

Mixed Blessings: The Consequences of State Borrowing on the East India Company

In the first half of the eighteenth century, successive British governments heavily taxed and borrowed from the East India Company. This paper reviews the accumulation of £4.2 million in government debt. The firm-level consequences of state borrowing are then considered. State borrowing “crowded out” the company’s investment options and exposed the firm to significant market risks, despite its legal monopoly. Lending to government may have lowered the company’s cost of borrowing in London and guaranteed overseas military support in moments of crises. The risks associated with state-borrowing, however, were unevenly distributed across shareholders, employees, and creditors.

Santhi Hejeebu
Cornell College