roughly” (11 November 1768 paras 38-48).

But the general letter of 16 March 1769 (paras 30-35) shows that the Court looked further ahead, unlike their servants who were concerned only with the immediate increase of investment. Instead of fostering the growth of silk fabrics, the Court wanted the manufacture of raw silk to be encouraged. They told their servants in India that they should “endeavour to induce the Manufacturers of Wrought silk to quit that Branch and take to the winding of Raw Silk”. Cultivation of mulberry plant was to be encouraged by a deduction from rent as a bounty. The purchase of silk was to be made at an enhanced price so that other rivals would not be able to compete. The silk-winders were to be compelled to work in the Company’s factories “under severe penalties by the Authority of the Government”. This policy of encouragement and compulsion so clearly stated was highly prejudicial to Indian manufacturers. It is, however, relevant to note that the statement of Bolts (Considerations, p. 195) that the weavers of raw silk cut off their thumbs in order to escape being forced to wind silk for the English Company is made with reference to the earlier period of Lord Clive’s administration. The Directors also referred to the “oppressed state the weavers have been in for some years, which has occasioned many of them to sling up their looms” (11 November 1768 para 38). The Directors added, “There cannot be a stronger picture of oppression than the letters have laid open to us.” (Ibid). The declared policy of the Court was to procure the greatest quantity of raw silk for the factories of Great Britain by moderate bounties. They also wanted a settlement at Balambangan “where great quantities of opium will be vended” (Instructions to Commissioners, paras 23-24).

The Company, according to Clive’s arrangement had practically nothing to do in the matter of diwani revenue collection except managing and adjusting the revenues through a Land Revenue Resident at the Durbar. The Court of Directors talked of placing the collection of revenues on a “just and honourable footing” and flattered themselves that “with care and industry great improvements may be made in the Dewani collections”. The increase of the revenue of Calcutta lands as also of Burdwan, Midnapore and Chittagong combined with the increase of population in those areas which were directly under the East India Company
made the Directors aspire to remove the abuses in the diwani districts and "reduce the number of idle sycophants placed between the tenants and public treasury". The Directors' intention was not to enhance the rents of the tenants, nor to take from the profits of the zamindars, but to remove the abuses due to the numerous tribes of "fougedars, Aumils, Sikdars". Their plan of reformation of diwani collection was "to establish a committee of some of our ablest servants for the management of the Dewani revenues at Murshidabad for the Bengal province and at Patna for that of Bihar". They were to be the controllers of diwani revenues under the President and Council and they were to have other junior covenanted servants as assistants to be sent to different parts of the country for the correction of abuses, to collect reliable information and on the basis of data supplied to reduce the expenses of collection. The Court of Directors recommended that their servants were to proceed with this reformation "with a moderate, steady and persevering Spirit of Enquiry", but all business was to be carried on through the Naib Dewan under his seal and signature (30 June 1769 paras 13-18). This was certainly a much less ambitious scheme than the supervisor experiment started by Verelst in August 1769.

The Court's dissatisfaction with the existing system was further expressed in the instructions issued to their Commissioners—Vansittart, Scrafton and Forde, who were appointed in September 1769 but were drowned on their way to India. The Court wrote, "Instead of only one person at the Durbar there should be a Resident with a Council or proper assistants at the chief place of collection who should have power to conduct and regulate the mode and charges of collection and reform all abuses therein and to whom the complaints of inhabitants at all times find full access" (para 29). But in the meantime Governor Verelst had taken advantage of the wording of the Court's letter of 11 November 1768 in which they had expressed their approval of the appointment of Europeans in the ceded lands and construed this as an implied permission to launch his experiment. Of course the Directors gave their approval later to Verelst's plan which was far too ambitious to be successful in the existing circumstances. Bungling and fumbling attempts at land revenue reform commenced during this period and the Directors were more responsible for the mistakes of British Indian land revenue policy than their servants in India. The Court treated Bengal's land revenue as a source of investment and their anxiety for surplus revenue largely influenced the land revenue experiments, even after the open assumption of the diwani.

The Directors felt that they had good reasons for their anxiety. There was an impression in England that the newly-acquired territory
of the East India Company was a veritable Eldorado. Clive had exaggerated the importance of his acquisition and the speed with which servants of the East India Company were acquiring fortunes had lent colour to that impression. The Court of Proprietors in 1766 had raised their dividend from 6 to 10 per cent and on 6 May 1767 they raised it to 12 1/2 per cent in spite of the opposition of the Directors. All this drew public attention and Parliament attempted during this period to regulate the relation between the state and the newly-acquired territory of the East India Company. Without opening the question of sovereignty, Parliament decided that the Company's dividend should not exceed 10 per cent and that the Company should pay annually £400,000 to the British exchequer for two years certain. Parliament lowered the duties and allowed a draw back upon the exportation of tea to Ireland and the British colonies in America (20 November 1767 paras 46 and 47). To meet all these additional commitments, the Directors were anxious that there should be an increase of remittances through every possible channel in India. Surplus land revenue and profits from investment were to meet these new charges. Before this term expired, the Court, anxious to avoid the re-opening of the question of sovereignty, entered into a new agreement to pay to the public funds £400,000 per annum for five years more and to export annually on an average to their settlements £380,837 in goods and merchandise of the growth, produce or manufacture of Great Britain exclusive of military and naval stores" (30 June 1769 para 58). The assumption that increased remittances would be available for meeting these large annual commitments proved fallacious and when the crash came some years later, parliamentary intervention followed as a matter of course.

The Court of Directors, anxious for increase of remittance, could not possibly sanction an ambitious or adventurous foreign policy which was bound to prove costly. Content with what had been acquired, the Court had no further object than to maintain the tranquillity of Bengal, Bihar and Orissa. Non-intervention was their policy. The directors were anxious to recall the brigade at Allahabad and were strongly opposed to the marching of British troops to restore Shah Alam to Delhi. But the Directors were not very successful, at any stage, in keeping their servants pacifically inclined. In the instructions given to the deputies sent by the President and Select Committee to negotiate with Shujaud-Daula of Oudh there was an article to which exception was taken by the Directors. It referred to the usurpations of the Hindu Pat Raja. Conscious of their inability to restrain their servants in India, the Directors used the strongest language—"Is it our business to enquire into the rights
of the Hindoopat Rajah and the usurpations he may have made upon others? and supposing the fact to be proved does such an injustice on his part give us any claim to the disputed districts? We are surprised that the absurdity of such pretensions did not strike you?” (11 May 1769 paras 6 & 7). The Court were fully aware that the policy of intervention might lead to infinite complications and their sentiments were clearly expressed in the following sentence —“The Hinduput Rajah who by all accounts is rich will naturally endeavour to form alliances to defend himself against this unexpected attack of the English, then you will say your honour is engaged and the army is to be led against other powers still more distant” (Ibid, para 9). In this particular case an offensive did not, however, develop. On another point the Court was even more emphatic. The President and Council wanted to have a blank ferman for the subahdari of the Deccan to be filled up at their pleasure or at the pleasure of the President and Council of Madras if the Nizam as an ally of Hyder Ali continued to give trouble to the British. The Directors expressed their greatest disapproval of such a step and said that as the King was under their protection, the measure would tend to bring upon him the contempt of his own subjects besides making Nizam Ally an irreconcilable enemy. A peremptory order was given that the ferman was to be returned to the King and that he was to be acquainted that “we will not suffer our servants to be guilty of such an abuse of the confidence he is pleased to repose in us” (Ibid, para 13). The Court reiterated its fixed resolution “to avoid as much as possible all further engagements with the country powers, but faithfully to perform those which we already be under” (para 16). In their next letter the Court again emphasised the principles of their foreign policy (30 June 1769 paras 3 & 4). “The most prudent system we could pursue and the most likely to be attended with a permanent security would be to incline to those few chiefs of Indostan who yet preserve an independence of the Maratha power.” The Court wanted to preserve friendship with the Nawab of Oudh, the Mysore Chief, the Nizam, the Rohillas and the Jats. This was the general view of the system by which the Directors wanted to see their affairs regulated. The Court was also opposed to the Select Committee's proposal of an alliance with Janoji.

But so far as relations with country powers were concerned, the Directors found that the President and Council would not listen to their behests unless these suited them. The sudden turns, swift changes and unforeseen developments in the situation of affairs left the initiative entirely in the hands of the men on the spot. The Court acknowledged the weakness of their position vis-a-vis the President and Council. In the general letter of 30 June 1769, the
Directors wrote: "The situation of affairs may be varied by unforeseen events at the very moment we are writing." In this matter, therefore, unable to exercise an effective control over their servants, the Court played an unimportant part. But there was another aspect of British Indian foreign policy—relations with rival European powers in India and so far as they were concerned at this stage at any rate, the initiative rested with the Court of Directors.

The Directors, as already noted above, suspected that their servants and free merchants residing with their permits helped the French and the Dutch Companies to secure cargoes more valuable than those of their own. The strictest enquiry was ordered and exemplary punishment recommended. But at the same time they wrote that they were pleased to hear that their servants supplied the Dutch with one-third of the "cutcha petre" one season and they did not disapprove of their servants supplying the French with 300 bags of salt-petre or of their making suitable amends for an insult offered to the chief at Chinsurah (4 March 1767 paras 24 & 25). The Court were anxious to avoid the appearance of giving any offence to the European rivals in India though they turned down the proposal of co-operating with foreign companies in the matter of investments. They did not like disagreeable altercations on unimportant matters. But frivolous disputes were not infrequent. The Directors saw in these disputes "mere indications of their envy at the growth of a power they cannot check". They insisted on their servants in India keeping these European rivals within proper limits, not directly but through the ministers of the Nawab. The President and Council were not to interfere except where the dispute lay between actual agents of the different companies. But suspicion of French intrigues with the country powers was very strong and the Court insisted on the utmost vigilance and advised their servants not to spare any pains to secure reliable information about the strength of the Isle de France and of the French settlements in India and on the slightest suspicion of their hostile intention to send the earliest notice according to the urgency of the case, either overland or by an express vessel. The Madras experiment of forwarding letters by French ships was not to be repeated as the letters were almost invariably lost (16 March 1768 paras 43 and 44; 20 November 1767 para 51; 11 November 1767 paras 54, 55, 56).

But the French East India Company was certainly not in a flourishing condition. The French King, by a decree issued in August 1769, suspended until further orders the exclusive trade of the French Company and opened it freely to all his subjects. The
Directors giving early notice of this event expected their servants to utilise this opportunity of increasing the investment and to purchase piecegoods and raw silk at cheaper rates. But as the French private traders might create a new situation, the President and Council, while observing the law of nations, were to remove any prejudices and inconveniences resulting to British interests. Detailed instructions were issued to the effect that these private traders were not to be helped by any person under the Company's jurisdiction. The Directors appear to have been very much dissatisfied with the state of intelligence regarding the French forces and one item of their instructions to the Commissioners headed by Mr. Vansittart demanded such an organisation of the intelligence services as would obtain for the Company "the most perfect intelligence of the proceedings of foreign companies not grounded on surmises but on information of matters of fact" (10 November 1769 para 28, Instructions to Commissioners, 15 September 1769 paras 31 & 32).

The Directors were eager not only to increase their trade in India but also to extend it to countries on the border. They wanted their servants in India to obtain the best intelligence as to whether trade could be opened with Nepal, whether cloth and other commodities from Europe could not find their way through Nepal to Tibet and Western China. The king of Pegu who was favourably disposed towards the East India Company, sent a ship as a present to the Governor and gave a site for the construction of a factory. The Directors thought that trade with Pegu would be to the advantage of the Company and the Government at Madras was directed to establish a factory there. Desirous of opening every channel for trade, the Directors wanted the President and Council at Calcutta to consider whether a "scheme of cutting sticks for Masts and Yards and procuring Pitch, Tar etc. in the Morung country" could be carried into execution. They also suggested the formation of an establishment on the island of Balambangan situated off the north-east of Borneo (16 March 1768 para 41; 17 March, 1769 para 22, para 111; 30 June 1769 para 30; 4 March 1767 para 17).

Trade with the Persian Gulf was important. For removal of the impediments and disadvantages from which the trade suffered, Governor Verelst sent a representation to the British ambassador at Constantinople who presented a memorial to the Porte. When the Court came to hear of it they expressed their surprise that the application was not made through the proper channel and that they had no previous information on that subject. Although this concerned the private trade of their servants, the Court insisted on observance of the correct procedure. The Directors wanted a naval
officer of experience with full powers from the King and the Company to negotiate and settle matters in the Persian Gulf. Affairs in the Gulf region were in great disarray. Dislocation of trade in the area concerned the Company as well as British private traders in India. As the consumption of British manufactures was thereby affected, the British government also took an interest in the matter. All these combined to lead to the appointment of Sir John Lindsay (11 November 1768 para 52; 15 September 1769 para 27).

The Court of Directors wanted to use their surplus revenue from Bengal for investment not only in Bengal but also in China. The annual investment of the East India Company in Bengal should be regarded as a drain of wealth though not of specie. The President and Council explained the altered situation due to the acquisition of territorial revenues in the following words—“Your trade from hence may be considered more as a channel for conveying your revenues to Britain than as only a Mercantile system”—(To Court, 25 April 1769 para 37). The annual investment amounted to an average of 63 lakhs (To Court, 28 March 1768 para 27). The Directors were insistent that their servants in Bengal should supply, without fail, silver bullion worth 24 lakhs a year for China investment (11 November 1768 para 33). They attached the greatest importance to the enlargement of the China trade so that other Europeans might be discouraged from trading in that market. The China trade was regarded almost as a national concern. They were even prepared to send silver to Canton from England. What the Company discouraged in Bengal it encouraged in China. The China Council was authorised to receive into the Company’s cash up to £200,000 for bills of exchange on the Company in England. To encourage the flow of money into the China Council’s hands very favourable terms were given (11 November 1768 paras 28-33).

It is also relevant to note in connection with the drain of wealth from Bengal that the Company expected that the President and Council in Bengal would supply money to other Presidencies whenever they stood in need of financial assistance. The Directors commended highly the promptitude with which Bengal sent ample supplies to Madras during the war with Hyder Ali. The President and Council informed the Court in their letter dated 2 February 1769 (para 48) “that no less a sum than 44.32.995... hath been sent to the coast for the support of the war there and the use of the China Investment”. With a view to encouraging their servants in Bombay to exert themselves, the Directors decided to create an annual fund for their servants there. But as Bombay had no territorial revenues Bengal was to supply annually to Bombay 1½ lakhs of rupees
out of the diwani revenues for this fund (16 March 1768 para 182). The Resident of Murshidabad secured bills in favour of Bombay for seven lakhs from merchants at Murshidabad. The Directors expected the President to be on the look out for drafts for future supplies to Bombay. This method of avoiding sending treasure from Bengal to other Presidencies was very welcome to the Court as it would enable the President and Council in Bengal to send bullion to China without much difficulty. When it was pointed out that the balance of trade was very much in favour of Bengal and that Bombay could not be supplied in this way in a regular manner, the Directors replied that they could not see the trade between the two Presidencies in that light and insisted on their watching every opportunity so that supplies could be released for the China trade (11 November 1768 para 34). The Directors refused to believe that there were sufficient grounds for apprehension of a scarcity of silver. The servants of the English East India Company in spite of their lavishness were able to remit vast fortunes through the French and the Dutch Companies. The Directors were, as these letters show, not unaware of the fact that this stopped the import of bullion by these rival companies and further complicated the situation created by the large exportation of bullion to China. The Directors refused to face the problem of scarcity of silver. They ascribed the distress mainly to the new gold currency which overvalued gold by 8 per cent with the result that silver replaced gold as hoarded metal and gold poured into Bengal from the neighbouring provinces in return for silver. The Directors expressed their strong resentment and ascribed all the ills to the over-valuation of gold and in their emphatic denunciation of the new measure they attributed this not to error of judgment but to corrupt motives (11 November 1768 paras 57 & 58).

In connection with the problem of scarcity of silver, the Court's view differed so much from that of their servants that it is necessary to put the two views side by side and compare.

Currency

The President and Council in Bengal argued that the balance of trade was in favour of Bengal only in respect of trade in the Persian Gulf and that only to the extent of rupees 5 to 6 lakhs per annum, while bullion exported to China and sent to the King amounted to 50 lakhs besides which large sums had to be sent to Madras. All this threatened to create a scarcity of silver. Against this the Directors pointed out that in Bengal the necessaries of life were very cheap and she had a variety of manufactures and these advantages were very real when the conditions prevailing in the countries with which it traded were taken into account. The Company issued from its own treasury about 60 lakhs for investment, 120 lakhs for its expenses, 50 lakhs for the Nawab and his ministers
while private traders were also responsible for the circulation of large sums. When all these were taken into consideration the flow of specie could not be regarded as insufficient for either revenue or commerce. It could not, however, be overlooked by the Directors that the French and the Dutch Companies were not importing bullion in recent years. This was, according to the Directors, because the “amazing accumulation of private property obtained by the great sums extorted by our servants from the Nabob and his Ministers and the vast fortunes raised by the English taking to themselves the whole trade of the country, formed at once a vast mass of money, which supplied the other European Companies and prevented their exporting bullion from Europe”. The Directors expressed a hope that this state of things would soon change and the foreign companies would have to import bullion. If they did not, the Court of Directors would extend their investment to take in that proportion of the manufactures which they now absorbed. The Court disbelieved the statement that the importation of silver was very small, because the coinage account showed that a very considerable quantity of foreign money was coined (11 November 1768 paras 60 & 61).

So far as Bengal was concerned, the Court refused to be drawn upon to an unlimited amount, notwithstanding all the arguments, some apparently very cogent, advanced by the President and Council. The drafts upon the East India Company by the ships were confined to £70,000 in 1768 and to the same amount in 1769 (11 November 1768 para 111) at the rate of two shillings for the current rupee, exclusive of Lord Clive’s jagir “for which bills are to be granted”.

But the Court permitted the President and Council, in case of emergency, to borrow at interest for one year such sums as would be necessary. This sum was to be paid off at the expiration of one year or earlier if the treasury showed the necessary surplus (Ibid, para 110). This method was preferred by the Court to bills of exchange. In their letter of 17 March 1769, the Court reconsidered the subject of remittance and wrote, “We find it so connected with that of investment that the increase of the former must always depend upon that of the latter.” “With a view to unite the advantage of the Company and their servants”, the Court permitted an increase of remittance from Bengal to the extent of one half of the sum by which investment sent to England exceed 60 lakhs in piecegoods and raw silk at the rate of 2s. 3d. the current rupee. In case, however, the investment sent to England in piecegoods and raw silk did not exceed the sum, the remittance was to remain at the level demarcated in the letter of 11 November 1768 (17 March
1768 para 39). Finally, in their general letter of 30 June 1769, having given due consideration to the arguments set forth in several letters to the Court, the Directors to some extent yielded to the representation of their servants. The inconvenience caused by the refusal to receive money into the Company’s cash for bills to be drawn upon the East India Company in England was now obvious. The French and the Dutch were supplied with money by those Englishmen who wanted to send their savings to Europe. As the French and the Dutch insisted upon being paid in silver not merely were they able thereby to secure all their investment without importing bullion, but they even exported silver at times and it was not possible to enforce any order of the King or the Nawab prohibiting exportation because the English themselves exported silver to China and to Madras or Bombay. The Company was not in a position to pay bills in England to an unlimited amount. It was thought necessary “to confine the drafts to some degree of proportion with investment”. As there was a considerable increase of investment the former orders relating to remittance were revoked and for the season the President and Council were empowered to draw for £200,000 and beyond that sum to the extent of specie they would be able to send to China. This was in addition to bills to be drawn for Clive’s jagir. These bills were to be drawn for £200,000 at the rate of 2s. 2½d. per current rupee and at 365 days sight and bills for such further sums as would be sent to China were to be drawn at the rate of 2s. 4d. payable three years after sight. This difference was made in order that the Company might bring the “amount of sale of the cargoes into circulation at the time the bills will become due” (paras 47-57).

The Court of Directors were eager and anxious to maintain military discipline so that no such episode as the Mutiny of 1764 might occur again. Having consulted Lord Clive and Generals Lawrence, Caillaud and Carnac, who were then in England, the Court made changes in the military establishments at the Presidencies. As the Company had so much at stake in Bengal these changes were meant especially for that province. The military establishment in Bengal was to consist of three regiments, each being divided into two battalions. The field officers were to be three Colonels, six Lieutenant Colonels and six Majors. The three regiments were to be composed altogether of 3165 men. The pay of the field officers was increased—a Colonel was to get £1.5s. a day, a Lt. Colonel £1 and a Major 15s. They were to get in addition to their share out of 2½ per cent of the revenues. There was to be a well-regulated corps of artillery personnel numbering 446. The highest officer in the artillery section was to be a Lt. Colonel. The
officers and men belonging to the artillery corps could not be removed to any other corps. The field officers in this branch, only two in number, were also to receive their share of the revenues. In the engineering corps, the Chief Engineer and the Director were to take rank as Lieutenant Colonel and Major, respectively. The persons in the engineering corps were not to be transferred to any other branch. The two chief officers in this branch were to get in addition to their pay, their share of the revenues. Three lieutenant colonels, three majors, fourteen captains, one captain lieutenant and seventeen lieutenants were sent to make this new army organisation a success. New appointments were also made in the artillery and engineering branches. Ranking rules were also framed and communicated. The entire military establishment was placed under the Governor and Council and they were empowered to take away any officer's commission on misbehaviour without bringing the matter before a court martial. The outlines settled, the regulations of the military establishment were to be framed by the Government of Bengal. The Directors desired a similarity of system throughout the three Presidencies as far as possible (16 March 1768 paras 77-125).

In view of the increase of European infantry, a reduction in the number of sepoys was recommended. The army so reorganised was to consist of a standing force of three European regiments, one artillery battalion and 15,000 sepoys. Eight independent battalions of sepoys were to be maintained for collection of the revenues. The Company's army was thus to be far superior to any force that could be brought into the field by any country power. The Directors thought that the increased proportion of Europeans to sepoys in the army would add to British safety. The most interesting suggestion in this connection was that made by Lord Clive and passed on by the Directors to the President and Council to the effect that the sepoy battalions should be composed of an equal number of Hindus and Mussalmans, as this would encourage a rivalry in discipline. The Court further directed that the recruitment of Bengal sepoys was to be made in Bihar and Orissa to avoid desertion and treachery (11 November 1768 para 107).

It has been generally argued that the famine of 1770 by exposing the shortcomings of the double Government, was responsible for the Court of Directors' decision to assume direct responsibility for the diwani, but the letters to criticise existing arrangements of the period (1767-69) reveal that the Directors were already in a mood to criticise the administration of the Naib Dewan and were already asking their own servants to intervene. The decision to abolish the offices of Naib Dewan of Bengal and of Bihar and to stand forth as the Dewan
which was made three years later, could not come as a surprise to the servants of the East India Company. In 1765, the Court understood by the acceptance of the de jure diwani “nothing beyond the superintending the collection of the revenues and the receiving the money from the Nabob’s treasury to that of the Dewany”. The Resident at the Durbar was to remedy any abuses in the government and to stand between the administration and any encroachments from the agents of the Company’s servants (Letter dated 19 February 1766). In the general letter dated 11 November 1768 (para 89) the Court expressed their pleasure at the efficiency displayed by their servants in the revenue administration of the Calcutta lands as also of Burdwan, Midnapore and Chittagong and wrote, “We would have such of our servants as distinguished themselves in this important branch employed therein whenever the Resident at the Durbur requires the assistance of able hands to investigate any abuses that may be committed in any particular province.” Then, in the letter dated 30 June 1769 (para 16) the Court expressed their desire to appoint controllers for the management of diwani revenues and junior covenanted servants to correct the abuses. In the instructions issued to the Commissioners on 15 September 1769 from which extracts were appended to the general letter of the same date, the Commissioners were asked to superintend and regulate the collection of revenues and as has been pointed out it was even thought desirable that the Resident at the Durbar should have a council or proper assistants at the chief places of collection “who should have power to conduct and regulate the mode and charges of collection and reform all abuses therein and to whom the complaints of the inhabitants may at all times find free access”. Firminger, in his introduction to the Fifth Report (CLXIX) draws our attention to the contrast between the very elaborate nature of the instructions to the Commissioners Vansittart, Scratton and Forde and the laconic acceptance of the diwani five years earlier. It should also be noted that the letter of 28 August 1771 which communicated the decision “to stand forth as the Dewan” was not accompanied by any instruction as to the plan and execution of the decision and this absence of instructions was commented upon by the Committee of Circuit in their Proceedings dated 28 July 1772. But Mill (Vol. III, p. 365) points out that for this absence of instructions the servants of the East India Company did not make any grievance. It may be added that the servants of the East India Company knew quite well what the Directors meant by the care and management of the revenues. The series of general letters and the instructions issued to the Commissioners had made that quite clear. In 1771 the only new factor was the grievous disappointment of the Court of Directors in their expectations of treasure from India.
The principles and policies that guided the Court of Directors become clear as we peruse these letters. The Court's awkward position is also manifest. The proprietors expected a great surplus revenue; the public in England also believed in the flattering accounts of the benefit that the administration would derive from a recurring annual surplus from India. There was an atmosphere in England "full of the credulity of violent wishes". As this hope was belied, the Directors thought that this was due entirely to the existence of abuses in their Indian government. It was expected that the three Commissioners with extraordinary powers would be able to set things right. The Commissioners were however, drowned on the way and the experiment was never tried. The Company could not create a spirit of "temperance, economy and application" in its service, and it is clear that the Court of Directors with their expectation of torrents of treasure, was not the institution that could create "a principle of government adequate to the substance"—at this stage at any rate.

Besides principles and policies, these letters also reveal several interesting facts. In the letter dated 17 March 1769 (para 74) an order was issued that no Englishman was to take an Indian to England without submitting beforehand a security of £50. It appears that many Indians were taken to England as servants by Englishmen or their families returning home. Many of them were deserted by their masters and left destitute there. They naturally approached the Court of Directors to meet the expenses of the return journey to India. In such circumstances, the Directors had to pay them their passage back home. The security of £50 was demanded to reimburse the Company in such cases. Besides these destitute Indian servants in England, the "black writers" in India also catch the eye of the reader of these letters. In the letter dated 4 March 1767 (para 9) the Directors wrote, "We expect, that you will have entirely dismissed all black writers and that none but covenanted servants remain employed at our offices". The Select Committee in their letter dated 24 March 1766* had informed the Court that the situation in Bengal was such that many young writers held such appointments as those of secretary, accountant, military store-keeper, naval store-keeper, store-keeper of the works and pay-master of the army. As they did not understand their business, they took the assistance of their banians and "black writers" who presumably also managed their private trade. Thus through them the most secret details of the Company’s business was known in the bazaars. Therefore Clive and the Select Committee appointed senior servants to these posts. The Directors

* Verelst, A view of the English Government in Bengal, Appendix.
in their letter of 4 March 1767 referred to above expressed a hope that the “black writers” had all been dismissed.

There could not possibly be any cultural association between Indians and Englishmen in those days, because the Indians with whom Englishmen came into business contact did not certainly represent the cultured element of the population, and, with some remarkable exceptions, Englishmen themselves had no cultural pretensions. Ramkamal Sen, author of the first Anglo-Bengali dictionary, says in the preface that the first English captain who came to infant Calcutta asked after his arrival for a “dhobhasia” or interpreter, a term familiar in commercial intercourse in Calicut and Madras but not in Calcutta. The Setts, who were then the agents of the East India Company, understood the term to mean a “dhobi” or washerman. To that washerman, who made good use of his monopoly, belongs the honour of being the first English scholar in Bengal, if, of course, the term scholar can be used in this limited sense. In those days a smattering of substantives, adverbs and interjections constituted the English vocabulary of the people who associated with the British. Agents of a more respectable class were not in demand. We do not know how much English the dadny merchants, the paikars and the baniars learnt. We find that the Court of Directors were rather anxious that their servants should learn “the Moorish and gentoo” languages (15 September 1769 para 31) but there is no evidence of any anxiety that the “natives” living in Calcutta and the surrounding areas should learn the use of the English language to be of help in British business and administration.

LETTERS TO COURT

Or the letters to Court the most remarkable is that of 5 April 1769, in which Governor Verelst analyses the true sources of the proverbial opulence of Bengal and the causes of its degeneration under the rule of the East India Company. The letter is reproduced in full in the appendix to his book, A View of the English Government in Bengal. Verelst says that Bengal, having a great variety and abundance of agricultural produce and excellent manufactures, had no necessity for imported goods. Her agricultural products and manufactures attracted foreign merchants by their cheapness and superior quality. As the people of Bengal wanted very few foreign commodities, the foreign merchants had to import specie. Besides European merchants, traders from Gujarat, Lahore and even Ispahan imported specie into Bengal in order to buy her silk, cloth and
other goods. The farmers and workmen shared in a general opulence and the ready sale of their goods enabled them to meet all their needs. Verelst adds that the customs office books as Murshidabad in Alivardi Khan's time showed an entry of 70 lakhs under raw silk alone. This was exclusive of European investment which was not registered at Murshidabad and which was either duty-free or paying duty at Hugli. But the rulers in those days gave back with one hand what they took with the other. The luxury and pomp of the princes and princelings led to lavish expenditure, with the result that money went back to the people instead of being locked up in the treasury or being sent abroad. There was a brisk circulation of specie. "The farmer was easy, the artisan encouraged, the merchant enriched and the prince satisfied." This was the state of things till 1757. The decline set in with the battle of Plassey. The Company got so much bullion that it did not import specie any more. The servants of the Company, unable to remit their ill-gotten wealth through the Company, put it into the treasuries of the French and the Dutch Companies in return for bills of exchange on them. So the foreign companies also no longer imported bullion. The old stock of specie was, however, very soon exhausted. Further, repeated revolutions at Murshidabad ruined many families. Mir Qasim, in his eagerness to increase his military strength, drained the country and ruined some of its richest inhabitants. It has been said that he took with him about five crores in jewels and cash when he fled from the province. The Gujarati, the Mughal or the Ispahani trader ceased coming to Bengal, because the English merchant had gained an unfair advantage over them. The European monopoly of commerce was of the least advantage to the province. According to the estimate of Verelst, if we take the import and export of bullion during the years 1766-68 into consideration there was a balance to the extent of Rs. 4,88,50,000 against the country. The European free merchant after some years would wind up his affairs and pay his gains into some European company's cash for bills, thus rendering importation of bullion more unnecessary. Again, the King's tribute, the expenses of the Allahabad contingent, etc. also contributed to the drain of specie. There was an annual loss of currency "equal to the difference between the aggregate of the investment and disbursements and the total revenue". Verelst advanced an Impassioned plea in favour of permitting servants of the East India Company to send their remittances through the Company on equitable terms so that foreign nations might be compelled to import specie to Bengal.

Verelst's analysis is vitiated by the undue emphasis laid on the importance of the flow of specie into the country. The easy procurement of a medium of exchange was no doubt a great advantage, but
the theory that prosperity depended merely upon the abundance of precious metals is untenable. In the days of Alivardi Khan the land settlement was made on moderate terms, there was free trade and the East India Company had not begun to use the surplus revenue for commercial investment. Prosperity depended then, as always, on the abundance of things exchanged and not on the counters used. The drain of wealth from Bengal is noticed by Vereist but is not duly emphasised. Invasion of the inland trade is referred to but attention is focussed mainly on the shortage of currency.

On account of the drain of specie and the consequent scarcity of silver, the President and Council embarked on currency experiments which, however, proved futile. The first venture was made by Lord Clive in June 1766. As silver was scarce, a bimetallic standard was adopted. New gold coins were issued that raised the value of gold in terms of silver by 8 per cent (Court's letter 11 November 1768). It was expected that hidden hoards of gold would come out and add to the current specie. But the result was quite different, for Gresham's law operated. As the Court argued, "No one would part with gold except for a consideration and that consideration could be only silver. Therefore, there was so much silver hoarded up instead of gold" (11 November 1768). The Court of Directors in their letter dated 16 March 1768 informed the President and Council that allegation was actually made in the general Court of Proprietors that "great advantage was made by individuals on the sudden rise in the price of gold". The Directors themselves, in the general letter dated 11 November 1768, brought the charge that "those who took the lead in these matters must have secretly bought up large quantities of gold".

In the meantime the President and Council disappointed in their "motive for establishing a gold currency" were determined to put an end to this experiment and were supported by the mint-master (13 September 1768, para 80). In view of "the many and pressing complaints which were made of the grievances accruing both to Trade in General and to Domestick Expences in particular" from the introduction of the gold currency and in view of the doubts expressed about the wisdom of the continuance of the gold currency (16 March 1768, para 59), the Governor and Council resolved to recall all gold mohurs. But they could not give effect to this resolution in view of the absence of a surplus of silver between March and September. They, however, thought that as the payment of the revenue in silver would begin, the situation would improve. The Council resolved on "calling in all Gold
Mohurs of the New Currency and abolishing the Establishment and of giving Interest Notes payable at the Expiration of twelve months for all Sums above and of the Value of 1,000 Rupees paid into the Treasury within the space of fifteen days after the Publication of this Resolution" (para 84). It was noted in the postscript that the number of coins received into the treasury amounted to 1,20,161 out of a total of 1,28,728 (25 September 1768, para 17). Vereist and his Council thus gave up this gold currency upon an arbitrary valuation in September 1768, but in March 1769 again embarked on another experiment at bimetallism. After consulting the principal bankers, banians, merchants and ministers they once again recommended to the Nizamat a new gold currency in which they made the same mistake of overvaluing gold. They wrote that they had profited by the mistake of the previous administration which was due to inexperience. In their present establishment they sought to "observe equitable proportion between the value of gold and silver which is nearly equal to what it bears in all the countries of the world". But this experiment failed as gold was still overvalued though not to the same extent as before. The phrase "nearly equal" explains the ultimate failure of this experiment as well. It is relevant to note that shortly after this second experiment at bimetallism was begun in India, the Court of Directors issued instructions to the effect (11 May 1769, para 18) that in future silver was to be the only medium of commerce in Bengal and gold, though coined, must be regarded as bullion. The court issued very positive orders — "We do most positively direct you do not under any pretence whatever presume to make any alteration in the original and established standard for weight and fineness of the gold mohurs and silver rupees which may from time to time be coined in our mint at Calcutta and whoever shall be guilty of a breach of this order will incur an immediate dismissal." But before this letter arrived the second experiment at bimetallism had been launched and the President and Council reported that the mohurs struck at the mints of Dacca, Patna, and Murshidabad met with a ready circulation. But in the existing circumstances failure was inevitable.

The President and Council had the benefit of the advice of Mr. Campbell, the Assaymaster. But they were unable to grasp the difficulties of the currency problem. Their one great panacea was bimetallism, but that was really no solution in the existing circumstances. The Directors were better informed in this matter and wanted to pursue the traditional policy. The Court also directed its attention to the fixing of the sicca rupee on a permanent footing. Bengal had a variety of rupees, sicca, sonaut, arcot, dasmaisa, etc. Altogether twentyseven varieties were current. In this matter the President and Council advised by the Assaymaster as
also by Muhammad Riza Khan did not think that the measure was practicable. The Court had a very strong desire to have only one specie of rupees current in Bengal (20 November 1767, para 125; 11 November 1768, para 65). In view of the fact that coins in those days were not properly milled, clipping and adulteration of the coins were very common. The prevailing practice was to regard the coins of the current year (sicca) as sonaut next year and there was a progressive fall every year in the value of the coin. This gave the shroffs or money changers a unique position. With different varieties of coins current and with siccas and sonauts of the same currency in the market they very much abused their position by charging battas on exchange of the several species at their pleasure. The opinion expressed by Mr. Campbell was that wholesale recoinage of all the different varieties after withdrawing them from circulation was necessary. The Directors, on the other hand, did not think this indispensable for the success of the scheme of preventing the annual fall in the price of the rupee. Various expedients were tried later during the regime of Hastings but without success and it was only in the days of Cornwallis that wholesale recoinage with the inevitable loss to the Company was resorted to in order to make one kind of rupees current in Bengal.

The last general letter to Court signed by Lord Clive contains an elaborate justification of the acceptance of the diwani from the standpoint of his masters. It removed all causes of contention with the Government, secured funds for investment and if necessary for purposes of war. It ensured, according to Clive, respect for the power of the East India Company. Clive wanted that the East India Company should be regarded as the “spring which concealed under the shadow of the Nabab’s name secretly gives motion to this vast machine of Government without offering violence to the original constitution”. Clive’s statement that the present arrangement ensured “security to property, freedom to trade, and protection to the persons of the natural inhabitants” was intended to satisfy the conscience of the Directors and had no relation to facts.

The actual state of affairs can be ascertained from these letters, which give illuminating details about the powers of the various authorities under the new regime—the Nawab, the Naib Dewans and the Resident at the Nawab’s Court. The functions of the diwani were exercised by the Resident at the Durbar under the inspection and control of the Select Committee. In conjunction with Muhammad Riza Khan the Resident superintended the collections. The Chief at Patna who superintended the collections in Bihar jointly with Shitab Roy was subordinate to the Resident
at the Durbar. The Resident at the Durbar was directed to forward all correspondence with the natives to the President and Council to be transmitted to the Court of Directors in their general packet. The *diwani* business was regarded as purely political and was kept separate from that of the former possessions. The Resident at the Durbar between 1767-69 was Sykes. After his resignation Becher took his place. A Deputy Resident was appointed to relieve him of the duties of his onerous employment.

We have a very clear view of the use that was sought to be made of the Imperial dignity. As the President and Council wrote in the letter of 25 September 1768, with Shah Alam ever ready to comply with British requests, the British could at all times impose such restraints as were politically necessary on the other nations trading in India without raising any international complication. The king's authority might be utilised for issuing sanads in favour of the rivals of those powers who were inimical to the Company and needed to be chastised. The Court of Directors though not unwilling to use royal authority for restraining non-Indian powers definitely refused to countenance an abuse of royal power and prestige by the issue of *sanads* against rival Indian powers.

Muhammad Riza Khan, who was entrusted with the collection of the royal revenue under the immediate inspection of the Resident at the Durbar, undoubtedly played a very important part in the history of Bengal during these years. When an organisation was set up for carrying on the functions of the *diwani*, Riza Khan, Shirab Roy and Roy Durlabh were not assigned any salary but were dependent upon their perquisites. Muhammad Riza Khan subsequently represented that this was not as it should be. If the principal officers depended upon perquisites, they might be tempted to pursue measures that were oppressive and to connive at corruption and illegal exactions. It was, therefore, decided to establish a fund of Rs. 12 lakhs for these three dignitaries and the Governor was empowered to fix the salary. Muhammad Riza Khan's past services, his abilities, his promise to increase the revenues, his relinquishment of perquisites amounting to rupees eight lakhs per annum marked him out for special consideration. Muhammad Riza Khan was a *persona grata* with the President and Council at Calcutta, but a perusal of the general letters from Court gives an impression that the Court of Directors did not think highly of his honesty, integrity and ability. The Court demanded explanation from the President and Council for withholding information respecting the charge against Muhammad Riza Khan of not having submitted a proper account of the revenues of Dacca for the period he was *naib* there under Mir Jafar (17 March 1769, para 78). In the matter of the
gold currency experiment and the connected question of the
diversity of rupee coins above referred to Muhammad Riza Khan's
views betrayed, according to the Court, the "awkwardness of a Man
who is maintaining an Argument against the Conviction of his own
Mind". In fact, the Directors made it clear that they regarded
Muhammad Riza Khan as a pliant tool in the hands of their servants
at Calcutta. In their letter of 11 November 1768 they drew the
attention of the Calcutta authorities to a report that several of the
senior servants had brought up large quantities of cotton on specula-
tion and had prevailed upon Muhammad Riza Khan to levy a duty
of 35 per cent on all cotton to be imported and that Muhammad
Riza Khan had even served as an agent for the sale of this cotton.
They demanded information and asked the President to submit
an explanation if the report were true. In a supplement to the
general letter dated 25 April 1769 the President expressed his
righteous indignation, but could not deny that there was some truth
in the allegation. "It is true," he admitted, "that a Quantity of
Cotton was commissioned from Bombay and the President himself
had a concern therein as well as several Gentlemen in Station which
concern he disposed of on coming to the Government,—it is likewise
ture that a small Proportion of the whole was disposed of at the City
by Mahomed Reza Cawn. This was no Secret Transaction but was
as publickly known as any other in the common course of Trade—
no unlawful means no abuse of Influence were employed—on the
Contrary while the proprietors were themselves selling at Calcutta
at 19 and 20, Mahomed Reza Cawn procured for them no more than
18 Suns at the City a price even less advantageous than any of their
Subsequent Sales if Interest and Charges are included." The
Governor could not deny that Muhammad Riza Khan from his
very high station was actually helping the senior servants of the
Company to dispose of their goods. In their attitude towards
Muhammad Riza Khan the Court of Directors and their servants
in India differed so much from each other that it did not come as
a surprise when the Court of Directors ordered in 1771 that
Muhammad Riza Khan should be tried for malversation and on
other charges. Moreover, disappointed in the income from the
revenues of Bengal the Directors were for a long time inclined to
find a scapegoat and the proceedings against the Naib Diwan can
thus be easily explained.

Cartier's administration saw a conflict between the two arms of
the Company's Government in Bengal—the Select Committee and
the Council. During the period from 1767 to
Select Committee and Council
1769 there was of course no such dispute to
distract attention, but the ambiguity about the
respective functions of the Council and the Select Committee that
made the dispute almost inevitable did not go unnoticed. The Select Committee was brought into existence by the Court of Directors (General letter dated 1 June 1764, para 67) to help Lord Clive to establish peace, tranquillity and subordination in Bengal. In the letter to Court dated 24 January 1767, Lord Clive explained how he marked out the respective provinces of the Select Committee and the Council—the Council to be in charge of disbursement of money, investment, Calcutta lands, Burdwan, Midnapore and Chittagong, factories and aurungs, trade and navigation and the Select Committee to make treaties, contract alliances, to supervise operations of war, to control the diwani collections through the Resident at the Durbar and to carry on correspondence with the country powers. But even after Lord Clive’s departure, the Select Committee was not dissolved. The Court’s letter dated 12 January 1768 (paras 9 and 10) confirmed the Select Committee. It was “to conduct everything that related to the Country Government, either with respect to the Duannee or the Company’s Political Interests with the neighbouring Powers, together with the Military operations depending thereon. It was not to conclude any Treaty of Commerce or Alliance without the Approbation of the Council at large”. It was to superintend only the collection of the diwani revenues but not to disburse them. All other matters including the superintendence of the revenues from the Company’s other possessions were placed under the Council. Though military operations were to be conducted under the orders of the Select Committee, “the supreme military power is vested in the Board at large conformable to the usual Practice”.

The Court of Directors, in their letter of 30 June 1769 sent instructions for the establishment of two councils for the management of diwani revenues, one at Murshidabad and the other at Patna. For the speedy accomplishment of their plan of reform, they specially chartered the ship Lapwing to convey the three Commissioners nominated to carry it into execution. The Commissioners were ship-wrecked. As they did not arrive, a dispute began between the Select Committee and the Council as to whether in the absence of the Commissioners they should carry out the orders of the Court of Directors. The Council argued that as the letter in question was addressed to it, the plan for the establishment of the two councils was to be put into execution by it in the absence of the Commissioners. The Select Committee on the other hand held that the powers given to them in the 10th paragraph of the letter dated 12 January 1768 remained unrevoked and that if the Court had intended otherwise they would not have left their sentiments in any doubt. That the letter was addressed to the Council proved nothing, as it was usual for the Court to address
the Committee through the Council. The Select Committee cited paragraphs 58, 59, 60 of the general letter dated 16 March 1768, as also paragraphs 68, 108 and 120 of the general letter of 11 May 1769 in support of their contention and insisted that the supervisorship plan should remain in force until the orders of the Directors were known.

It is not intended to give here the whole story of the dispute between the Select Committee and the Council. That is to be discussed in its proper place in Vol. VI. But the Directors were themselves responsible to some extent for the conditions that later led to the unfortunate wrangle. Verelst visualized such a possibility in his last letter to the Council, dated 16 December 1769 (A View of the English Government in Bengal, App. p. 124). He wrote, “The whole weight of business is confined to two departments, the committee and council. Neither are these departments thoroughly defined or understood if we judge from comparing different orders and paragraphs of their general letters. The Court of Directors themselves are at a loss where the precise line of each is drawn, sometimes attributing to the Council what belongs to the Committee and again transferring from one to the other without rule or distinction.”

The Mayor’s Court was composed of nine members to try all civil cases in Calcutta. The President and Council heard appeals from the Mayor’s Court and in cases of the value of 1,000 pagodas or upwards a further appeal lay to the King in Council. Three members of the Mayor’s Court, the Mayor or the Senior Alderman being one, could try all civil causes. The Mayor’s Court was designed for the “Government and benefit” of Europeans and it was held that “the natives having their peculiar customs should still enjoy them and nothing should be done to break the settled rules of the place”. The Mayor’s Court’s Charter of 1753 created a Court of Requests for the recovery of petty debts. By the Charter of 1736 the Mayor’s Court was empowered to select persons to fill vacancies, but by the Charter of 1753 this right of electing alderman was transferred to the Governor and Council. The Mayor’s Court had jurisdiction over British subjects, Indians in the employ of the Company and other residents of Calcutta who willingly placed themselves under its jurisdiction. It administered the laws of England as they stood in 1753. In 1767, according to Bolts (Considerations p. 85), it was composed partly of Company’s servants and partly of free European merchants. “The salary of an Alderman was only about 25 pounds per annum which will scarcely pay one month’s house rent in Calcutta” (Bolts).
The greatest weakness of the Mayor's Court was that it was composed of persons who were nominated by, and were, as such, subject to the influence and control of, the Governor and Council. Bolts in his Considerations gives many instances of interference by the Governor or Governor and Council with the proceedings of the Court and almost succeeds in proving that it was "hazardous to undertake a suit especially in matters of arbitrary proceedings or oppression wherein the Governor, the Council or any of their favourites have been in the least interested on behalf of the defendants." Bolts further asserts that only those free European merchants were employed as judges of the Mayor's Court who were safe men from the standpoint of the Governor and Council and they were accorded the privilege of dastaks for duty-free private trade in direct violation of the rule which confined free private trade to servants of the Company only. It is relevant to note that the directors during their scrutiny of the list of dastaks noticed names of many persons who were not the Company's servants (11 November 1768, para 89).

Being the appointing authority, the President and Council could also remove an alderman for misconduct in his office though only after a proper hearing of his defence. This was not perhaps done in the case of Bolts who preferred an appeal to the King in Council against his removal from the Mayor's Court by the President and Council. But the Mayor's Court does not seem to have been habitually servile. In their letter dated 10 April 1767 the President and Council reported that the Mayor's Court had afforded protection to Mr. William Atkinson, employed as an attorney of the Mayor's Court, in defiance of the request of the President and Council to dismiss him. He was a servant of the East India Company at Fort Marlborough, but had resigned from service there for reasons of health. Under pretence of returning to England, he had come to Bengal and taken service as an attorney of the Mayor's Court and was neglecting repeated orders to return to England. In spite of the intransigence of the Mayor's Court, the President and Council hoped to be able to send him back to England the following year. Another interesting episode was the institution of a suit against those servants of the Company who had received presents at the accession of the late Nawab. Full restitution was demanded from Playdell, Middleton and the attorneys of those who had returned to England. The President and Council informed the Court of Directors, "Upon enquiry we find that none of their effects are in possession of the Company and we apprehend that scruples will arise in the Mayor's Court as to the power of attaching such effects as may be deposited in the hands of the agents or of the natives."
The Governor and Council did not exactly complain that the Mayor's Court was inefficient, but on one occasion expressed their contempt for the profession of law in Calcutta "as exercised by men who seem to derive all their knowledge by inheritance or to possess it from intuition without previous study or application". The general impression was that "justice gained little by the establishment of the Mayor's Court" (Kaye—History of the Administration of the East India Company, 1853, pp. 320-21) though the Company could thereby "avoid civil litigation against it in England due to executive intermeddling with private property" (Fawcett, The First Century of British Justice in India, 1934, p. 216). Though the Mayor's Court at Calcutta had been in existence since 1726, as late as 1769 the Governor and Council in their capacity of a court of appeal enquired of the Court of Directors as to "whether the Mayor's Court have a power of granting to a native the Administration of the Effects of a deceased native and whether an Appeal lies from a judgment of the Mayor's Court in their Ecclesiastical Capacity". In all cases of wills and administration the Mayor's Court had a distinct and separate authority, but the Governor and Council argued that as the charter "disqualified the natives from suing each other without mutual consent" the administrator of the effects of a deceased could not be sued by the kindred in the Mayor's Court in case of maladministration. "Besides it would be contrary to the very spirit of the Charter which leaves the Natives to their own Laws and Customs" (28 March 1769, para 46).

Though the Court of Directors laid down the principles of their foreign policy they could not, in the existing circumstances, attempt to give positive directions. They merely gave a general view of the system which they wanted to be pursued and left it to the Select Committee to take every opportunity of drawing towards that point (30 June 1769, para 5).

One very important fact governing the attitude of the Select Committee towards the country powers was the Durrani menace. The last invasion of Ahmed Shah Abdali took place in 1767 but every winter there were rumours of an invasion and in 1769 intelligence even arrived that he had reached Lahore. In 1767 it was believed in Calcutta that the zeal of the Abdali had been quickened by the intrigues of Mir Qasim. In view of this emergency and the possibility of his invading the Vazir's country or advancing towards the royal domains of Kora and Allahabad and even to Bihar and Bengal, vigorous measures were adopted. There was a British detachment already at Allahabad. Five battalions of sepoys were advanced to Serajpore and it was arranged that the second
brigade and a portion of the third would join these advanced battalions whenever necessary. All the Indian powers were informed of the measures adopted by the British. The Emperor and Shujaud-Daulah were earnest in 1767 for a composition with the Abdali and it was British pressure alone that prevented Shah Alam from sending Munirud-Daula with acknowledgments unworthy of royal dignity. The Select Committee wanted to take credit with the Court of Directors by asserting that British preparations had something to do with the retreat of the Abdali. “We learn from authority,” they wrote, “that the valour, the discipline and the number of our troops have been reported to Abdallah with such exaggeration as seemed then to stagger his resolution”. In reality the mutiny of his own soldiers, the very stiff opposition of the Sikhs and difficulties in other parts of his dominion were the factors that contributed to his retreat.

The Governorship of Verelst saw a continuation of the plan of Clive, which assigned to the Vazir and the Mughal Emperor the key positions in the scheme of things. The provinces of Kora and Allahabad yielded to the Emperor 27 lakhs with which he supported a military force which was however an army only in name. With the Bengal tribute of 26 lakhs he defrayed the expenses of his Court and household. Shujaud-Daula of Oudh had an income of 1 crore 27 lakhs with which he maintained 11 battalions of sepoys and a good body of horse, artillery and magazines. “Active but desultory” —Shujaud-Daulah was regarded as a proper instrument for the realisation of the Select Committee’s plan of making the Company “the umpires of Hindostan”. The Court of Directors were more modest in their ambition and their aim was only to maintain the tranquillity of Bengal. The Court talked of confining their views to the revenues of Bengal and their existing possessions (Instructions to the Commissioners) but the Select Committee wanted “to hold the general balance of Hindusthan and to crush every combination in the bud by spirit ing up some neighbouring power who may be either ill-disposed or at best not favourable to the confederates”. The Court wanted the brigade at Allahabad to be withdrawn, but the Select Committee would not do so in 1767 in view of the Abdali menace, nor in 1768 because it suddenly developed suspicions of the motives of Shujaud-Daulah and regarded the maintenance of a brigade out of the bounds of Bengal and Bihar essential to its plan. “The situation of Allahabad and the stationing of a brigade there renders the plan still more practicable. Its situation makes it in some measures the key of the surrounding countries and its vicinity to the several countries of Shujaud-Daula, the Rohillas, the Jats and the Mahrattas enable it to penetrate their views with more certainty and in case of necessity to enter any part with our army in ten or fifteen days, where we have either an ally to support or an enemy to punish.”
The Select Committee made a very determined stand. It expressed astonishment at the positive orders sent for withdrawing the brigade from Allahabad. "Such an absolute restriction without permitting us on the spot to judge how far from time and circumstances such a measure may be pursued must on some future occasion be productive of the utmost evil consequences to your affairs" (13 September 1768, paras 2 & 122). The Court took strong exception to the language of this communication and wrote back thus: "To say that you are astonished at our orders is as useless as unbecoming"—(Court’s letter, 30 June 1769, para 6).

One creditable achievement of Verelst’s administration was that it succeeded in bringing about an accommodation between the Nawab Vazir of Oudh and the Mughal Emperor at Allahabad. Disputes and jealousies between the Emperor and his Vazir continued throughout 1767. Shah Alam had to be reminded that the East India Company and Shujaudd-Daula "reciprocally entered into solemn engagements for the security of his person, the defence of Shuja’s dominions and the peace and tranquillity of the provinces" (24 March 1768, para 6). But Shah Alam, according to the British version, was very much dependent upon Munirud-Daula who poisoned the ears of the Emperor against his Vazir. But the Emperor could not easily forget how shabbily Shujaudd-Daula had treated him before. However, by March 1768 Shah Alam was persuaded to confer a robe of honour on the Vazir. But the Select Committee became now suspicious of the motives of Shujaudd-Daula. The President and the Select Committee held opposite views on this point. The President wrote, "No satisfactory evidence appears of the Nabab ever proposing a war with us unless we admit rumours and surmises for proofs or suppose that his increase of force could not be made with any views to others except ourselves" (25 September 1758, para 7). The Select Committee was, however, of opinion that rapid progress made by Shujaudd-Daula in arming, disciplining and increasing his troops and the connections he was rumoured to be establishing with different powers showed that he was contemplating a rupture with the British. The President was inclined to ascribe these rumours to Munirud-Daula’s machinations. But the Select Committee was influenced by the suspicions of Col. Smith and resolved to take definite steps on the assumption that Shujaudd-Daula was unfriendly. Adequate arrangements were made for provisioning the fort of Allahabad and a supply of money was sent there. The garrison at Chunur was reinforced. It was also decided to send a deputation to Shujaudd-Daula for "candid" investigation. The deputation was to consist of Cartier and Col. Smith of the Select Committee and Russell of the Council. The second brigade, it was arranged, would march to the Karamnassa to force the Nawab to
bring matters to an issue. The third brigade at Allahabad naturally continued as a check on the Vazir.

The Nawab Vazir yielded to British demands; he was not in a position to do otherwise. He agreed to reduce his troops to 10,000 infantry and 10 to 12 thousand cavalry. In order to save his face he was to make a tender of his remaining troops as recruits to the British brigades, "to prevent odium and to convince Indian powers of his steady attachment to British interests". The meeting between the deputies and Shujaud-Daula took place at Benares and a treaty was concluded on 28 November 1768. He accompanied the deputies to Allahabad and was received by the Emperor. According to the Select Committee, the Nawab Vazir was thus made after this limitation of his forces, "formidable to others, secure in himself and not alarming to the British" (25 September 1768, para 8). This reconciliation between the Emperor and the Nawab Vazir, the two British allies was very much in British interest and this as well as the complete dependence of Shujaud-Daula on the British power was now secured.

After the conclusion of the Treaty of Benares, it could be expected that the Select Committee would henceforth adhere fully to the principles of foreign policy enunciated by the Court of Directors. But this was not to be. The Select Committee next projected the plan of inducing the Mughal Emperor to give up Kora to Shujaud-Daula in exchange for the sarkars of Ghazipur and Benares and the fortress of Chunar. The parganas of the Hindupat Raja according to this scheme were to be appropriated to the use of the Emperor in order to make good the difference in the revenue. This rectification of the frontier was considered necessary according to the Select Committee, as the royal domains lay too much within the country of Shujaud-Daula. The Select Committee made these tentative suggestions to the deputies who, however, gave their opinion that in view of the war of the Company with Haidar Ali, the execution of such a project would be improper. As has already been shown, the Court of Directors expressed themselves definitely against the project of seizing the Hindupat Raja's country for the Emperor. It is, however, relevant to note that after the departure of Emperor Shah Alam for Delhi in 1772, Warren Hastings as Governor adopted a plan of territorial adjustment more or less on the lines proposed by the Select Committee in their letter of January 1769. The situation was then simplified by the departure of Shah Alam, but in 1769 it was unlikely that he would have agreed to retreat further from his capital or to exchange royal domains for zamindari tracts. Shah Alam was anxious to be restored to the capital of his ancestors. He wanted British help. In their letter
dated 30 September 1769 (para 6) the Select Committee informed the Court that in the opinion of the majority, in his attempt at restoration, the Emperor was to have two battalions of British sepoys to safeguard his person. He was also to have a supply of 600 stands of small arms. The expedition did not, however, take place as arranged. The decision of the majority to help the Emperor was in direct opposition to the most definite injunctions of the Court of Directors, but they might argue that the treaty provided for the protection of the King's person and that the help was sought on the strength of a promise made by Lord Clive.

In the beginning of 1769, there were rumours of another invasion by Ahmad Shah Abdali. But the news proved to be false and in view of the new treaty with Shujaud-Daula, the Select Committee could no longer keep the third brigade at Allahabad. Those troops were at last withdrawn from Allahabad but a magazine and a battalion of sepoys were retained under a field officer. The Select Committee, however, assured the Court of Directors that the magazine would be brought to Bihar as soon as possible. The Nawab Vazir wanted the British to evacuate the fort of Chunar also which they agreed to do in the near future.

With Janoji of Nagpur negotiations were going on throughout the period for the acquisition of Orissa as it would strengthen both the Bengal and Madras presidencies by establishing a compact block of British territories. The Court, however, took strong exception to the proposed treaty (13 September 1768) which stipulated that the English forces would join Janoji whenever required to assist him offensively and defensively. This violated the fundamental principle of the Court's foreign policy that no treaty was to be concluded that immediately or eventually engaged the Company in any disputes. Further, the treaty provided for the payment of a large sum of money to Janoji as arrears of Bengal chouth. Negotiations with Janoji had, however, to be suspended on account of his war with Peshwa Madhav Rao.

Thus it is clear that the Court of Directors had good reasons to be dissatisfied with the foreign policy of the Select Committee. Throughout the period (1767-69) the Select Committee tried to follow its own line and showed itself very unwilling to be governed by the principles of the foreign policy as laid down by the Court of Directors. The dissatisfaction of the Court is very clearly voiced in the Instruction to the Commissioners in the first ten paragraphs of which the Court explained in as concrete a manner as possible the principles of foreign policy that it wanted to be pursued in India.
In the letters dated 25 April 1769 (paras 20-25), 30 September 1769 (para 46) and 23 November 1769 (paras 8-10) we have some indication of the approaching famine of 1770.

**Famine of 1770**

This famine has been described by Hunter as the "key to the history of Bengal during the succeeding forty years" (*Rural Bengal*, p. 19). Early in 1769 the Presidency of Madras suffering from a scarcity sent a pressing application for a supply of grain from Bengal. The Council ordered the bakhshi to send two cargoes of rice in two ships. But the bakhshi protested that there was not enough rice in stock to provide two cargoes. One ship was therefore sent to Madras with rice but it was lost. The next indication of the approaching famine given to the Court of Directors was in the reference made by the Council to the representation of Becher and Rumbold that there was an unusual scarcity of grain and it was likely that there would be a fall in the land revenue collection. In the letter of 23 November 1769 the Court was to a certain extent informed of the gravity of the situation and the very serious prospect of universal distress for want of grain. This letter, preserved in the Imperial Record Department, is signed by President Verelst along with others and Hunter is wrong in his statement that the letter does not bear his signature. The letter assured the Court of Directors that in view of the threatening famine a stock of grain sufficient for the army would be laid. But an absence of policy to relieve the situation is clearly indicated in the sentence, "We cannot flatter ourselves that all our endeavours will prevent very fatal effects being felt or that human means can check its baneful influence." Faced with the appalling famine the like of which, in their language, the oldest inhabitants could not remember, the governing part of the servants of the East India Company could only make "a just plea for a proportional abatement from the demands of the Government". Even when due allowance is made for want of experience and skill and the defects of double government, what strikes a reader of these paragraphs is that the East India Company's service, as guided by the Court of Directors, was at this stage only a fountain of misgovernment. Engaged mainly if not solely in money making, it had neither the ability nor the requisite humanitarian outlook that would have enabled it to face such a crisis. The famine of 1770 stands "an appalling spectre on the threshold of British rule in India".