

CHAPTER 9  
THE GRAIN DUTIES & *Laissez-faire*

A common policy of western Indian rulers was to augment their income by levying a tax on the flow of goods. The grain duties were one aspect of this tax on commerce. As a tax, the grain duties were technically a form of government intervention. They were often removed during drought by western Indian rulers as a means of dropping the retail price of grain and providing relief to the poor. This was a non-interventionist relief measure in that it removed a form of government interference. It was, however, a traditional relief policy without ideological motivation. This traditional policy was continued by the Bombay administration in the 1820s and 1830s. It was not always inspired by *laissez-faire* ideology, even after the administration committed itself to a policy of non-interference in the grain trade. The likely cost of removing the duties gave even some *laissez-faire* officials pause for thought before recommending such a policy. When the duties were removed in the first and second droughts, it was often simply in the belief that the relief to the cultivators and the benefit to the land revenues would offset the fiscal sacrifice. Once the droughts abated the duties were re-imposed. This was not the unchanging policy followed by a Government primarily motivated by ideological convictions. It was a temporary measure designed to meet the existing circumstances. Only by the third drought in the late 1830s had *laissez-faire* ideology convinced the majority in the administration that a permanent abolition of the duties was advisable regardless of the season.

*The policy of Indian rulers prior to 1806.*

It has been demonstrated in a previous chapter that the British governments of India first began adhering to a *laissez-faire* policy toward the grain trade in 1806.<sup>1</sup> Prior to this, British and Indian rulers typically intervened in the grain, labour and capital markets to provide relief from drought. Yet taxation represented an ongoing intervention that, if removed, could provide further relief to the ryots. The policy of removing the grain duties was thus a non-interventionist measure pursued by

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<sup>1</sup> S. Ambirajan, 'Political Economy and Indian Famines', *South Asia*, vol. 1, 1971, pp. 23-5; and Neil Rabitoy, 'The Control of Fate and Fortune: The Origins of the Market Mentality in British Administrative Thought in South Asia', *Modern Asian Studies*, vol. 25, no. 4, 1991, pp. 737-8.

predominantly interventionist governments. Prior to 1806 it was a non-interventionist measure devoid of any *laissez-faire* ideological influence.

The Peshwa Government lifted its duties on grain as a relief measure on numerous occasions. During the severe famine of 1792, it removed its tolls on the importation of grain to relieve the 'distress' experienced in the southern districts of Poona.<sup>2</sup> In the 1802-3 famine it 'encouraged and assisted traders to import grain freely' into Poona district.<sup>3</sup> It also suspended the import duties on grain in Khandesh district.<sup>4</sup> In 1804 it once again removed the tolls on grain imports to Poona district as a relief measure.<sup>5</sup>

The British Government of Madras was an interventionist administration in the 1770s. During a severe drought in 1774 it enacted a number of interventionist relief policies. Yet it also removed the customs duties on grain.<sup>6</sup> Similarly, the British Government of Bombay was an interventionist administration during the 1803-4 famine. Yet, as a relief measure it removed its grain import duties in Surat 'to encourage the merchants to venture their vessels across the Gulf to that Port'.<sup>7</sup>

Naturally the transition of the Madras administration to non-intervention in 1806 did not affect its policy of removing the grain duties during drought. The non-interventionists had no quarrel with this policy. Ambirajan has noted that during the 1806-7 Madras famine the Governor removed the import duties on grain to encourage its importation.<sup>8</sup> The shift to non-interventionism in the policies of the Madras Government took place around a long-standing and unaffected policy of removing grain duties during drought. By 1806 in Madras and 1812 in Bombay, the traditional policy of removing grain duties had ideological patronage. But this is not to say that ideology immediately became the primary motivation for the age-old policy.

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<sup>2</sup> Munohur Bheorao, Khasnavis and Potnis, no date given, in A. T. Etheridge, *Report on Past Famines in the Bombay Presidency*, Bombay: Education Society's Press, 1868, p. 94.

<sup>3</sup> Rungrao Venayek, Poorundhuray, no date given, in Etheridge, p. 93.

<sup>4</sup> Mr. Sheppard, Act Khandesh Cltr, 2 Apr 1867, in Etheridge, p. 76.

<sup>5</sup> Raja Ruttosing Jadhkora, Maligaonkur, no date given, in Etheridge, p. 90.

<sup>6</sup> APAC, Madras Public Proceedings, P/240/37, 19 Mar 1774, pp. 211-12, and 6 May 1774, pp. 319-20, cited in Ravi Ahuja, 'State Formation and "Famine Policy" in Early Colonial South India', *Indian Economic and Social History Review*, vol. 39, no. 4, Oct-Dec, 2002, pp. 364-5, 366-7.

<sup>7</sup> J. A. Grant, Sec to Govt, to Surat Cltr, 14 Jul 1803, in Etheridge, p. 66.

<sup>8</sup> Ambirajan, 'Political Economy and Indian Famines', p. 25.

*British ideology and debate on the taxation of commerce.*

The rise of *laissez-faire* ideology in Britain in the late eighteenth and early nineteenth centuries has been demonstrated in previous chapters. There were several key developments. Adam Smith's *Wealth of Nations* brought the *laissez-faire* arguments of the French Physiocrats to Britain in 1776.<sup>9</sup> Non-interventionist thinking became popular amongst the young, intelligentsia and politically dominant class by 1800.<sup>10</sup> The ideology of *laissez-faire* had a considerable influence over the Company and its policies in the early nineteenth century, and the free traders won access to India's trade through the removal of the Company's monopoly in 1813.<sup>11</sup> Britain's business interests were concerned that the Company's subjects were too poor to afford British manufactures. They argued that the Company's heavy taxes were impoverishing its subjects and denying British manufactures a potentially vast and receptive marketplace. These arguments were partially based on Smith's warnings that over-taxation could impoverish a nation.<sup>12</sup> They were presented to Parliament by the likes of Robert Rickards in 1813 and John Crawford in 1833, at each renewal of the Company's trading charter.<sup>13</sup> The call for non-intervention galvanised the free trader, evangelical and utilitarian branches of the reform movement.<sup>14</sup> Malthus taught Smithian economics to the students of Haileybury before they left Britain for India.<sup>15</sup> Furthermore, James Mill utilised his position as an Examiner at the Court of Directors in London to lecture the senior officials of the governments of India on the benefits of non-intervention.<sup>16</sup>

When a government enacted customs and transit duties it was placing a tax on the flow of goods. Smith argued that duties should be reduced to a minimal level. Much

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<sup>9</sup> John Kenneth Galbraith, *A History of Economics: The Past as the Present*, London: Hamish Hamilton, 1987, p. 51.

<sup>10</sup> S. Ambirajan, 'Laissez-faire in Madras', *Indian Economic and Social History Review*, vol. 2, no. 3, 1965, p. 238; and Srinivasa Ambirajan, 'Economic Ideas and Economic Policy in British India', *Indian Economic Journal*, vol. 15, no. 2, Oct-Dec, 1967, p. 191.

<sup>11</sup> Eric Stokes, *The English Utilitarians and India*, Oxford: Clarendon Press, 1959, p. xiv.

<sup>12</sup> Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, E. Cannan (ed.), 2 vols., London: Methuen, 1904, Vol. II, Book V, Chapter II, Part II, 'Of Taxes'.

<sup>13</sup> Stokes, *The English Utilitarians and India*, pp. 38, 41-2.

<sup>14</sup> *Ibid.*, p. 52.

<sup>15</sup> Ambirajan, 'Economic Ideas and Economic Policy', pp. 202-3.

<sup>16</sup> Ravinder Kumar, *Western India in the nineteenth century: a study in the social history of Maharashtra*, London: Routledge & K. Paul, 1968, p. 87; and Stokes, *The English Utilitarians and India*, pp. 48-50.

of *The Wealth of Nations* was inspired by Smith's dislike of the mercantilists who he believed were the main beneficiaries of the state's heavy protective import duties. He argued that the customs duties were 'an instrument, not of revenue, but of monopoly'.<sup>17</sup> Smith argued that heavy duties restricted the volume of trade and thereby restricted economic progress. He contended that customs duties provided 'obstruction or discouragement to certain branches of industry' by raising the 'price of the commodity taxed', and thereby discouraged its 'consumption' and 'production'. This in turn provided less 'revenue to government than what might be drawn from more moderate taxes'.<sup>18</sup> As such, Smith advocated minimal customs duties as being in the best interests of the state's revenues and the general public. Moreover, he saw the specialisation of labour as an important contributor to the 'wealth of nations'. He believed that such specialisation would increase as the size of the market increased, which provided further call for the removal of trade barriers.<sup>19</sup>

The ire of British *laissez-faire* ideologues toward the taxation of commerce was particularly raised by Parliament's implementation of the Corn Laws from 1815 to 1846. Britain's economic depression of 1811-12 was deepened in 1815 by the cessation of hostilities with France and the consequent reduction of government military expenditure. Demobilisation flooded the labour market with thousands of ex-soldiers and sailors. To provide them with employment in agriculture Parliament raised tariff barriers against cheap foreign grain. This increased the number of people who could profitably cultivate in Britain. Yet it also increased the price of bread. The move received condemnation from many quarters, including *laissez-faire* ideologues.<sup>20</sup> In 1817 the radical Robert Owen published his *New View of Society*. He contended that this government interference in the flow of commerce would harm the development of the economy.<sup>21</sup> In 1822 F. Place argued that government interference

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<sup>17</sup> Adam Smith, *Wealth of Nations*, 1776, book V, chapter II, part II, article IV.

<sup>18</sup> *Ibid*, book V, chapter II, part II, article IV.

<sup>19</sup> Galbraith, pp. 68-9.

<sup>20</sup> Anthony Brundage, *The English Poor Laws, 1700-1930*, Basingstoke: Palgrave, 2002, p. 45.

<sup>21</sup> Robert Owen, *A New View of Society and other Writings*, 1817, G. D. H. Cole (ed.), 1927, cited in J. R. Poynter, *Society and Pauperism: English Ideas on Poor Relief, 1795-1834*, London: Routledge & Kegan Paul, 1969, p. 261.

was hurting its subjects. He claimed that relief would best be offered to the poor by, among other things, repealing the Corn Laws.<sup>22</sup>

*Bombay duties policy, 1818-25.*

There were two types of taxes on commerce in western India. The customs duties were a tax on goods entering British territory. The transit duties were internal taxes levied on the flow of goods between districts within the Presidency. When the British took control of western India in 1818 they quickly removed the farming revenue system that had operated under Baji Rao II. The new rulers believed that the practice of auctioning out the right to levy taxes to the highest bidder was economically disastrous. Yet this was only the case with regard to the land revenues. The practice was considered acceptable with respect to transit duties. Varma has stated that when the British took power in 1818 they continued farming out the transit duties, as the Marathas had done.<sup>23</sup> Choksey has found that the transit duties of the Southern Konkan were partly farmed, and partly collected directly by the new Government.<sup>24</sup> Chaplin later stated that at least until 1827 the system of direct government management, or the 'Aumanee' system, only existed in the administration's 'old territories' such as in Gujarat. In the newly acquired territories of the Deccan, Konkan and Karnatak, however, the transit duties were farmed. Chaplin explained the official reasoning behind the decision to farm out the duties. The farmer had an incentive to reduce his rates and thereby induce merchants to send their goods through his area of control. He stated that there was less corruption under the farming system because the duties farmer was more vigilant over his officers: he 'superintends them with a zeal which is only to be found associated with private interest'.<sup>25</sup> Thus the farming system was preferred throughout much of the Presidency as an efficient means of taxing internal commerce.

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<sup>22</sup> F. Place *Illustrations and Proofs of the Principle of Population: including an examination of the proposed remedies of Mr. Malthus and a reply to the objections of Mr. Godwin and others*, 1822, cited in Poynter, p. 266.

<sup>23</sup> S. Varma, *Mountstuart Elphinstone in Maharashtra, 1801-1827. A Study of the Territories Conquered from the Peshwas*, Calcutta: K P Bagchi, 1981, p. 174.

<sup>24</sup> R. D. Choksey, *Economic Life in the Bombay Konkan, 1818-1939*, Bombay: Asia Publishing House, 1960, p. 25.

<sup>25</sup> William Chaplin to T. Hyde Villiers, 17 Feb 1832, Select Committee on the Affairs of the East India Company, Revenue Appendix, PP 1831-2 (735-III), p. 336.

Between 1822 and 1824 the Bombay administration suspended all duties on grain. Neither farmers nor government agents were to collect taxes on the transit of grain. The Bombay Council removed the duties in the Deccan and Karnatak in 1822, and in the Konkan in 1823.<sup>26</sup> In September 1824 it extended the suspension throughout the entire Presidency to include Gujarat. The Council instructed every Collector in the Presidency to avoid ‘all interference with ... a free transit of grain throughout the Country’.<sup>27</sup>

The grain duties were removed in the Deccan, Karnatak and Konkan prior to the 1823-5 drought. Thus in these regions the suspension was not intended as a scarcity-relief measure. Rather it was in response to the grain price depression.<sup>28</sup> The decision fits with *laissez-faire* ideology, but this was not the motivation. The exceptionally low price of grain was impeding the ryots’ efforts to pay their land rent. The same portion of their harvest no longer fetched the same price at the marketplace. Consequently the Government’s main source of revenue was suffering.<sup>29</sup> The Council knew that the grain duties increased the retail price of grain. It therefore removed the duties to drop the retail price of grain and encourage consumption. The Council hoped that the measure would help clear the market of its surplus grain and increase the wholesale prices for the cultivators. This would better enable the cultivators to meet their land revenue obligation to the Government. This policy seems to have been effective. John Dunlop reported from the Southern Konkan that the removal of duties had made the sale of grain ‘considerably more valuable’ to the cultivators ‘than it ever was before’.<sup>30</sup> He reported that the Government’s revenues for the 1823/4 season had increased 9.5 percent from the previous year.<sup>31</sup> Henry Pottinger, the Ahmednagar Collector, was not willing to concede that the removal of duties had entirely achieved

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<sup>26</sup> A. Robertson, Khandesh Cltr, to W. Chaplin, Deccan Cmr, 24 May 1825, BRP, 15 Jun 1825; and Minute by Majority of Bd, no date given, BRP, 27 Jul 1825, Nos. 7&8, APAC; and R. D. Choksey, *Economic History of the Bombay Deccan and Karnatak, 1818-1868*, Poona, 1945, p. 281.

<sup>27</sup> J. Farish, Sec to Govt, Circular to all Cltrs, 30 Sep 1824, BGP, 6 Oct 1824, pp. 5504-5, APAC.

<sup>28</sup> H. Pottinger, Ahmednagar Cltr, to Deccan Cmr, 9 Dec 1824, BRP, 27 Jun 1825, No. 3, APAC.

<sup>29</sup> Henry A. Harrison, Asst Sthn Konkan Cltr in Charge, to Sec to Govt, 19 Nov 1823, BRP, 3 Dec 1823, p. 9402, APAC.

<sup>30</sup> J. A. Dunlop, Sthn Konkan Cltr, to Sec to Govt, 18 Feb 1824, BRP, 10 Mar 1824, pp. 1237-8, APAC.

<sup>31</sup> J. A. Dunlop, Sthn Konkan Cltr, to Act Sec to Govt, 15 Sep 1824, BRP, 29 Sep 1824, pp. 6175-90, APAC.

the desired effect. Yet he did state that ‘had it not taken place the agricultural distress would have been still more severe’.<sup>32</sup>

However, the removal of duties was soon to be joined by a much stronger elevating force operating on the grain prices. The 1823-5 drought at once solved the problem of a depression in grain prices in the Deccan, Konkan and Karnatak, and created the problem of skyrocketing grain prices throughout the entire Presidency. The prices were no longer so low that they hurt the grain producer, but were rather so high that they hurt the consumer. The poor were struggling to afford the high price of food. Interestingly, the Council’s solution to depressed prices was also its answer to scarcity prices. Removing the grain duties dropped the retail price of grain. During a depression this was intended to provide relief to the grain producer by stimulating demand for his produce. Yet during drought it was intended to provide relief to the poor consumer by making food more affordable. An examination of the official letters of correspondence demonstrates that the decision to remove the grain duties during the 1823-5 drought was motivated by the need to provide relief. This was the same need that motivated the traditional interventionist governments to remove their duties on grain. While the removal of the duties in Gujarat in 1824 corresponded with non-interventionist ideology and took place within an administrative climate of non-interventionism, it was not primarily inspired by *laissez-faire*.

By 1824 the prevailing drought in Gujarat had pushed up grain prices to a level beyond the reach of its poorest inhabitants. James DeVitre, the Kaira Judge, reported in August 1824 that the price of grain had nearly doubled in the previous month, and he therefore recommended that the Government remove its duties on grain. DeVitre did not use *laissez-faire* arguments to support his recommendation.<sup>33</sup> The Council authorised him to remove the duties if he thought it ‘necessary’ owing to the ‘apprehended scarcity’.<sup>34</sup> Similarly, Robert Boyd, the Broach Collector, reported in September that ‘the weather continues’ to be ‘extremely unpromising’, and he submitted a table exhibiting increasing grain prices. Without recourse to *laissez-faire*

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<sup>32</sup> H. Pottinger, Ahmednagar Cltr, to Deccan Cmr, 9 Dec 1824, BRP, 27 Jun 1825, No. 3, APAC.

<sup>33</sup> J. D. DeVitre, Kaira Judge, to Sec to Govt, 16 Aug 1824, BGP, 1 Sep 1824, pp. 4792-3, APAC.

<sup>34</sup> J. Farish, Sec to Govt, to Act Kaira Cltr, 27 Aug 1824, BGP, 1 Sep 1824, p. 4794, APAC.

rhetoric Boyd recommended the removal of both the land and sea duties on grain.<sup>35</sup> The Council, which often responded to the judgement of its Collectors as the most informed officials in the field, obliged Boyd's recommendations.<sup>36</sup>

In late September the Council ordered a removal of the grain duties in all districts where they were still in force. Yet it issued this instruction in the same breath that it expressed its policy of *laissez-faire* toward the grain trade. It instructed its officials to avoid 'all interference with the freedom of market, and a free transit of grain throughout the Country'.<sup>37</sup> Was this evidence of *laissez-faire* ideology motivating the removal of the duties? The policy of removing the duties in 1824 took place within an administrative climate of non-interventionism. *Laissez-faire* ideology certainly motivated the Council to forbid its officials from interfering in the grain market with policies of price fixing, export prohibition, or purchasing and reselling. This has been detailed in a previous chapter. The policy of removing the grain duties, as mentioned, was a removal of one form of government intervention. Thus the policy encountered no ideological resistance from a predominantly non-interventionist Government. But this is not to say that non-interventionist ideology was the primary motivation behind the removal of the duties. It will be shown that the duties were re-imposed after the 1823-5 drought. This was not the act of an administration motivated primarily by ideology. The return of the monsoon had no effect on the Council's ideological convictions, but it did remove the need to incur a fiscal sacrifice as a form of relief to the poor.

Throughout the rest of the Presidency the grain duties had been removed prior to the drought. But officials of the Deccan, Konkan and Karnatak were quick to recognise the benefits of a continued absence of grain duties during the drought. The effect of high grain prices on the Government's revenues has been demonstrated in previous chapters. People who were unable to afford food soon abandoned their fields in search of subsistence. Others joined gangs and stole what they needed to survive from the local populace. Migrants and criminals no longer raised harvests for the Government

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<sup>35</sup> Robert Boyd, Broach Cltr, to Sec to Govt, 27 Sep 1824, BGP, 6 Oct 1824, pp. 5677-8, APAC.

<sup>36</sup> J. Farish, Sec to Govt, to Broach Cltr, 6 Oct 1824, BGP, 6 Oct 1824, p. 5682, APAC; and J. Farish, Sec to Govt, to Gujarat and Konkan Cltrs of Sea Customs, 6 Oct 1824, BGP, 6 Oct 1824, pp. 5682-3, APAC.

<sup>37</sup> J. Farish, Sec to Govt, Circular to all Cltrs, 30 Sep 1824, BGP, 6 Oct 1824, pp. 5504-5, APAC.

to tax. Thus the Government had a vested interest in minimising the increase of grain prices during drought. In 1824 J. Thackeray, the Dharwar Collector, reported that grain was 35 per cent more expensive than at the same time the previous year. He argued that if it was not 'for the late abolition of the grain duties, it would probably be much dearer'.<sup>38</sup> John Cherry, the Northern Konkan Collector, reported in 1824 that 'the greatest benefit may be expected to arise' from the Council's abolition of sea-borne grain duties, especially 'in preventing emigration'.<sup>39</sup> William Chaplin, the Deccan Commissioner, argued in 1825 that the removal of land-based grain duties 'has enabled many cultivators to remain at home' who would otherwise have been 'compelled to emigrate in search of subsistence'.<sup>40</sup>

Yet William Lumsden was not so easily convinced. The Collector of Surat questioned what effect the policy of removing the duties really had on the price of grain. He argued in 1824 that during a normal year grain duties added roughly 3 percent to the market price of grain. Yet during a drought year they added only 'about 1¾ per cent'.<sup>41</sup> Yet this was more likely to have been the case in the newly acquired territories of the Deccan, Konkan and Karnatak, where the Government typically levied duties on the volume and not the value of bulky goods such as grain.<sup>42</sup> In such districts a rise in grain prices would not affect the duties. But in the Company's 'old territories' such as Surat district the duties were levied based on the value of the commodity.<sup>43</sup> Thus as the price of grain increased so too should the duty in the same proportion. Regardless of the exact proportions, Lumsden doubted whether removing the grain duties 'would have any sensible effect on its price'. He concluded that 'it might or it might not have a very small effect'.<sup>44</sup>

Some officials felt that since the drought had so admirably solved the problem of a grain price depression in the Deccan, Konkan and Karnatak it was time to reconsider

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<sup>38</sup> J. Thackeray, Principal Dharwar Cltr, to Deccan Cmr, 13 Aug 1824, BRP, 1 Sep 1824, p. 5564, APAC.

<sup>39</sup> J. H. Cherry, Nthn Konkan Cltr, to Sec to Govt, 11 Oct 1824, BGP, 20 Oct 1824, p. 5921, APAC.

<sup>40</sup> W. Chaplin, Deccan Cmr, to Sec to Govt, 9 May 1825, BRP, 15 Jun 1825, No. 54, APAC.

<sup>41</sup> W. J. Lumsden, Surat Cltr, to Sec to Govt, 14 Oct 1824, BGP, 27 Oct 1824, p. 5949, APAC.

<sup>42</sup> H. M. Hodges, 1<sup>st</sup> Asst Khandesh Cltr, to Deccan Cmr, 27 Mar 1823, BRP, 11 Aug 1824, pp. 5179, 5189, APAC.

<sup>43</sup> William Chaplin to T. Hyde Villiers, 17 Feb 1832, Select Committee on the Affairs of the East India Company, Revenue Appendix, PP 1831-2 (735-III), p. 336.

<sup>44</sup> W. J. Lumsden, Surat Cltr, to Sec to Govt, 14 Oct 1824, BGP, 27 Oct 1824, pp. 5949-50, APAC.

the advisability of having sacrificed the Government's grain customs revenue. This was inherently an interventionist position. In 1825 the Council established a Customs Committee to assess the policy of re-imposing the grain duties. If approved quickly, this would be enacted even while the drought persisted. The Committee's assessment was based largely on financial grounds. It was to compare the fiscal sacrifice of the grain duties revenue with the likely increase in land revenues. For this purpose, the Council forwarded to the Customs Committee reports from the Ahmednagar and Poona Collectors regarding 'the value of the imports and exports of grain since the abolition of the transit duties'.<sup>45</sup> The Ahmednagar Collector estimated a loss of Rs. 224,500, and the Poona Collector one of Rs. 241,000.<sup>46</sup>

In mid 1824 W. C. Bruce, a member of the Customs Committee, stated his belief that by removing the grain duties the Government had incurred a 'considerable fiscal sacrifice, without conferring any corresponding benefit upon the agricultural interests' of the Presidency.<sup>47</sup> Perhaps Bruce can be forgiven for his exclusively financial perspective on the issue of grain duties. By 1821 he was the sub-accountant and accountant of several departments of the administration.<sup>48</sup> He later became the sub-treasurer and general pay-master of the administration by 1831.<sup>49</sup> In 1824 Bruce favoured the interventionist position of re-imposing the duties. His concern for the 'agricultural interests' was inasmuch as it affected the Government's land revenues. He argued that the removal of the import duties would enable foreign cultivators to undersell the ryots in British territories. Consequently, 'the amount of revenue to which they had previously been assessed, might be diminished'. He argued that in this case the financial 'sacrifice would be twofold'. Moreover, and somewhat contradictorily, he feared that the Government's repeal of export duties might induce foreign governments to increase their import duties to prevent British ryots from underselling their own ryots. Thus customs receipts 'would be merely transferred

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<sup>45</sup> J. Farish, Sec to Govt, to the Custom Cmte, 21 Jul 1825, BRP, 27 Jul 1825, No. 4, APAC.

<sup>46</sup> Statement by Ahmednagar Cltr, dated 1 Dec 1824, attached to H. Pottinger, Ahmednagar Cltr, to Deccan Cmr, 9 Dec 1824, BRP, 27 Jun 1825, No. 3, APAC; and H. D. Robertson, Poona Cltr, to Deccan Cmr, 27 Jun 1825, BRP, 27 Jul 1825, No. 3, APAC.

<sup>47</sup> W. C. Bruce, Custom Cmte Member, to Sec to Govt, 14 Aug 1824, BRP, 1 Sep 1824, pp. 5702-5, APAC. Emphasis in original.

<sup>48</sup> *The East India Register and Directory for 1821*, A. W. Mason, G. Owen and G. H. Brown (eds.), 2<sup>nd</sup> edn., London, 1821, p. 283.

<sup>49</sup> *The East India Register and Directory for 1831: Bombay*, G. H. Brown and F. Clark (eds.), London, 1831, p. 3.

from our own, into the treasuries of some native states'. He questioned whether the benefit to the land revenues 'is so important or decisive, as to justify its being purchased at a considerable immediate sacrifice, and with the risk of loss of revenue additional to that of these duties'.<sup>50</sup> Bruce was contemplating the re-imposition of grain duties in the middle of the 1823-5 drought. This was precisely at a time when the poorest consumers were unable to afford the high grain prices. He therefore took the extreme interventionist position that temporarily removing the duties was not worthwhile even during crises such as drought.

Bruce's recommendation drew widespread criticism from a number of Bombay's officials at both the district and Commissioner-level of the administration. The re-imposed grain duties would put food further beyond the reach of the poor, who would turn to migration and crime for their survival. The officials who protested were unanimously against the re-imposition of duties while the drought continued. Some officials, all at the district-level, argued in *laissez-faire* terms that the duties should be permanently abolished. Yet other officials, at both the district and Commissioner-level, felt that the duties could be re-imposed when the rains returned. This became the policy of the administration. These officials in particular were simply following the same relief policy of traditional interventionist governments without any ideological influence. William Chaplin, the Deccan Commissioner, was one of these officials. He conceded that the removal of duties had been of 'manifest advantage' to the ryots during the drought. But he argued that in normal years the benefit to the ryots 'would not bear any proportion to the sacrifice of revenue which results from the abolition of the duties'. He therefore recommended that the tax should be reinstated when the rains returned.<sup>51</sup>

Similarly, Henry Pottinger, the Collector of Ahmednagar, rejected the proposed re-imposition, but only while the drought persisted. His position was quite removed from the *laissez-faire* belief that taxes on commerce checked production and trade. This was despite the fact that he had declared his non-interventionist allegiance with regard

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<sup>50</sup> W. C. Bruce, Custom Cmte Member, to Sec to Govt, 14 Aug 1824, BRP, 1 Sep 1824, pp. 5702-5, APAC. Emphasis in original.

<sup>51</sup> W. Chaplin, Deccan Cmr, to Sec to Govt, 9 May 1825, BRP, 15 Jun 1825, No. 54, APAC.

to the grain trade.<sup>52</sup> He stated his ‘unqualified concurrence in the views taken by Mr. Bruce as to the duties on grain being “as legitimate a source of revenue as any other”’. But he added that this was only so ‘in common times’. The occurrence of drought rendered a ‘deviation from established systems indispensable’. He conceded Bruce’s point that by removing the grain duties the Government ‘has made a sacrifice this year which tends naturally to benefit the ryots of a foreign state’ by removing their import costs. But he argued that it was ‘advisable to do so’ as it encouraged importation and thereby relieved ‘the urgent necessities of our subjects’.<sup>53</sup>

Commissioner Chaplin soon altered his position and sided somewhat more closely with Bruce. Just three weeks after recommending a re-imposition of the grain duties once the monsoon returned, Chaplin began to question whether removing the grain duties had been a worthwhile relief policy in the first place. He wondered whether the benefit to the land revenues was worth the immediate fiscal sacrifice of removing the grain duties. He argued in late May 1825 that the ryots had definitely experienced a ‘great benefit’ from the removal of duties ‘during the last two seasons’ of drought. Yet, he argued that ‘the main question’ was whether it was worth the ‘sacrifice of revenue’. He was not merely weighing up the humanitarian benefit versus the fiscal sacrifice. His concern was specifically for the humanitarian effect on ‘the ryots’, to the exclusion of other occupational groups that did not contribute to the Government’s land revenues. Thus he was comparing the immediate fiscal sacrifice of grain duties versus the humanitarian effect on the cultivators and thereby the effect on the Government’s long-term land revenues. He argued that while the grain duties obstructed ‘the free transport of the produce of the country’, they had ‘never proved so onerous as to prevent the extension of agriculture’.<sup>54</sup> This was a refutation of the *laissez-faire* ideologue’s fundamental position that the duties were stifling production and trade. Chaplin had earlier declared his *laissez-faire* stance with regard to the grain trade.<sup>55</sup> Yet he did not feel that non-interventionist ideology was equally applicable to grain duties. He questioned the efficacy of removing the grain duties as a relief measure. This was a somewhat softer interventionist position than Bruce had taken,

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<sup>52</sup> H. Pottinger, Ahmednagar Cltr, to Deccan Cmr, 24 Sep 1824, BGP, 13 Oct 1824, p. 5780, APAC.

<sup>53</sup> H. Pottinger, Ahmednagar Cltr, to Deccan Cmr, 9 Dec 1824, BRP, 27 Jun 1825, No. 3, APAC.

<sup>54</sup> W. Chaplin, Deccan Cmr, to Sec to Govt, 30 May 1825, BRP, 15 Jun 1825, No. 63, APAC.

<sup>55</sup> W. Chaplin, Deccan Cmr, to Khandesh Cltr, 7 Oct 1824, BRP, 3 Nov 1824, pp. 6996-7, APAC.

but Chaplin was still implicitly advocating that the Government should uphold the grain duties even during drought.

Yet James Simson, the Collector of the Northern Konkan, took a *laissez-faire* position. He rejected Bruce's concerns that the removal of the import duties would cause a drop in land revenues by allowing foreign grain to undersell the ryots under British rule. He argued that 'as a free trade necessarily promotes consumption by enlarging the market, it will I think have a tendency to increase it, if it affects it at all'. He stated that he saw 'no policy in debarring' British subjects from purchasing grain from non-British territories. He argued that 'the purchasers may bestow their labour and capital upon more profitable sources of employment, thus enriching themselves, and thro' themselves, the state'. He favoured a non-interventionist policy on the grounds that protective duties 'would subject a state's own exports to retaliation'. Simson concluded that he considered 'the principle of the remission of transit duties faultless'.<sup>56</sup>

Simson was joined in his *laissez-faire* stand by Archibald Robertson, the Khandesh Collector. Robertson applied the same *laissez-faire* convictions to the grain duties as he had to the issue of government intervention in the grain trade.<sup>57</sup> He argued that the removal of grain duties during drought would encourage merchants to import grain from foreign territories. This he believed would be 'beneficial' to 'the community generally in the Company's districts' by dropping the price of grain to a more affordable level. He rejected Bruce's argument that the removal of export duties would encourage grain exports to the point of underselling foreign ryots and encouraging foreign states to raise their protective tariff barriers. Bruce had argued that this would simply transfer duties income from British territories to foreign states. Robertson conceded that foreign states, 'not making the subject of political economy a study', might raise tariff barriers. Yet he questioned whether this problem could coincide with Bruce's other concern that the removal of import duties might encourage grain imports to the point of underselling ryots under British rule. Moreover, Robertson posed the *laissez-faire* argument that the removal of the internal transit duties on grain would benefit the net consumer, which in turn would benefit

<sup>56</sup> J. B. Simson, Nthn Konkan Cltr, to Sec to Govt, 12 Aug 1825, BRP, 24 Aug 1825, No. 29, APAC.

<sup>57</sup> A. Robertson, Khandesh Cltr, to Deccan Cmr, 28 Aug 1824, BGP, 15 Sep 1824, pp. 5167-8, APAC.

the Government's revenues. He argued that it was only their demand for grain that created the need for cultivators to produce a grain surplus beyond their own subsistence requirements. Thus without the net consumer the Government would have no flow of grain or money to tax. The interests of the net consumers should therefore be 'prominently kept in view'. Robertson stated that their 'interests and the interests of the revenue and of the cultivators' were 'inseparable'. He argued that the Government should 'endeavour to improve their circumstances and thereby ... promote an increase of this valuable class of men'. One means of improving their circumstances was by the removal of the grain duties. Thus, Robertson concluded that re-imposing the grain duties 'would be purchasing a small advantage at a dear rate', much like 'killing the goose for the sake of her eggs'.<sup>58</sup>

The Committee was still receiving officials' opinions and considering whether to re-impose the grain duty in mid-August 1825.<sup>59</sup> By this time the rains were slowly returning and the Presidency was exiting the 1823-5 drought. This dissolved the conflict over whether to reinstate the duties during the subsistence crisis. The retired Elphinstone recalled in 1832 that all internal duties had been reviewed and removed in 1827. He recalled that the Court of Directors had sanctioned the decision to abolish all but the external duties in the hope that 'the change would have a favourable effect on commerce and manufactures'.<sup>60</sup> This was a *laissez-faire* inspired policy. It may have been the ultimate recommendation of the Customs Committee, despite Bruce's concerns. However, whether Elphinstone was correct in his recollections or not, the duties on grain were re-imposed prior to the 1831-5 drought. This is evident in the fact that the Government was once again considering whether to remove the grain duties in 1831. Thus the Council ultimately took Chaplin and Pottinger's advice of re-imposing the grain duties to benefit from the relatively favourable post-drought seasons.<sup>61</sup> The policy of removing the grain duties during the drought had certainly coincided with non-interventionist ideology. As such it no doubt pleased Simson and Robertson, who had taken a *laissez-faire* perspective on the matter. Moreover, the

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<sup>58</sup> A. Robertson, Khandesh Ctr, to Deccan Cmr, 24 May 1825, BRP, 15 Jun 1825, No. 62, APAC.

<sup>59</sup> J. B. Simson, Nthn Konkan Ctr, to Sec to Govt, 12 Aug 1825, BRP, 24 Aug 1825, No. 29, APAC.

<sup>60</sup> Mountstuart Elphinstone to T. Hyde Villiers, 16 Aug 1832, Select Committee on the Affairs of the East India Company, Revenue Appendix, PP 1831-2 (735-III), p. 334.

<sup>61</sup> T. Williamson, Sec in Attendance with Bombay Governor, Circular to Poona, Ahmednagar, Khandesh, Concan and Southern Mahratta Country Cltrs, 16 Jul 1831, BRP, 17 Aug 1831, No. 5129, APAC.

Bombay administration had been influenced by *laissez-faire* ideology to the point of strictly avoiding any interference in the grain trade during the 1823-5 drought. Yet the fact that the duties were reinstated sometime between the 1823-5 and 1831-5 droughts demonstrates that the Council's decisions in this particular regard were not primarily influenced by *laissez-faire* ideology. A government driven purely by ideological concerns would have committed to policies that were far less adaptive to changes in circumstance. Rather, the 1823-5 Council had simply been motivated to remove the grain duties by the same pragmatic concerns that had traditionally motivated rulers of western India.

*Bombay duties policy, 1831-5.*

By the commencement of the 1831-5 drought the grain duties had been re-imposed. Several officials expressed *laissez-faire* opinions on the matter in 1831. Governor John FitzGibbon wrote a letter to the Collectors of Poona, Ahmednagar, Khandesh, the Konkan, and Dharwar, requesting their opinion as to whether it was advisable to remove the duties on grain.<sup>62</sup> The letter was not sent to the Collectors of the less drought-prone Gujarat. Thus FitzGibbon did not see the policy of removing the grain duties as a *laissez-faire* inspired measure with universal application throughout the Presidency, but rather as a pragmatic measure that might be called for in certain drought-prone regions. Nonetheless, FitzGibbon's call for opinions brought forth *laissez-faire* responses. Henry Robertson replied from Poona that the duties should be removed on grain in transit within the Presidency, and that if the drought should worsen, then the duties on grain imported from foreign territories should also be removed. He argued that a *laissez-faire* policy would benefit the Government's long term revenues. He stated that 'the sacrifice of revenue under the head of customs would no doubt be considerable by the contemplated measure', but the 'energies, now cramped would be emancipated by its adoption, not only for the present but permanently'. He claimed that 'the pecuniary benefits we should lose in one branch would be reimbursed in others and by the advancement of the general prosperity of

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<sup>62</sup> T. Williamson, Sec in Attendance with Bombay Governor, Circular to Poona, Ahmednagar, Khandesh, Concan and Southern Mahratta Country Cltrs, 16 Jul 1831, BRP, 17 Aug 1831, No. 5129, APAC.

the people'.<sup>63</sup> William Sprott Boyd replied from Khandesh to urge the Council to explore the possibility that 'exists of our revenue increasing more by unshackling the grain market entirely than by deriving a portion of it from an impost, which must certainly, I consider, injure agricultural prosperity'.<sup>64</sup> This was the *laissez-faire* argument that duties checked production and trade. George Giberne, the Konkan Collector, later stated that his opinion had 'always been that the transit duties on grain should be remitted on many accounts'.<sup>65</sup>

Yet despite the ideologically inspired statements made by some officials, most Collectors replied that the drought was not yet serious enough to warrant the loss of duties revenue. This was an interventionist position similar to that expressed by Commissioner Chaplin and the Collector Henry Pottinger in 1825. The grain duties were considered a legitimate source of revenue for the state that should only be surrendered as a relief measure during drought. In fact, even the district-level officials who had made *laissez-faire* inspired statements at the beginning of the 1831-5 drought were forced to conform to this officially orthodox assumption. Giberne argued in 1831 that when the prices became too high then the duties should certainly be removed. Yet he conceded that the talukas under his charge in Poona district were not yet at that stage of scarcity.<sup>66</sup> Similarly, William Sprott Boyd informed the Council that the removal of the duties was not yet required as there was no distress in his district.<sup>67</sup> Elsewhere, Josiah Nisbet reported from Dharwar in 1831 that there was no need for the measure because prices were not high.<sup>68</sup>

By late 1832 the situation had worsened. Yet the officials involved were reluctant to recommend a removal of the duties straight away. On more than one occasion the potential costs of such a policy instilled the same caution that had inspired Bruce's comments in 1825. Robert Pringle, the Sholapur sub-Collector, reported in November that removing the duties would probably be necessary in the next 15 to 20 days. He

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<sup>63</sup> H. D. Robertson, Ahmednagar Cltr, to Chief Sec to Govt, 19 Jul 1831, BRP, 9 Nov 1831, No. 8423, APAC.

<sup>64</sup> W. S. Boyd, Khandesh Cltr, to Chief Sec to Govt, 25 Jul 1831, BRP, 9 Nov 1831, No. 8425, APAC.

<sup>65</sup> G. Giberne, Konkan Cltr, to Rev Cmr, 23 Dec 1832, BRP, 23 Jan 1833, No. 295, APAC.

<sup>66</sup> G. Giberne, Junior Poona Cltr, to Chief Sec to Govt, 24 Jul 1831, BRP, 9 Nov 1831, No. 8424, APAC.

<sup>67</sup> W. S. Boyd, Khandesh Cltr, to Chief Sec to Govt, 25 Jul 1831, BRP, 9 Nov 1831, No. 8425, APAC.

<sup>68</sup> J. Nisbet, Dharwar Cltr, to Chief Sec to Govt, 30 Jul 1831, BRP, 9 Nov 1831, No. 8426, APAC.

noted that the Government would incur a loss of up to Rs. 30,000 if it sanctioned the measure. The estimated cost included not just the loss of duties income, but also the cost of reimbursing the duties farmers. Moreover, Pringle warned that the farmers were the only custodians of the records pertaining to the volume of trade in their areas. Thus there was considerable scope for over-exaggerated claims for compensation.<sup>69</sup> Governor FitzGibbon conceded that ‘the confusion consequent upon the remission will be great’.<sup>70</sup> One day after Pringle’s letter John Burnett, the Acting First Assistant Poona Collector in Charge, reported that ‘in consequence of the great and rapid rise in the price of grain within the few last days, a riot of a serious nature occurred’. Yet he did not immediately recommend that the duties be removed. He preferred to wait and see if the prices rose again and only then would he recommend removing the duties.<sup>71</sup>

Similarly, the likely cost motivated the Council and Commissioner to avoid removing the duties until it was absolutely required. Thomas Williamson, the Revenue Commissioner, commented on Pringle’s report. He believed that removing the duties would soon be required in a number of districts in the Deccan. He argued that ‘any delay ... in sanctioning it might greatly detract from the benefit of it’. He therefore requested the Council’s authority to remove the duties when he saw fit without first having to seek the Council’s permission.<sup>72</sup> This allowed him to postpone removing the duties until it was absolutely necessary. The Council granted him such powers.<sup>73</sup> Yet one week later Williamson informed the Council that the time was still not yet ripe for removing the duties in Poona district.<sup>74</sup> One month later Williamson informed the Council of the situation in the Konkan. He noted the relatively low price of rice, and ‘the large sacrifice of revenue which the remission would occasion’. He concluded that ‘the measure is not at present requisite in this district’.<sup>75</sup> The Council concurred.<sup>76</sup>

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<sup>69</sup> R. K. Pringle, Sholapur Sub-Cltr, to Rev Cmr, 7 Nov 1832, BRP, 28 Nov 1832, No. 6427, APAC.

<sup>70</sup> Minute by Clare, Bombay Governor, 19 Nov 1832, BRP, 5 Dec 1832, No. 6523, APAC.

<sup>71</sup> J. Burnett, Act 1<sup>st</sup> Asst Poona Cltr in Charge, to Sec to Govt, 8 Nov 1832, BRP, 21 Nov 1832, No. 6178, APAC.

<sup>72</sup> T. Williamson, Rev Cmr, to Sec to Govt, 8 Nov 1832, BRP, 28 Nov 1832, No. 6425, APAC.

<sup>73</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 26 Nov 1832, BRP, 28 Nov 1832, No. 6429, APAC.

<sup>74</sup> T. Williamson, Rev Cmr, to Sec to Govt, 17 Nov 1832, BRP, 5 Dec 1832, No. 6521, APAC.

<sup>75</sup> T. Williamson, Rev Cmr, to Sec to Govt, 29 Dec 1832, BRP, 23 Jan 1833, No. 294, APAC.

<sup>76</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 17 Jan 1833, BRP, 23 Jan 1833, No. 296, APAC.

Yet by December 1832 officials finally began to remove the grain duties in their districts. These removals were made in the Deccan and the Karnatak. Any further delay would have exposed the administration's poorer subjects to such distress as to spur unacceptable levels of migration and crime. The drought had thus reached sufficient ferocity that the policy of withholding relief had become the more expensive option. Notably, the officials' requests for the removal of the duties were devoid of any ideological reasoning. For them, the policy was primarily a timely scarcity-relief measure. On 1 December G. W. Anderson, the Acting Dharwar Collector, utilised the authority recently vested in all Collectors to remove the grain duties in times of immediate need without the Council's prior sanction. He cited high grain prices and a 'state of distress' in the Indi and Mudebehal talukas of Dharwar district.<sup>77</sup> The Council subsequently approved of Anderson's decision.<sup>78</sup> Six days later Commissioner Williamson exercised the authority vested in him to remove the grain duties in Sholapur sub-district, which had suffered considerably from the 'want of rain'. This, Williamson noted, was despite the fact that the sub-district's grain duties were farmed and therefore the Government would incur the extra cost of reimbursing the duties farmers.<sup>79</sup>

Ten days later Williamson removed the duties in the talukas of Ahmednagar district that most required the measure. Thus the measure was not light-heartedly extended to all talukas, but rather was implemented with the care of the cost-conscious. Williamson noted that the duties were farmed in Ahmednagar, and that the cost of their removal would be considerable. Yet he also noted that 'the sacrifice ... is one which I am aware of Government's readiness to incur, if humanity requires it'. He was, however, concerned by the ease with which the duties farmers could exaggerate their claims for compensation. This, he argued, placed 'in a strong light, the necessity of proceeding in this matter with care and circumspection'.<sup>80</sup> The Council approved of the removal of transit duties 'in any district where such a measure may be requisite to alleviate distress'.<sup>81</sup> In late December Anderson reported from Dharwar once again

<sup>77</sup> G. W. Anderson, Act Dharwar Cltr, to Chief Sec in Attendance with the Right Hon'ble Governor, 1 Dec 1832, BRP, 12 Dec 1832, No. 6612, APAC.

<sup>78</sup> C. Norris, Chief Sec in Attendance with the Right Hon'ble Governor, to Act Dharwar Cltr, 3 Dec 1832, BRP, 12 Dec 1832, No. 6613, APAC.

<sup>79</sup> T. Williamson, Rev Cmr, to Act Poona Cltr, 7 Dec 1832, BRP, 31 Dec 1832, No. 6800, APAC.

<sup>80</sup> T. Williamson, Rev Cmr, to Sec to Govt, 17 Dec 1832, BRP, 9 Jan 1833, No. 39, APAC.

<sup>81</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 4 Jan 1833, BRP, 9 Jan 1833, No. 41, APAC.

that he had authorised the Bagulkotah sub-Collector to remove the grain duties for the talukas of Indi and Mudebehal because of ‘distress in those districts being already very great’.<sup>82</sup> The Council approved of Anderson’s decision.<sup>83</sup> Once again, this highlighted the readiness of the Council to defer, on certain issues, to the opinions of its subordinates in the field.

The following season of 1833/4 was the worst year of the 1831-5 drought. During this season some officials requested permission to extend the period for which the duties on grain would be waived. Their requests were based on descriptions of distress rather than ideological statements. People began to starve to death in two districts in particular, viz. Dharwar and Sholapur. In June 1833 Anderson reported a ‘scarcity of grain and consequent distress’ in three talukas of Dharwar district. He requested permission to continue the removal of the grain duties in those talukas until the ‘Dussera’ festival, which marked the beginning of the harvest in October.<sup>84</sup> The Council sanctioned his request.<sup>85</sup> In July Henry Robertson described the distress of the inhabitants of Sholapur sub-district as being ‘still very great’.<sup>86</sup> Williamson therefore recommended that the grain duties remain lifted until the ‘Dussera’.<sup>87</sup> The Council sanctioned his request.<sup>88</sup>

The removal of the grain duties was not a decision that was lightly made by the 1831-5 administration. The costs involved rendered the Council reluctant to sanction such a sacrifice of revenue without first a pause for consideration. To some extent this short-term revenue focus was encouraged by the Court of Directors. In July 1833 it noted

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<sup>82</sup> G. W. Anderson, Act Dharwar Cltr, to Sec to Govt, 27 Dec 1832, BRP, 23 Jan 1833, No. 270, APAC.

<sup>83</sup> L. R. Reid, Sec to Govt, to Act Dharwar Cltr, 17 Jan 1833, BRP, 23 Jan 1833, No. 272, APAC.

<sup>84</sup> G. W. Anderson, Act Dharwar Cltr, to Sec to Govt, 28 Jun 1833, BRP, 31 Aug 1833, No. 4069, APAC.

<sup>85</sup> C. Norris, Chief Sec to Govt, to Act Dharwar Cltr, 18 Jul 1833, BRP, 31 Jul 1833, No. 4071, APAC.

<sup>86</sup> H. D. Robertson, Poona Cltr, to Rev Cmr, 24 Jul 1833, BRP, 14 Aug 1833, No. 4525, APAC.

<sup>87</sup> T. Williamson, Rev Cmr, to Chief Sec to Govt, 25 Jul 1833, BRP, 14 Aug 1833, No. 4525, APAC.  
Dussera/Dassora/Dasehra: ‘The nine-nights’ (or ten days’) festival in October, also called Durga-puja. In the west and south of India this holiday, taking place after the close of the wet season, became a great military festival, and the period when military expeditions were entered upon’. Yule, Henry, and A. C. Burnell, (eds.), *Hobson-Jobson: A Glossary of Colloquial Anglo-Indian words and phrases, and of kindred terms, etymological, historical, geographical and discursive*, 2<sup>nd</sup> edn., London: Routledge & Kegan Paul, first published 1886, 2<sup>nd</sup> edn. published 1903, p. 333.

‘When the early crops will be ready for cutting’. G. W. Anderson, Act Dharwar Cltr, to Sec to Govt, 17 Jun 1833, BRP, 10 Jul 1833, No. 3793, APAC.

<sup>88</sup> C. Norris, Chief Sec to Govt, to Rev Cmr, 8 Aug 1833, BRP, 14 Aug 1833, No. 4526, APAC.

with pleasure that ‘although the crops suffered greatly from drought, it has not been found necessary to suspend the collection of transit duties’ in Gujarat or the Konkan. The Court informed the Bombay Council that ‘your proceedings in this case merit our approbation’.<sup>89</sup> Subsequent to receiving this letter the Council was reluctant to sanction the recommendations of its Collectors in Gujarat to remove the grain duties. In August 1833 Commissioner Williamson forwarded reports of drought in Ahmedabad and Kaira districts, but recommended postponing the removal of duties to enable the Government ‘to estimate more correctly the resources of the people, not only at Kaira but throughout Guzerat’.<sup>90</sup> This was despite the fact that John Vibart’s report from Ahmedabad had included a lengthy description of distress. Vibart had reported that ‘the only signs of vegetation being in irrigated lands’, the crops of several villages were ‘completely burnt up, and withered, and the country in every direction bears the same dried up appearance’. Moreover, the water of wells were ‘several feet lower than usual’, and ‘great mortality also prevails amongst the cattle from the want of forage and water’.<sup>91</sup> The Council, however, concurred with Williamson that ‘it would be advisable to postpone the suspension of the transit duties on grain in Guzerat until the season shall be more advanced, when a better opinion could be formed of the necessity or otherwise of the measure’.<sup>92</sup>

Two months later in October 1833 the new Ahmedabad Collector Edward Mills also reported considerable distress in his district. He reported that the season’s rain had been ‘totally inadequate for the wants of the Country’, and that the burning sun had ‘completely parched up’ the land. He reported a plague of locusts and a serious blight that had caused ‘extensive injury’ to the crops. He stated that the crops that had been sown after late August were unlikely to yield ‘any thing further than forage’ for cattle. He therefore recommended a removal of the grain duties to encourage ‘the importation of grain’.<sup>93</sup> Yet the Council was not convinced and requested Williamson’s opinion.<sup>94</sup> Five weeks later Williamson handed up another letter from Mills regarding ‘the strong necessity for removing the transit duties on all grain’. Mills supported his request with the observation of ‘immense flights of locusts’

<sup>89</sup> Bombay Despatches, 12 Jul 1833, E/4/1059, pp. 1179-80, APAC.

<sup>90</sup> T. Williamson, Rev Cmr, to Chief Sec to Govt, 30 Aug 1833, BRP, 11 Sep 1833, No. 5051, APAC.

<sup>91</sup> J. Vibart, Ahmedabad Cltr, to Rev Cmr, 21 Aug 1833, BRP, 11 Sep 1833, No. 5051, APAC.

<sup>92</sup> L. R. Reid, Chief Sec to Govt, to Rev Cmr, 10 Sep 1833, BRP, 11 Sep 1833, No. 5053, APAC.

<sup>93</sup> E. B. Mills, Ahmedabad Cltr, to Sec to Govt, 10 Oct 1833, BRP, 6 Nov 1833, No. 5861, APAC.

<sup>94</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 24 Oct 1833, BRP, 6 Nov 1833, No. 5861, APAC.

plaguing his district.<sup>95</sup> Williamson still preferred to defer recommending a removal of the grain duties until he had observed the distress with his own eyes.<sup>96</sup> The Council replied that it ‘approves of your intention to delay’. Yet it did grant him the authority to remove the duties without prior sanction from the Council ‘should you find such a measure urgently called for’.<sup>97</sup> When Anderson and Pringle called for a removal of the grain duties in their Deccan districts the Council and Williamson did not delay for the purpose of double-checking their descriptions of distress. Yet the Council and Williamson did delay in Gujarat. This was not due to a lack of respect for the opinions of Vibart and Mills. Vibart had only two years earlier held the respectable position of Revenue Commissioner. Rather they were reluctant to disappoint the Court of Directors with an extension of the removal of grain duties to the more prosperous Gujarat. In this case, the opinion of London was a greater influence on the Council’s decision making than the recommendations of its Collectors.

A fundamental assumption of *laissez-faire* theory during drought was that if the grain dealers were left to pursue their business interests, free from government interference, they would inadvertently provide a public service by supplying the demand for grain. This assumption was a cornerstone of Bombay’s official policy of non-intervention toward the grain trade throughout the 1820s and 1830s. Yet in each of the three droughts in this time period there were some officials who questioned this *laissez-faire* assumption. They argued that the grain dealers were capitalising on the fears of the public by combining with other merchants and forestalling to further push up grain prices. This has been demonstrated in a previous chapter. Only during the 1831-5 drought, however, did this suspicion toward the grain dealers affect the policy of some officials toward the grain duties.

On more than one occasion during the 1831-5 drought officials argued for the removal of duties in the hope that it might break up local grain merchant combinations. It was believed that this would encourage other merchants elsewhere to import their grain, which would increase local competition and drive down the artificially high prices. In 1832 G. W. Anderson reported that he had removed the

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<sup>95</sup> E. B. Mills, Ahmedabad Cltr, to Rev Cmr, 8 Nov 1833, BRP, 4 Dec 1833, No. 6740, APAC.

<sup>96</sup> T. Williamson, Rev Cmr, to Sec to Govt, 27 Nov 1833, BRP, 4 Dec 1833, No. 6739, APAC.

<sup>97</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 3 Dec 1833, BRP, 4 Dec 1833, No. 6741, APAC.

import duties on grain in Dharwar town because ‘the grain dealers refuse to sell any but the smallest quantities even at the reduced rates, and have thereby caused considerable vexation’. He informed the Council that ‘it is to break up this combination if possible that I have thought it desirable at once to remit the duties’.<sup>98</sup> The Council approved.<sup>99</sup> Similarly, Commissioner Williamson recommended the removal of grain duties specifically in Ahmednagar town in 1832 because grain prices were highest at that location. He argued that this would reduce the prices and ‘aid towards breaking the combinations of the grain dealers’.<sup>100</sup> The Council sanctioned his recommendation.<sup>101</sup> Likewise, in December 1832 Richard Mills reported from Poona that the grain dealers were keeping prices artificially high relative to their stores of grain. To force them to sell at fairer prices he recommended removing the grain duties to entice foreign merchants into the market.<sup>102</sup>

Yet other officials took the opposite interpretation that removing the duties would in fact benefit the grain merchants and not the consumer. They believed that the reduction in the costs of transporting grain offered by the removal of the duties would be absorbed by the merchant and not passed on to the consumer. Officials with this interpretation therefore argued against the removal of the grain duties. Yet the goal of not benefiting merchants, particularly those suspected of combination, remained unchanged. In 1832 the Acting Ahmednagar Collector, Edward Townsend, reported that ‘many of the intelligent natives’ of his district were of opinion that the high grain prices were more the effect of a combination between merchants than the failure of the harvest. He argued that if this were so then removing the grain duties would merely benefit the merchants and not the consumers. He reported that he felt ‘some hesitation in rejecting the opinion’ that the merchants were combining, ‘though it is one not easy to act upon’.<sup>103</sup> Yet regardless of Townsend’s concerns, Commissioner Williamson removed the grain duties and the Council approved.<sup>104</sup>

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<sup>98</sup> G. W. Anderson, Act Dharwar Cltr, to Sec to Govt, 27 Dec 1832, BRP, 23 Jan 1833, No. 270, APAC.

<sup>99</sup> L. R. Reid, Sec to Govt, to Act Dharwar Cltr, 17 Jan 1833, BRP, 23 Jan 1833, No. 272, APAC.

<sup>100</sup> T. Williamson, Rev Cmr, to Sec to Govt, 19 Dec 1832, BRP, 9 Jan 1833, No. 79, APAC.

<sup>101</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 4 Jan 1833, BRP, 9 Jan 1833, No. 81, APAC.

<sup>102</sup> R. Mills, Act Poona Cltr, to Rev Cmr, 30 Dec 1832, BRP, 6 Feb 1833, No. 610, APAC.

<sup>103</sup> E. H. Townsend, Act Ahmednagar Cltr, to Rev Cmr, 29 Nov 1832, BRP, 9 Jan 1833, No. 40, APAC.

<sup>104</sup> T. Williamson, Rev Cmr, to Sec to Govt, 17 Dec 1832, BRP, 9 Jan 1833, No. 39, APAC; and L. R. Reid, Sec to Govt, to Rev Cmr, 4 Jan 1833, BRP, 9 Jan 1833, No. 41, APAC.

One year later Richard Mills, who at this time was the Ahmednagar Collector, reported that the removal of the grain duties was no longer required. He argued that as there was an abundant harvest there was ‘no necessity for continuing an exemption which does not benefit the ryots, and is a heavy loss to Government’. This reasoning was counter to the *laissez-faire* argument that taxes inhibited the flow of goods. He argued that in such circumstances the removal of the duties benefited only the grain dealers who were selling grain at double the wholesale price.<sup>105</sup> Commissioner Williamson sanctioned the re-imposition of the grain duties, and the Council concurred.<sup>106</sup> Similarly, Williamson argued that the grain dealers of Poona district had capitalised so completely on the consumers’ fears of famine that ‘any slight alleviating measure like the suspension of the road duties would only swell their profits without bringing any substantial relief to the consumers’.<sup>107</sup> The Council agreed and upheld the grain duties.<sup>108</sup>

Thus some officials declared their *laissez-faire* convictions early in the 1831-5 drought. Most officials, however, were not convinced that the grain duties should ever be removed, except as a temporary scarcity-relief measure. The likely cost forced officials to delay removing the duties until it was rendered absolutely necessary when the drought turned for the worse in late 1832. The duties were removed in the Deccan and Karnatak where the suffering was the most extreme. The distress had also extended to the more prosperous Gujarat by 1833. But the Council and Commissioner Williamson severely delayed removing the duties in Gujarat for fear of disappointing the Court of Directors. The *laissez-faire* assumption that an unfettered grain dealer would best serve the public interest was challenged by officials in each of the three droughts. Yet only in the 1831-5 drought did the distrust harboured by some officials toward the grain dealers affect their grain duties policy.

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<sup>105</sup> R. Mills, Ahmednagar Cltr, to Rev Cmr, 6 Nov 1833, BRP, 27 Nov 1833, No. 6451, APAC.

<sup>106</sup> T. Williamson, Rev Cmr, to Ahmednagar Cltr, 11 Nov 1833, BRP, 27 Nov 1833, No. 6451, APAC; and L. R. Reid, Sec to Govt, to Rev Cmr, 22 Nov 1833, BRP, 27 Nov 1833, No. 6452, APAC.

<sup>107</sup> T. Williamson, Rev Cmr, to Sec to Govt, 19 Jan 1833, BRP, 6 Feb 1833, No. 609, APAC.

<sup>108</sup> L. R. Reid, Sec to Govt, to Rev Cmr, 1 Feb 1833, BRP, 6 Feb 1833, No. 613, APAC.

*Political debate in Britain in the 1830s.*

British political debate in the early 1830s involved a mounting pressure for the permanent removal of all obstacles to trade between India and Britain. The Court of Directors was still averse to permanently giving up a considerable source of revenue such as the customs and transit duties. Yet the British manufacture and trading interests were particularly eager to lower the cost of their raw materials coming from India and to improve the purchasing power of the Indian market for their return goods. This eagerness was expressed by the 1831-2 Select Committee, which suggested to Parliament the terms on which the Company's trading charter should be renewed. The Committee's report was full of *laissez-faire* demands. The Committee referred to the inland transit duties of India as 'a fertile source of vexation and annoyance'.<sup>109</sup> It observed the poverty of Indian agriculture in the early 1830s, and proposed as a remedy encouraging more exports of Indian raw produce. Achieving this required 'removing, or greatly diminishing, the obstructions to the admission of the produce and manufactures of India to the European, and above all, to the British market'.<sup>110</sup> James Mill offered his opinion to the Committee that the transit duties were depressing production and trade in India. He argued that their abolition was delayed only because the Company's finances in India would not allow for such a loss.<sup>111</sup>

*The response in India.*

Stokes has noted that the liberal Charles Trevelyan had advocated an abolition of India's inland duties in his 1834 Report on the Town and Transit Duties. This, Stokes has argued, motivated Acting Governor Alexander Ross of Agra Presidency to abolish the duties in his region. In 1836 the duties were also abolished in Bengal Presidency. The Court of Directors was furious. It informed Calcutta that if Ross had still held his

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<sup>109</sup> Select Committee on the Affairs of the East India Company, Report, PP 1831-2 (734), p. 72.

<sup>110</sup> Select Committee on the Affairs of the East India Company, Report, PP 1831-2 (734), p. 68.

<sup>111</sup> James Mill to T. Hyde Villiers, no date given, Select Committee on the Affairs of the East India Company, Revenue Appendix, PP 1831-2 (735-III), p. 278.

position in Agra ‘we should have come to the resolution of cancelling his appointment’.<sup>112</sup>

The Bombay administration committed to a reduction in its land revenue assessments from the 1832/3 season, which has been mentioned in the previous chapter. The policy was motivated by the *laissez-faire* observation that the Presidency’s heavy revenue assessments were acting as a check on agricultural production. Similarly, the inland customs and transit duties came to be seen as a check on production and commerce. In 1836 the Bombay administration followed the lead of the Agra and Bengal administrations and permanently abolished its inland duties. The permanent abolition of the duties was motivated by more than the goal of temporary relief that was pursued by traditional western Indian rulers. It was motivated by a *laissez-faire* belief that the duties were permanently inhibiting production and trade and should therefore be permanently abolished.

Prior to 1836 most officials of the Bombay administration had not been convinced by *laissez-faire* attacks on the policy of levying grain duties. Yet the same shift in thinking that motivated a general revision and reduction in the land revenue assessments only three years earlier extended to the policy of taxing commerce. The permanent abolition of the duties began in the Konkan in 1836. All the inland duties that were checking trade in the Deccan and Karnatak were abolished by 1838.<sup>113</sup> Even officials who, prior to 1836, had strongly rejected the policy of lifting the grain duties embraced the new official orthodoxy. W. C. Bruce, who had proposed a re-imposition of the grain duties during the 1823-5 drought, was celebrating their permanent abolition in 1838. He recommended that the Council commit to a substantial increase in its expenditure on roads. This, he argued, would augment the benefit already offered by the ‘abolition of the transit duties’ and further lift India out of poverty.<sup>114</sup> Most importantly the upper echelons of the administration were convinced that the permanent abolition of the duties had been a good move. Commissioner Williamson agreed with Bruce that the abolition had offered the cultivators ‘immense relief ... at a

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<sup>112</sup> Despatch of Court of Directors, 1 Feb 1837: 1852, vol. x, p. 812, cited in Stokes, *The English Utilitarians and India*, p. 239.

<sup>113</sup> Choksey, *Economic History of the Bombay Deccan and Karnatak*, pp. 281-3.

<sup>114</sup> W. C. Bruce, Bombay Cltr, to Sec to Govt, 21 Feb 1838, BGP, 7 Mar 1838, No. 107, APAC.

comparatively trifling expense'.<sup>115</sup> Governor Robert Grant concurred. He argued in *laissez-faire* terms that 'a heavy transit duty has exactly the same effect in impeding internal communication, and debarring the ryots from a distant market ... as a bad road'. Both the abolition of the heavy duty and the repair of the bad road would improve the region. Yet the latter 'takes time and trouble', whereas the former 'is done with one dash of the pen'.<sup>116</sup> In 1839 the Bombay Council stated that it was pleased with the improvement in the 'condition of its subjects' and 'punctual realization of the revenue' which measures like the 'remission of transit duties' helped realise without causing any great loss to the Government's coffers.<sup>117</sup>

The first district of the Presidency in which the land duties were abolished was Thana in 1836. The district Collector, George Giberne, approved on both ideological and fiscal grounds. He stated that 'hope, exertion, and enterprise appear to have succeeded apathy and discontent'. This was the language of the *laissez-faire* ideologue. He continued: 'each ryot begins to feel his independence in the market instead of being controlled by a few monopolists, who, owing to the heavy land customs, were enabled to purchase grain as a drug in the villages, and on the ruin of the poor, enriched themselves, aided as they were by a system happily now no more'. He asserted that the Government also gained from the abolition. The ryots were now better able to punctually pay their land assessments. Moreover the increased agricultural production and volume of exports benefited the Government's sea customs duties which were still in force. This, Giberne argued, would 'soon cover the amount once collected on account of land customs'.<sup>118</sup> Commissioner Williamson arrived at the same conclusion. He noted that Thana had suffered more than most districts from heavy duties and burdensome taxes that had 'combined to retard the improvement of this Zillah'. This was probably why Thana was the first district in which the duties were abolished. Williamson concluded that 'much benefit to the [land] revenue may be expected' from the abolition of the duties.<sup>119</sup> John Davies, the Second Assistant Thana Collector, asserted that the abolition of duties in his district had had 'a most decided and beneficial effect'. He argued that the ryots were now able to take their grain to the

<sup>115</sup> T. Williamson, Rev Cmr, to Act Sec to Govt, 21 Apr 1838, BGP, 4 Jul 1838, No. 218, APAC.

<sup>116</sup> Minute by R. Grant, Bombay Governor, 7 Jun 1838, BGP, 4 Jul 1838, No. 222, APAC.

<sup>117</sup> L. R. Reid, Act Chief Sec to Govt, to Rev Cmr, 18 Mar 1839, BRP, 20 Mar 1839, No. 1920, APAC.

<sup>118</sup> G. Giberne, Tannah Cltr, to Rev Cmr, 16 Sep 1837, BRP, 18 Jul 1838, No. 5518, APAC.

<sup>119</sup> T. Williamson, Rev Cmr, to Act Chief Sec to Govt, 23 Nov 1838, BRP, 30 Jan 1839, No. 493, APAC.

market without the interference of the grain dealers. Moreover the abolition had increased the price of grain, to the benefit of the ryots. Davies concluded with a statement that would have confirmed the expectations of James Mill: ‘a moral effect [on the ryots] has been brought about by the abolition of the transit duties’.<sup>120</sup>

Ahmednagar district’s duties were abolished in the 1836/7 season. Williamson observed that the increase in Ahmednagar’s land revenues the following year was partly due to the ‘abolition of transit duties’.<sup>121</sup> The grain duties of Poona district and Sholapur sub-district were removed during the 1836/7 season. The following year Commissioner Vibart observed a 12 per cent drop in the overall gross revenues for Poona and Sholapur combined. He attributed the loss partly to ‘the abolition of transit and town duties’, but he also noted a slight increase in the land revenue.<sup>122</sup>

But the application of *laissez-faire* ideology to grain duty policy was still limited by the financial realities of the Presidency. The Deccan, Konkan and Karnatak were sufficiently devastated by grain price depressions and droughts to benefit from an abolition of duties. Yet in the late 1830s the duties of Gujarat were not abolished. In 1839 a group of petitioners in the Gujarat district of Broach asked the Council to remove the duties on grain as a scarcity-relief measure.<sup>123</sup> After some deliberation within the administration it was decided that the removal of the duties in Broach district was not called for by the severity of the drought.<sup>124</sup> Williamson and the 1831-5 Council had been equally reluctant to give up the grain duties in Gujarat. Gujarat was less drought-prone and generally more prosperous. The abolition of duties in Gujarat promised a greater immediate fiscal sacrifice for a smaller long-term return in augmented land revenues than the Presidency’s other divisions. Evidently, the Council felt that their reduction of the land revenue assessments in Gujarat was an adequate stimulus to economic progress in this less drought-prone region.

<sup>120</sup> Memorandum by J. M. Davies, 2<sup>nd</sup> Asst Tannah Cltr, 16 Jul 1838, BRP, 12 Dec 1838, No. 9136, APAC. Emphasis in original.

<sup>121</sup> T. Williamson, Rev Cmr, to Act Chief Sec to Govt, 3 Nov 1838, BRP, 20 Mar 1839, No. 1914, APAC.

<sup>122</sup> J. Vibart, Rev Cmr, to Act Chief Sec to Govt, 15 Jan 1839, BRP, 10 Apr 1839, No. 2279, APAC.

<sup>123</sup> Dessaie Houkoomutroy Dowlutroy Muzmoodar and 372 Other Broach Petitioners, to Act Chief Sec to Govt, no date given, BRP, 20 Feb 1839, No. 1076, APAC.

<sup>124</sup> Resolution by Council, no date given, BRP, 20 Feb 1839, No. 1077, APAC; and L. R. Reid, Act Chief Sec to Govt, to Act Surat Cltr, and to Cltr of Customs for Gujarat and the Konkan, no date given, BRP, 20 Feb 1839, No. 1078, APAC; and G. Coles, Act Broach Sub-Cltr, to Act Surat Cltr, 16 Mar 1839, BRP, 17 Apr 1839, No. 2603, APAC.

*Conclusion.*

*Laissez-faire* ideology had motivated the Bombay administration to abstain from interfering in the grain trade since 1812. Yet it has been demonstrated that the *laissez-faire* arguments that were applied to the grain duties by a minority of officials in the administration did not convince the rest of their colleagues. Official orthodoxy prior to 1836 was that the duties were too valuable a source of revenue to be permanently abolished. It was, however, recognised that a temporary removal of the duties during drought would slow the ascent in grain prices and mitigate migration and crime. It would provide relief to the Government's subjects and reduce the effect of drought on its main source of income, the land revenues. This was, however, a relief policy traditionally followed by western Indian rulers without ideological influence. Yet the early 1830s witnessed a significant shift in fiscal policy. Orthodox opinion warmed to the *laissez-faire* idea of reducing the revenue burdens on the ryots whilst still maintaining or even increasing the Government's overall income. A revision and reduction of the land revenue assessments was commenced in 1832/3. By 1836 the reasoning behind this measure had extended to duties. The duties were abolished in the economically devastated Deccan, Konkan and Karnatak. Yet the Council was not so taken with *laissez-faire* logic as to abolish the duties in the more prosperous Gujarat, where relief was not as essential and the financial returns to the land revenues seemed lacklustre.