

British Private Traders and Their Clients in the Canton Debts Crisis, 1779-81*

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During the second half of the eighteenth-century, British private traders lent large sums of silver to Chinese Hong merchants for extended periods of time. They did so on behalf of their clients: a large number of Company servants who were stationed throughout the Indian and Atlantic Oceans. Confident that Chinese government officials and the East India Company would enforce their contracts with Chinese merchants if need be, private British traders were outraged in 1779 when most of the Hong merchants defaulted on their loans and the East India Company and Chinese officials hesitated to intervene. In response, private traders took matters into their own hands, bribing a British Navy Admiral and Rear Admiral to send warships to Canton; one British trader also confiscated the property of two Chinese merchants with the aid of a private Indian army.

This series of event, known as the Canton Debts Crisis, has been researched by specialists in Sino-European commercial and diplomatic history. Historians such as H.B. Morse, Louis Dermigny, Earl Pritchard, Chen Guo-dong, W.E. Cheong, Paul Van Dyke and Frederic Grant Jr. have all written about the crisis. While much ink has already been spilled, we still know very little about the lives of the British private traders and their clients who were deeply involved in the crisis. Drawing upon a wide array of sources, including East India Company Records, the letter books of private traders, British Parliamentary papers, private correspondences and newspapers, it is possible to gain a deeper understanding of the global economic and political context in which these people were operating. This paper examines the major British players involved in the Debts Crisis and explores their networks, financial strategies and involvements in other parts of the East Indies.

The Crisis

During the 1760s and 1770s, British private traders lent large sums of money to Chinese merchant at ‘various values of interest from 16 to 24 percent per annum.’¹ Some bonds were refinanced each year with principal and interest combined to create new bonds, while others were held continuously for at least a decade. By 1781, private traders claimed that Chinese merchants owed them \$4,296,650, although East India Company officials estimated that “the

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¹ British Library Additional MS 29210, p. 343; Cornell University Library, Macartney Manuscripts, Vol. 2 Doc. 6. Private traders and East India Company servants of other nationalities also lent money to the Chinese, although the amounts were smaller, and they did not pursue the debts through official channels.

Chinese never received in money or goods more than \$1,078,976.² Chinese law forbade foreigners and Chinese subjects to be indebted to one another, but British private traders felt secure in their loans to the Chinese because “they knew local officials would, in the end, honour them, even though they were illegal.” In fact, Chinese officials had been actively enforcing contracts between Chinese and foreigners since the 1720s.³

Things seem to have gone awry, however, in 1775 when according to one anonymous correspondent of Warren Hastings, the Governor of Bengal, ‘large demands were made upon them [the Chinese] on behalf of gentlemen in England and going thither who wanted their money home and sent orders for its being paid into the treasury at Canton for Bills on the Court of Directors’.⁴ One possibility is that the bankruptcy of the Hong merchant, Seunqua sent British creditors into a panic.⁵ But a Company supercargo, Matthew Raper, suggested instead that the problem arose because Chinese merchants readily borrowed money at high interest in 1766/7 and were paying off their former debts by continuing to borrow money. According to Raper, when silver from India stopped flowing, the Chinese could no longer keep up with their payments. As a result, ‘the demands of the country merchants became very pressing whereby they [the Chinese merchants] lost in great measure their confidence’.⁶ Whatever the exact cause, this financial panic moved the private traders and their clients to action in London, Madras and Canton.

Disappointed in their efforts to obtain redress from the Chinese government, private traders: George Smith, Charles Crommelin, Thomas Hutton and Charles Gordon met on December 20, 1777 and resolved to send a representation to London to be managed by a committee of creditors based there. Smith and his colleagues also decided to dispatch to England one of their own, Charles Gordon, “to assist in such information as might be derived from local knowledge.”⁷ But before Gordon could reach England, the committee of creditors in London had already advertised in the *London Chronicle* a meeting for all those “concerned in China” for October 15, 1778 at the London Tavern, a popular haunt for merchants at the time. They also approached members of the British government and the East India Company Court of Directors.⁸ Initially, the Court of Directors responded generously to the creditors’ pleas. They declared they were “not only well disposed to use our good offices on behalf of the memorialists, but also consider the amount of the money a national object...and have therefore recommended the case to the serious attention of our Select Committee.”⁹ But the Court of Directors quickly changed their tune after receiving word that private traders and their clients in Madras had already taken matters into their own hands by bribing a Navy Rear-Admiral Edward Vernon to send a warship to Canton on their behalf.¹⁰

² Mar. 20, 1780, BL IOR/G/12/68; BL IOR/G/12/19 pp. 30-38; F. Baring and J. Smith Burges to Henry Dundas, July 25, 1792, BL IOR/G/12/91 Vol. 1.

³ Paul Van Dyke, *Hong Merchants of Canton and Macao*, pp. 17, 32.

⁴ BL ADD MS 29210, p. 343.

⁵ Frederic Grant, Jr. “The Chinese Cornerstone of Modern Banking: The Canton Guaranty System And the Origins of Bank Deposit Insurance,” PhD Thesis, Leiden, 1780-1933, p. 76.

⁶ Matthew Raper to John Raper, 20 February 1778, Cornell University Library, Macartney Manuscripts, Vol.2 Doc. 6.

⁷ BL IOR/G/12/18, pp. 91-112.

⁸ Oct. 7, 1779, BL IOR/G/12/68; Jan. 15, 1781, BL IOR/G/12/20.

⁹ “Extract from the Company’s General Letter relative to the debts owing in China to British subjects received at Madras by the Ganges and General Barker in September 1779,” IOR/H/168.

¹⁰ Josiah Quincy, ed., *Journals of Major Samuel Shaw*, 1847, p. 307.

Those involved in the Canton Debts Crisis framed it as a matter of national importance. Rear-admiral Vernon saw it that way too. Without waiting for permission from the Madras Company Council or consulting the Canton supercargoes, Vernon had ‘come to the resolution of sending his Majesty’s frigate the *Sea Horse* to China,’ and would give positive orders to the Commander of his Majesty’s frigate to deliver personally to the superintendent of customs the representations of the British creditors.¹¹ He explained in his letter to the Governor of Guangdong Province, Li Zhi-ying, he could not “consistently with my duty to my sovereign and to my country see his subjects oppressed and distressed.”¹² To recover the property of His Majesty’s subject from the Chinese merchants, Vernon dispatched Captain Panton in a warship to Canton to meet with Chinese officials.

The arrival of a British warship in Canton finally caught the attention of Canton officials, who ordered negotiations to take place between British private traders and Chinese merchants immediately. After much acrimonious discussion, no deal could be struck and Governor Li reluctantly sent a memorial to the capital in Beijing reporting on the debts crisis. Before an answer from the Emperor was received, the creditors in Madras entreated yet another Navy Admiral, this time Sir Edward Hughes to dispatch a second warship to Canton. The imperial edict was received not long after and dictated that the British creditors would be paid a small fraction of their claim over the course of ten years. For the next decade, over fifty of the original private traders and their dissatisfied clients continued to lobby the British government for redress.

The Private Trader-Agents

Because George Smith, Robert Hutton, Charles Gordon and John Crichton alone possessed “merchants bonds to near three fourths of the whole debt,” they in many ways stood at the center of the crisis.¹³ In fact, George Smith of Canton alone claimed \$763,111 of the \$4,296,650 owed to all of the British creditors.¹⁴ A self-referred “old resident in this place [Canton],” Smith claimed that the Hong merchants were so indebted to him, the Chinese government would not dare to “withdraw their protection” from him.¹⁵ He took the lead in representing the creditors’ interests in China and later in England. To begin, he penned the “Narrative of the Chinese Debts,” which is the most comprehensive summary of the Debts Crisis in Canton.¹⁶ From 1779 until 1794, he tirelessly sought to recover his clients’ and his own money, writing to the Company’s Council of Supercargoes in Canton, Chinese officials and Company Court of Directors. He frequently corresponded and met with one of the heads of the Board of Control for Indian Affairs, Henry Dundas. He also petitioned and testified before Parliament, and even tried to finagle his way onto Britain’s first embassy to China.¹⁷

¹¹ 20 July 20 1779, BL IOR G/12/68.

¹² 4 November 1779, BL IOR/G/12/68.

¹³ Apr. 1780, BL IOR/G/12/68.

¹⁴ Mar. 18 1780, British Library, BL IOR/G/12/68; At this time, \$4 (Spanish dollars) = £1 (British pound).

¹⁵ Jan. 19, 1779, BL IOR/R/10/8.

¹⁶ BL IOR/G/12/18, pp. 91-112.

¹⁷ Smith to Dundas, Sept. 19, 1790, National Library of Scotland Melville MS 1069, pp. 61-62; Scott to Dundas, May 11, 1794, MS 1069, pp. 102-3; Seventeenth Parliament of Great Britain: fourth session (21 January 1794 - 11 July 1794) 12 May 1794; General Index to the Journals of the House of Commons, Volume XXXV, A.D. 1774 - Volume LV, A.D. 1800.

We know very little about George Smith's life before his misadventures in Asia. Smith or his wife (or possibly both) likely had family ties to the parish of Stoke-next-Guildford in the county of Surrey. They were also probably born in the 1750s, but where and when they met and married is unknown. Either together or separately they went to China and called Macao home. In Macao Charlotte gave birth to the Smith family's first two children, Henrietta Ann, born 1779, and Charlotte Eleanora, born 1781. After leaving China, Charlotte and George later had five more children in Stoke-next-Guildford: Henry Browne, born 1789, David Scott (deceased 1791), George Moubray, born 1792, Louisa Scott, born 1793, and David Scott, born 1796. Exactly how George Smith found his way to China remains a mystery. The Court of Directors got word that in 1770 "a Mr. George Smith and other persons were going to India by different ways" and that "George Smith also arrived at Basra the 30th July last [1769] intending to proceed to Bengal, but continued at the former place as clerk to Mr. Garden... Whether Mr. George Smith proceeded to any of the Company's settlements in the East Indies and proceeded from thence to China, or how else he got there," they could not be certain. But they could at least be sure "that he got to China in 1771" without their permission.¹⁸

What we know of Smith's life after he reached China comes from the records of the Company's Council of Supercargoes in Canton. Once in Canton, Smith wasted little time getting down to business. The diaries and consultations of the China Council record the frequency and volume of Smith's business transactions over an eight-year period. The financial records reveal that Smith acted as a commission agent to many constituents, most being Company civil and military servants. Many of his constituents resided in India and other Company settlements in the East Indies, while some had already returned to England and were attempting to transfer their East Indian wealth home. In addition to lending his clients' money to Chinese merchants,¹⁹ Smith also lent their private wealth to the East India Company in exchange for bills which could be cashed later in London. The table below outlines some of his major transactions. These transactions were quite large, particularly in 1772-3 and especially in 1777, when he helped his clients transmit over £21,194 from the East Indies to London. In 1782 he was pressured by the Company to return to England where he was quickly declared bankrupt.²⁰

¹⁸ BL IOR/H/411, pp. 55-79.

¹⁹ BL IOR/E/1/73.

²⁰ *London Chronicle* (London, England), Saturday, December 21, 1782; Issue 4067.

Table One: George Smith's Business Transactions

Year	Paid into Canton Treasury by Whom	To Whom Payable in England	Amount Paid
1772	George Smith and John Crichton	John Secker Esq., John Wilson, Robert Palk Esq., Gen. Richard Smith and Charles Boddam	£6,000 (approximately)
1772	George Smith	John and James Russel, Robert Campbell and John Brasier.	£7,000 (approximately)
1776	George Smith		\$28,000
1777	George Smith	Mr. Alex Crawford of Richmond Surrey on account of Mr. Robert Crawford of Dacca	£4,225
1777	George Smith	Messieurs Rumbold, Charlton, and Raikes London on account of Messieurs David Killikan, John Robinson, Charles Crofts, Charles Grant and John Fergusson of Calcutta	£3,000
1777	George Smith	John Hunter Esq.	£893 3s. 9d.
1777	George Smith	Honorable Thomas Walpole and John Berens Esqs. London on account of Mr. Richard Johnson of Calcutta	£2,377 10s.
1777	George Smith	Hugh Inglis Esq. on account of Mr. David Scott of Bombay	£1,000 and £333 5s.
1777	George Smith	Richard Beecher Esq. London	£1,272 10s.
1777	George Smith and Abraham Leslie	Reverend John Thomas	£4,455 14s. 8d.
1779	George Smith		\$3,000

Sources: (Nov. and Dec. 1772, BL IOR/R/10/9; Jan. 22 1773, BL IOR/R/10/9; Nov. 18 1774, BL IOR/R/10/7; Nov. 9 1776, BL IOR/G/12/59; Feb. 1777, BL IOR/G/12/61; Nov. 1777, BL IOR/G/12/62; Jan. 22 1779, BL IOR/G/12/64)

John Crichton, another main player in the crisis, took the initiative in obtaining the help of Royal Navy Rear-admiral Vernon. Thinking “it my duty to pay respects to him,” Crichton met Vernon several times and eventually broached the topic of the Chinese debts by “ask[ing] him if he had heard anything respecting the great demands the English had on the Chinese merchants.”²¹ When Vernon answered affirmatively, Crichton eagerly requested permission to send him some papers he had written on the subject. Taking “a day or two” to consider Crichton’s case, Vernon replied that “he should in consequence...take it up in his public character.” All he asked of Crichton was to “address him a letter in his public character as representative of the King his Master.”²² The pact between Vernon and Crichton did not go unnoticed in Madras. Not long after Crichton’s meeting with Vernon, the Rear-Admiral also received a letter from other Madras-based “creditors and attorneys of creditors of the Chinese merchants at Canton” requesting a meeting with him. They hoped he would be willing to represent to Governor Li Zhi-ying and Superintendent of Customs, Tu Ming-e, the hardships under which they labored, and that he would also deliver John Crichton’s memorial to the Superintendent “containing a plan for the payment of their debts at a future period, on terms advantageous to the Chinese merchants.”²³ As a reward, the Madras creditors “engaged to give Sir Edward a tenth part of the amount recovered.”²⁴ At the last minute, however, Crichton “suddenly became so desponding that he could not give any assistance towards forwarding a plan which he had projected” that “his letter, the delivery of which appeared to be the principal object of the sending a King’s ship was not presented.” Li Zhi-ying and Tu Ming-e had before them “a complaint of grievances that were not in any way specified.”²⁵ Had Crichton suffered a nervous breakdown?

John Crichton, a Scot, arrived in China in 1762 but shortly thereafter returned to India as a passenger on a Portuguese ship from Macao. In 1765 and 1767 he served as supercargo for two country ships, the *Chesterfield* and *Pocock*, respectively. In 1768 he came to Canton with “the resolution to reside” and left in 1774, with two-thirds of his own fortune remaining in the hands of Chinese merchants.²⁶ During his long residence as a private merchant and agent in China between 1768 and 1774, Crichton did business with many Chinese merchants including: Yngshaw (顏時瑛), Tinqa (陳), Teyqua (容有光), Munqua (蔡世文), Chowqua (陳文擴), Kewshaw (張天球), Teoqua (葉), Keyqua (梁?) and had “extensive concerns both in goods and money” with his “very worthy friend” Shy Kinqa (石夢鯨). He also formed a close personal and business relationship with a “very good friend,” Puankequa (潘文巖), who had purchased his cargoes back in 1765 and 1767.²⁷

The Company’s China Factory Records reveal that Crichton was a business partner of George Smith of Canton for several years and also acted as a commission merchant for at least two clients in Madras, Edward Monckton and George Smith of Madras. In 1771, he was notified by the Council of Supercargoes that his residence in China was illegal. Crichton responded that he had recently become the sole executor for the estate of Dr. Stephen Devisme as well as one of

²¹ Jul. 26, 1779, BL IOR/G/12/68.

²² Ibid.

²³ Ibid.

²⁴ Josiah Quincy, ed., *Journals of Major Samuel Shaw*, p. 307.

²⁵ William Fitzhugh and David Lance to Henry Lane, Jan. 15 1781, BL IOR/G/12/20, pp. 310-21

²⁶ Crichton’s letter to the Hoppo, Jul. 1779, BL IOR/G/12/68.

²⁷ Ibid. ; Paul Van Dyke, *Merchants of Canton and Macao*, passim.

the executors for the estate of Robert Gordon.²⁸ In 1774, after a seventeen-year residence in the East, Crichton decided it was time to retire to England to pass the remainder of his days with family and friends, including his seventy-five year-old mother, from whom he had been absent all those years. But having been disappointed in recovering money owed him in China, he was forced to return to the East Indies to settle his affairs.²⁹

Thomas Hutton and Charles Gordon were business partners, usually referred to as ‘Hutton and Gordon’ in the Company’s records. Unfortunately, they have left a much sparser paper trail than Smith and Crichton. We know that they joined forces with Smith and Crichton to recover their money from the Chinese. In 1778, Gordon was dispatched by the group to England “to assist in such information as might be derived from local knowledge.”³⁰ Thomas Hutton, however, remained in China where he wrote letters and petitions together with Smith and Crichton and participated in the negotiations with the Chinese during the spring of 1780.³¹ Smith, Crichton and Hutton formed a strong faction during the negotiations of 1780, demanding nothing less than “the whole debts of the Chinese merchants made up with interest...to be paid in a course of years not exceeding ten in yearly dividends together with an interest of five percent per annum on the principal till the whole should be paid.”³² The hardline they took forced the other creditors, all Canton Factory servants, to break ranks with them; negotiations foundered.

Thomas Hutton seems to have gotten his start as a Company ship surgeon on the *Devonshire* in 1765/6 and *Duke of Kingston* in 1768/9. He was then appointed Company surgeon in Canton from 1771 to 1776, until failing health forced him to resign his post and take up residence at the Cape of Good Hope. The following season he immediately returned to Canton, and “from that time, to the year 1782 did the duty of his former station without any emolument whatever, his successor Mr. Dewar being incapable thereof from indisposition.”³³ In 1782, the situation of his private affairs required his return to England, but the happy conclusion of his affairs there meant that he was free to return to Canton. Later that same year, he petitioned the Court of Directors to succeed Mr. Duncan as Canton Factory surgeon.³⁴

About Charles Gordon, we know very little besides the fact that he worked closely with Thomas Hutton and was considered a principal creditor. It is possible that he was related to Robert Gordon (perhaps his father?), a Canton surgeon who had been heavily involved in private trade.³⁵ Robert died in 1771, the year that Hutton took over as Canton surgeon, but perhaps Robert Gordon and Thomas Hutton, both surgeons, had known each other and collaborated before Gordon’s death.³⁶ If so, then perhaps Charles Gordon came out to China to conclude his father’s unfinished business and continue a partnership with Hutton.

²⁸ Ibid.

²⁹ Jul. 26, 1779, BL IOR/G/12/68.

³⁰ BL IOR/G/12/18, pp. 91-112.

³¹ Ibid.; Mar. 27, 1780, BL IOR/G/12/68. Charles Crommelin and Jame Frudd were in Bengal at the time (March 16 1780, BL IOR/G/12/68).

³² BL IOR/G/12/18, pp. 91-112.

³³ BL IOR/E/1/71 ff. 232-233v, Letter 104 Petition of Thomas Hutton to the Court.

³⁴ Ibid.

³⁵ Paul Van Dyke, *Merchants of Canton and Macao*, p. 118. Paul Van Dyke, *The Canton Trade*, pp. 154-5; H.B. Morse, *The Chronicles of the East India Company Trading to China*, v. 5, pp. 161-2

³⁶ BL IOR R/10/7 p. 78.

The People Behind the Money

Exactly whose money were private traders such as Smith, Crichton, Hutton and Gordon lending in such large amounts to Chinese merchants? Table Two lists the clients of the private traders who were still claiming compensation in 1787 at the time of Cathcart's embassy to China. They had joined together to give permission to Ambassador Cathcart to negotiate with the Qianlong Emperor on their behalf.

Table Two: British Creditor-Clients Claiming Compensation in 1787*

Civil and Military Servants in India & St. Helena	Surgeons in India & St. Helena	Ministers in India	Governors & Lieutenant-Governors in India & St. Helena	Wives of Company Employees in India	Free Traders Resident in India	Unidentified
Matthew Purling (SH)	Stephen Briggs (SH)	John Thomas (M)	Rawson Hart Boddam (BB)	Frances Montresor	George Smith of Madras	John Burges
Henry Bazett (SH)	Gilbert Pasley (M)		D. Corneille (SH)			J. Brasier
Henry Brooke (M)			Matthew Bazett (SH)			John Blake
Richard Church (BB)						Robert Stewart
Charles Desvoeux (M)						Tho. Thomas
George Dawson (M)						Andrew Reid
John Hollond (M)						
Edward Hollond (M)						
W. Hollond (BG)						
Edward Monckton (M)						
George Paterson (BG)						
George Stratton (M)						
Charles Smith (M)						
John Sullivan (M)						
George Vansittart (BG)						
Ewan Law (BG)						
Robert Barclay (M)						
William Larkins (BG)						
John Griffith (BB)						

(Source: BL IOR/G/12/90, B/91 p180)

According to this snapshot of the creditors in 1787, private traders were representing the interests of up to thirty-three individuals. This figure underestimates the number of people initially involved in the crisis years earlier. Moreover, a Parliamentary inquiry into the Debts Crisis in

* M= Madras, BB= Bombay, Bengal= BG, St. Helena= SH. People highlighted red were also creditors of the Nawab of Arcot.

· Robert Barclay, perhaps a different one, may have served as a surgeon in St. Helena in 1770.

· There were a number of John Griffiths working in the East Indies at the time, so this is an educated guess.

1794 revealed that George Smith alone had invested money on behalf of a large number of people, probably well over thirty.³⁷

While the exact number of creditors involved may be impossible to determine, this joint petition of the creditors from 1787 reveals the names of the creditors whose money had been invested in Chinese hands by the private traders. This group of creditors included Madras, St. Helena, Bengal and Bombay Company Council Members and civil and military servants; Company surgeons, including the Surgeon-General of Madras; a Madras chaplain; the governor of Bombay; two lieutenant-governors of St. Helena; and last but not least, two members of parliament (highlighted). Madras was over-represented with thirteen creditors hailing from that presidency, while St. Helena had five, Bombay three, and Bengal five. According to an informant of Warren Hastings, the Governor-General of Bengal at the time, “almost all of the European inhabitants of any long standing have large debts due them in China.”³⁸ The Canton debts crisis affected a broad swath of Company servants stationed as far away as St. Helena; it hit high and low on the Company ladder, from Governors and future MPs to engineers and chaplains.

Financial Strategies

How British money actually got into the hands of Chinese merchants was explained in various ways. Many creditors claimed that the “accumulation of debts had arisen from fortunes principally made in India, either in their service or under their protection, that these were sent to China as the most unexceptionable mode of remittance through the Company.”³⁹ They asserted that the “debt has originated not from any unfair transaction or pursuit after high interest but merely from an endeavor to procure a remittance through a channel the most conducive to the benefit of the Company’s trade.”⁴⁰ For some of the creditors, namely Ewan Law and George Vansittart, this was most likely true. In 1774, after receiving instructions from the Court of Directors that no bills of exchange could be drawn on the Company in London, the supercargoes shut the Canton treasury. Those who had expected to remit their money to London via the Canton treasury were disappointed and had to find other means to move or store their wealth until the treasury reopened.⁴¹

The East India Company was frequently forced to limit the bills of exchange it granted in China (and India) to avoid emptying its treasury in London. As a result, the supply of bills of exchange frequently fell below Company servants’ demand for them. However, East India Company servants who made great fortunes in India, in fact found, various ways to invest their new wealth and diversify their investment portfolios. The risk-averse preferred that their money be transmitted to Britain. When British East India Company bills were not available, some

³⁷ Seventeenth Parliament of Great Britain: fourth session (21 January 1794 - 11 July 1794) 12 May 1794; General Index to the Journals of the House of Commons, Volume XXXV, A.D. 1774 - Volume LV, A.D. 1800.

³⁸ Anonymous to Warren Hastings, ‘Debt due from Chinese merchants to Englishmen,’ British Library Additional Manuscripts, 29210, p. 343.

³⁹ George Smith, “Narrative of the proceedings for the recovery of debts owing by the Chinese merchants to British subjects,” China Factory Records, 12 July 1787, BL IOR/G/12/18 pp. 91-112.

⁴⁰ George Vansittart and Ewan Law to the East India Company’s Court of Directors, 1 November 1783, BL IOR/E/1/73, p. 403.

⁴¹ China Factory Records, BL IOR/G/12/60.

preferred to remit money to London by buying Indian diamonds or bills of exchange from other European East India Companies to be drawn on their treasuries in Europe. This is exactly what George Vansittart did on numerous occasions.⁴² Once the money was available to him in Europe, he could then invest in government consols, East India Company and Bank of England shares and bonds. Interest rates and dividends were relatively low but varied between 3.3 and 5.5% between 1760 and 1784.⁴³ Company servants might also invest in landed estates in England or Scotland; this was indeed the goal of George Vansittart, an incredibly nervous investor. In 1772, he wrote to his friend Robert Palk, former Governor of Madras: “I do not half like to have my money in the Funds. I am not of humour with their continual fluctuations. And I cannot even bring myself to have a perfect confidence in their security. By all means therefore purchase the estate for me.”⁴⁴

For the less risk-averse, India provided significant investment opportunities. According to P. J. Marshall, 12 per cent was “the maximum rate at which money could be lent by British subjects,” and by the mid 1770s, Europeans in Bengal generally paid 12 per cent for loans.⁴⁵ They could also invest in the East India Company’s growing debt in India by buying bonds and treasury notes which yielded 8-12% interest, and often much higher rates of return if bought at a discount. For instance, during the 1780s, as confidence in the Company’s ability to pay off its debts in India plummeted, speculation was rampant and Company securities were traded at highly discounted rates, at times during the 1780s as high as 48% for bonds and 20% for treasury orders.⁴⁶ Company servants and private traders might also lend to Indians merchants and princes who paid more than Europeans did to borrow money. Well-established Indian borrowers paid a risk premium of at least 2% on their loans, and it is possible that Indian merchants who gave no security paid as much as 25% to borrow.⁴⁷ The most notorious example of this occurred in Madras where the Nawab of Arcot owed millions of pounds to Company servants and other members of the Madras community.⁴⁸

Yet another possibility, one explored by all of the Company servants in Table Two, was to lend money to Chinese merchants in Canton. They did so by shipping and consigning cargoes of goods including tin, wool, pepper, sandalwood, saltpeter, cotton and opium on Company or country ships to private traders based in Canton, such as Smith, Crichton, Hutton and Gordon. The lure of great profit, no doubt, enticed British Company servants to lend to cash-strapped Chinese merchants. Nominal interest rates on loans made to Chinese merchants were approximately 15% higher than interest rates in London, 9% higher than on Company paper and bonds in India, and about 5% higher than on loans to Europeans in China.⁴⁹ In fact, a savvy trader could make a fortune through arbitrage. According to several contemporaries some private traders had “made it their profession to gain from the difference between a large interest which they gave to others and a still larger they received from the merchants,” while others were acting

⁴² George Vansittart’s Letter books. MssEUR F331/19, Passim.

⁴³ “Kenneth J. Weiller and Philip Mirowski, “Rates of interest in 18th century England,” *Explorations in Economic History* Volume 27, Issue 1, January 1990, Pages 1–28.

⁴⁴ George Vansittart to Robert Palk, Patna, 14 Aug. 1772, pp.37-43, MssEUR F331/19

⁴⁵ Peter Marshall, *East Indian Fortunes*, pp. 41-2.

⁴⁶ Amales Tripathi, *Trade and Finance in the Bengal Presidency*. pp 5, 12; Holden Furber, *John Company at Work*, pp 237-40.

⁴⁷ Amales Tripathi, *Trade and Finance in the Bengal Presidency*. pp 5, 12.

⁴⁸ Gurney, J.D., “The Debts of the Nawab of Arcot, 1763-1776,” Oxford University D.Phil Thesis, June 1968.

⁴⁹ Holden Furber, *Rival Empires of Trade in the Orient*, 1976, p. 291; Paul Van Dyke, *Hong Merchants of Canton and Macao*.

as agents for persons they did not know.”⁵⁰ It is probably safe to say that Smith, Crichton, Hutton and Gordon practiced a combination of these two business strategies. For some, these modes of investment held the promise of future self-sufficiency: “I am now collecting and circumscribing my concerns, whilst a little sum of £20,000 which thank God I can still call my own, is accumulating in China in good hands, and which by the time I can conclude my affairs here, will enable me to live comfortably in Scotland, where I purpose to reside, as I am not likely to acquire sufficiency to live on in England,” wrote one Free Merchant from Madras in 1770.⁵¹

Parallels in Madras

We have already seen that Madras Company servants were over-represented in the table of creditors still claiming debts in 1787, and that the initiative to send a warship to Canton came from the Madras creditors. Earl Pritchard drolly referred to them as the “hotheads in Madras.”⁵² Something interesting was, in fact, happening in Madras. Many of the creditors of the Chinese merchants were also creditors of the Nawab of Arcot, namely: Henry Brooke, George Stratton, Gilbert Pasley, Charles Smith, John Holland, Rawson Hart Boddam and his wife, Stephen Briggs, the mother-in-law and brother-in-law of George Smith of Madras, John Hunter, Charles Crommelin and Alexander Tod.⁵³

Since the 1750s, the Company had allied itself with the Nawab of Arcot in order to control the southeast coast of India, known as the Coromandel Coast, and to keep the French East India Company at bay. Unlike in Bengal, where the Company directly ruled and collected revenues itself, on the Coromandel Coast it relied on the Nawab of Arcot, Muhammad Ali.⁵⁴ However, in order to remain in power and collect his revenues, Ali, in turn, relied on the Company to provide the fire and manpower necessary to defend and even extend his territory. This service did not come gratis. Rather by 1770, it was calculated that Ali owed the Company approximately £900,000.⁵⁵ Ali decided that the simplest solution to his financial problems was to continue borrowing, this time from high-flying private bankers such as Paul Benfield who helped numerous Company civil and military servants loan their fortunes to the Nawab. In turn, they received assignments of the Nawab’s territorial revenues.⁵⁶ Because “many senior Company servants, including members of the council and governors, were themselves holders of the Nawab’s bonds,” they used their position to influence Company policy in Madras.⁵⁷ The Madras presidency was so rife with corruption that in 1776 its Governor, Lord Pigot, was seized and deposed by some of the leading creditors and Madras council members; he mysteriously died while under house arrest.⁵⁸ “The scandal had reached such proportions by 1780 that the Company thought it wise to send out a *novus homo* as Governor of Madras,” and so it was left to

⁵⁰ Jan. 15, 1781, BL IOR G/12/20.

⁵¹ George Smith to Robert Palk, Oct. 4, 1770, British Library, Add MS 34686, p. 136.

⁵² Earl Pritchard, *The Crucial Years*. p.

⁵³ J.D. Gurney, “The Debts of the Nawab of Arcot,” Appendix 1.

⁵⁴ Peter Marshall, *The Making and Unmaking of Empires*, p. 230-37.

⁵⁵ *Ibid.*, p. 233.

⁵⁶ “These loans came to be secured on assignments of the nawab’s revenues, which took up a large proportion of the resources of the Carnatic,” (Peter Marshall, *The Making and Unmaking*, p. 234).

⁵⁷ *Ibid.*, p. 236.

⁵⁸ *Ibid.*, p. 236.

George Macartney, the future Ambassador to China, to take on the infamous corruption of Madras.⁵⁹

On the surface, the Nawab of Arcot debts and those of the Chinese Hong merchants were horses of a different color. One involved the debts of a local Indian ruler who collaborated with the Company for the defense and expansion of the lands from which he attempted to extract taxes, while the other involved a handful of Chinese businessmen lacking the capital needed to engage in high-volume international commerce. These two cases of indebtedness bore striking resemblances, though. First of all, many of those who invested in Madras and China, at least seven Company servants and three private traders, *were the same people*. Second, in both circumstances, Company servants and private traders lent large sums of money at extremely high interest rates to local non-Europeans.⁶⁰ As in Canton, bonds were often refinanced, passed through many hands, and often contained the investment capital of numerous individuals.⁶¹ Third, these loans were potentially very high-yield investments and not for the risk-averse, although in both cases investors believed that their contracts would be enforced by the East India Company.⁶² Fourth, the British creditors of the Nawab of Arcot and the Chinese merchants both launched lobbying campaigns in London in the 1780s to sway parliament and the ministry to support their claims. However, the debts of Arcot scandal received far more publicity than the Chinese debts and resulted in a full-scale parliamentary inquiry. In contrast, the creditors of the Chinese mindfully kept their situation under wraps in London. What is more, the Arcot debts themselves, as well as the pressure placed on parliament by the lobbyists, were at least an order of magnitude greater than those in the Chinese case. That being said, these differences were a matter of scale, not kind. Both crises demonstrated to anyone who cared to notice- and people as important as Edmund Burke did- that the high-risk, speculative financial strategies of British traders in India and China, who were in many cases the same people, were unethical and led to considerable interference in the political situation in Asia and England.

Conclusion

British private traders and their India and St. Helena-based clients stood at the center of the Canton Debts Crisis of 1779-81, yet little is known about them. By examining their lives, networks and financial activities in the East Indies, we learn more about the global financial and political context in which they were operating. Private traders such as Smith, Crichton, Hutton and Gordon helped their clients transmit money around the globe and invested it in various ways. They and their clients made calculated decisions about where and how best to invest their wealth and could chose from a variety of locations: India, China and Britain; as well as a variety of investment types: private bonds, corporate stocks and land. When Chinese and Indian borrowers defaulted or seemed unlikely to repay their loans, British private traders and their clients interfered aggressively and sometimes violently in their societies. This pattern had already emerged in India, particularly in Madras by the 1760s, and, not long after, spread eastward to China.

⁵⁹ Holden Furber, *Henry Dundas First Viscount Melville*, p. 50.

⁶⁰ *Ibid.*, p. 52. Claims were made by the creditors on the nawab for as much as £20,000,000.

⁶¹ J.D. Gurney, "The Debts of the Nawab of Arcot," pp. 49-53.

⁶² Peter Marshall, *The Making and Unmaking of Empires*, p. 236.

