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SOME ASPECTS OF
INDIAN FOREIGN TRADE
1757—1893

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1757—1893

BY

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TO MY WIFE

PREFACE

THE development of Indian foreign trade for a period of 100 years from 1757 is naturally associated with the political and commercial activities of the East India Company, the sole survivor of the European trading companies.

Very good accounts of the way in which the volume and value of this trade increased during certain periods have been given by English writers, mostly from the English point of view. Romesh Dutt's monumental work on certain aspects of this trade, as an illustration of his main thesis in connection with the land revenue system of India, is an attempt of permanent value written from the Indian point of view. Next to the volume and value of this trade, the subject of Indian tariff has also attracted attention in the past, and has been treated both by English and Indian writers, who have arrived at opposite conclusions in many instances.

The present work deals with the subject of Indian foreign trade from a different standpoint. Emphasis has been laid throughout on the *character* and *direction* of this trade, with reference to their reaction upon Indian rather than upon English or foreign economic conditions. As such, a careful analysis of the principal causes and influences which affected the trade in these respects and led to the increase in its volume and value has been made. The plan has been continued in the period 1857 to 1893, which witnessed the full development of the tendencies that were set going in the previous 100 years.

The author believes that such a treatment of the subject, for the period covered by this work, is the first of its kind, though there is no lack of material both of original and documentary nature, which has hitherto been not available or not easily accessible. Also, that the revolution brought about in the foreign trade of India between 1857 and 1893 was, to a large extent, due to the improvements in the

overseas means of communication and the Suez Canal has been explained from the purely Indian point of view for the first time.

The general reader who is interested only in the present-day trade may find the material herein given not very interesting reading. But if he should be interested in knowing how the few items which constituted the Indian foreign trade have, in the course of 135 years, developed into the great variety which this trade had in 1893 and continues to have to-day, how India's trade relations with some of her principal customers began, and what were the influences at work which brought about the great change, he may find information from essential data presented here.

"The present can be understood only with reference to the past." In these days, when the revenue from Indian foreign trade has become the mainstay of Indian finance, exceeding that derived from land, and when all future hopes of the increase of the income of the Central Government are bound up with this trade, a correct understanding of the sources of this revenue is very essential.

There is another reason why greater emphasis is likely to be laid on this subject in the future. The future industrial development of the country has been definitely linked up with the tariff policy of the country, and we have already seen some of the effects of this change. A great increase in revenue and wholesale protection to industries are mutually inconsistent, a fact which presents many a tough problem to the statesmen and the legislator. So far the historical study of tariffs in India has been made mainly from the standpoint of politics. Now, it has to be studied with reference to its effects upon the industrial development as well as upon the finance of the country; and this naturally increases the great need of understanding the country's foreign trade.

A bird's-eye view of the political and trade situation in India during the fifty years previous to Plassey forms the subject of the first chapter.

In the second chapter it has been shown, by means of

original evidence, how the English East India Company eliminated all trade rivals from the foreign trade of India, how its servants turned both the internal and external trade into a monopoly for their own benefit for some time, and how this resulted in a drain of wealth and capital from the country for which there was no commercial return.

The third chapter, based upon original documents, is devoted to a discussion of the manner in which the East India Company turned the foreign trade as well as the production of the articles entering into it into a virtual monopoly for itself, and what reaction this had upon the manufactures and production of the country. The beginnings of changes in the character of the trade towards the end of the eighteenth and the beginning of the nineteenth century under the influence of external forces and their results have also been fully discussed.

The fourth chapter attempts an account of the removal of the Company's monopoly, and of all restrictions and restraints that had been laid upon the trade, especially that of the Indian tariff. It has been shown that the internal tariff system of India had no small share in depriving the country of its export trade in cotton manufactures, in her Asiatic markets. The emphasis laid on the culture of raw materials has been fully developed.

The last chapter makes a critical examination of the three principal forces which affected the foreign trade of India between 1857 and 1893, and ascribes its phenomenal growth and development to the improvements in the means of communication and to the systematic reduction of the Indian tariff. An estimate of the reaction of these causes on production and on the welfare of the people of the country has been made.

All conclusions arrived at are fully supported and maintained by authoritative evidence, to which full references have been given for purposes of verification.

Full advantage has been taken of the voluminous material which is available in a scattered form in the archives of the India Office Library and Record Department, the British Museum, the Customs Office Library, and in the Libraries

of the London University and the London School of Economics.

Rigid historical and chronological sequence has not been adhered to, as the main purpose of this thesis is economic ; historical instances having mainly been utilised for the illustration of economic facts.

The author's thanks are due to his teachers, Dr. Gilbert Slater, of Oxford, and Dr. V. Anstey, of the London School of Economics, who helped him in this work, both by their valuable criticism and suggestions, and by examining it while it was being prepared. He is also indebted to his teacher, Professor Bowley, for his suggestions regarding the handling of the statistical material of this book. Sir William Foster, with his vast knowledge of the treasure in the India Office, has materially assisted the author on several occasions, which help is acknowledged here with gratefulness.

The author takes great pleasure in acknowledging helpful suggestions made to him in Holland and in London by Professor Brij Narain, of Sanatam Dharam College, Lahore, who also looked through the work at an early stage of its preparation, and the inspiration he received by the reading of the works of Professor J. C. Sinha, of Dacca University.

LONDON,

September 15th, 1932.

FOREWORD

SOME ninety years ago Carlyle declared that it was "the condition of the people problem" that ought above all to engage earnest thought in Britain. The same is true for India at the present day, where the same combination of intense poverty of the masses of the people, combined with rapid industrial changes, underlies all the unrest and political strife of the present day. But at least the Indian Universities, unlike ours in the days of the Chartists, fully recognise this fact, and in recent years they have made the study of Indian economics one of their chief aims.

For this great work they require to have as part of their equipment books embodying the results of thorough research into multifarious aspects of Indian history as well as existing conditions. It so happens that for many of these detailed investigations the material is to be found, not in India, but in London, in the stores of printed books and manuscripts of the British Museum and the India Office.

Dr. I. Durga Parshad is one of a number of Indians, graduates and teachers of Indian Universities, who, often as the result of difficult sacrifices of time and money, have come to London in order to prosecute such studies. The zeal and ability with which he has explored the records and marshalled the facts relating to the particular subject, one of great interest and importance, which he has chosen for investigation, has received its due meed of recognition from the University of London, and will be apparent to every reader of this book.

GILBERT SLATER.

OXFORD,
September, 1932.

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SOME ASPECTS OF INDIAN FOREIGN TRADE

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CHAPTER I

FIFTY YEARS BEFORE PLASSEY,

1707—1757

Section I

THE POLITICAL ENVIRONMENT

AT the beginning of the eighteenth century, the whole of India and Afghanistan was nominally under the Moghul Empire, even the Polygars in the extreme south of the peninsula paying forced tribute to the Moghul Emperor, Aurangzeb.¹

The chief areas carrying on foreign trade were mostly situated along the extensive coast line of the country. They were served by the ports of Surat, Bombay, Goa and a few subordinate ports on the Malabar coast, and by Negapatam, Tranquebar, Madras, Masulipatam, Calcutta and a few others on the Coromandel coast. Foreign trade had already, to a considerable extent, fallen into the hands of the European traders, especially of the members of the English East India Company; and their possessions along the sea coast aided them greatly in prosecuting it.² But these foreign traders had not yet penetrated far inland, and took but a small part in the internal trade of the country.

Between 1707 and 1757 a tremendous change was accom-

¹ Joppen, Historical Atlas of India, Map No. 19.

² *Ibid.*, Maps Nos. 19 and 23.

lished both in the political situation and in the position of the foreign traders in India. The beginning of the change was marked by the death of Aurangzeb under whose long reign the country had attained a measure of political and economic unity. But forces of disintegration which were at work even during his life-time began to operate very soon after his death. Within seventeen years of that event, the Deccan and Oudh became independent of the authority of the Emperor of Delhi, followed by Bengal in 1740; while the Mahrattas under the vigorous administration of the Peshwas and the Mahratta confederacy extended their authority over the greater portion of central India and of the western part of the Deccan. Their levies of *chauth* and *surdeshmukhi* (fourth and tenth parts of the revenue) did not spare either friend or foe.

In the south, as old age approached Nizam-ul-Mulk, the ruler of the Deccan, many chiefs under him assumed the title of "Nawab,"¹ the rajas of Coorg, Travancore, Cochin, and all the chiefs of Malabar became independent, while sham rajas were nominated by Hindu and Mohamadan usurpers in Mysore.

Throughout this period wars of succession were constantly going on for the throne of Delhi, leading to a rapid accession and removal of as many as six important and of many unimportant kings within the period of fifty years. The Rajputs, the Jats, the Sikhs, and the Afghans threw off their allegiance, which reduced the Moghul Empire, by the middle of the eighteenth century, to the country between the upper courses of the Ganges and Jamna, that between the Jamna and the Sutlaj, and Gujrat which was still under a dependent Moghul viceroy. The invasions of Nadir Shah and Ahmad Shah Abdali gave the death blow to the Moghul Empire, as well as to all hopes of a Hindu rule under the Mahrattas.²

The change in the position of foreign traders was affected partly by what was happening in the country, but mostly by the following three events :—

¹ Cf. Dodwell. *Dupleix and Clive*, p. 31.

² Joppen, *op. cit.*, Map No. 23.

First, the embassy of the English Company to the court of the Moghul Emperor, Furrukh Siyar, in the year 1716.

Its significance lies in the fact that although the Moghul Empire was in the process of decay, the Emperor at Delhi was still recognized as the sovereign from whom alone all trade and other privileges had to be secured.¹ Also because the interpretation "forced" upon the privileges granted to the embassy were, very largely, responsible for changing both the political and commercial state of the country forty years later. The need of the embassy arose from the molestations and the arbitrary demands of the governors of distant provinces to which the Company's trade was said to be subjected.

After a great deal of delay and expense² to which the embassy was put, a Royal *farman* was issued in 1717. Among other things, it confirmed the exemption of the English Company's trade from customs throughout the empire, excepting at the ports of Surat and Hugli, in the former of which it had to pay a duty of 3½ per cent., and in the latter, a *peshcush*³ of Rs. 3,000 a year, in lieu of customs. The Company was also allowed to rent thirty-eight villages adjoining Calcutta, Chuttanutty, and Govindpore for a yearly rental of Rs. 8,121.

This *farman* was only a confirmation of the previous *farmans* that had been issued by the Moghul rulers, which were invariably obeyed at Surat and in the Deccan, and just as invariably caused trouble in Bengal. A very brief account of the previous *farmans* and of the circumstances under which these were issued will be useful in understanding the trouble that arose in Bengal, both before and after 1756.

The original trade agreement between the English Company and the Moghuls was the one between the English Ambassador, Sir Thomas Roe and Emperor Jahangir, in 1617. No formal *farman* was, however, issued, nor any

¹ Cf. Wilson. *Early Annals of the English in Bengal*, Vol. II, Part II., p. vi.

² The amount of gifts and presents made has been stated to be £30,000. Stewart. *History of Bengal*, p. 396.

³ An offering, present, or tribute to a great man, sometimes equivalent to a quit-rent, the probable sense in which it is used here. Hobson-Jobson, p. 701.

concessions granted to the English Company which were not enjoyed by the other European trading Companies.¹ Among other things, it was stated,

“ that the goods of the English merchants should be rated within six days after being landed at any port, and after payment of the stipulated duty might be forwarded free, to any other English factory.”

And in a separate article,

“ it was agreed, that the rate of Customs on English imports should be fixed at three and a half per cent. and two per cent. on rials of eight.” (*I.e.*, bullion.)²

Shah Jahan, who was very friendly with the English Company during his father's lifetime, reduced the rate to 2 per cent. when he came to the throne. Towards the end of his reign, Shah Shuja was the Governor of Bengal. When the English Company's trade in Bengal suffered owing to “. . . the officers in the port, town, etc., demanding four in the hundred Custom,”³ its servants petitioned him for redress in 1656. He commuted the Customs in Bengal for a yearly *peshcush* of Rs. 3,000, and issued a *nishan* or letters patent to the English, and orders to the various rulers in Bengal to the effect,

“ that the factory of the English Company be no more troubled with demands of Customs for goods imported or exported either by land or by water, nor that their goods be opened and forced from them at under rates in any places of government by which they shall pass or repass up and down the country.”⁴

These concessions granted by Shah Shuja in 1656 are generally associated with the name of the English surgeon, Boughton, who is supposed to have successfully treated a favourite wife of Shah Shuja. Whether these concessions were to be permanent, or whether they were meant for the English Company, or for Boughton himself, are matters of

¹ Foster. *Embassy of Sir Thomas Roe to India*, Vol. I, pp. xl.-xlv., 260.

² Bruce. *Annals of the Honourable East India Company*, Vol. I., pp. 176-

177.

³ Stewart, *op. cit.*, p. 538.

⁴ *Ibid.*

considerable difference of opinion. Some contemporary evidence points to their having been intended only during the period of Shah Shuja's Governorship of Bengal.¹

In 1672, Shiasta Khan, as Governor of Bengal, ordered that,

" . . . whatsoever goods the said Company (English) shall import from Ballasore, or any other place near the sea-side, up to Hugli, Cassimbusar, Patana, or any other place in these two kingdoms ; as also what saltpetre, or any other goods, they shall export from Patana, or any other place, to Ballasore, or any other port to the sea ; that you let them pass Custom free, without any let, impediments or demands whatsoever." ²

His subsequent attitude was either capricious, or in accordance with the *farman* issued by Emperor Aurangzeb in 1680, by which he insisted upon the English Company paying 3½ per cent. in Bengal in the same way as it paid at Surat. Aurangzeb's *farman* of 1680³ lends itself to a double interpretation, one of which would have exempted the English Company from Customs in Bengal. But Shaista Khan decided and enforced that which made the Company pay 3½ per cent. in Bengal also.

In 1686 to 1689 the English Company made war upon the Moghul Empire on account of grievances against the Governors of Surat and Bengal. This completely failed ; and yet, when it was abandoned, Aurangzeb restored it to

¹ In a very interesting article—see Gabriel Boughton and the Grant of trade privileges to the English in Bengal, by Sir William Foster, *Indian Antiquary*, Vol. XI., Part D XI, September, 1911, the views of John Beard who became the agent in Bengal in October, 1684, regarding the whole affair are given. From these it appears that even if Shah Shuja's Grant was for the Company and not for Boughton in his individual capacity, it could not extend beyond his time. " Yet notwithstanding in the time of the several Nabobs and Duans we have had the privileges continued from time to time till anno 1682, with much struggling and great bubes. That the Emperor had given his order to the Duan that he shall take 3½ per cent. of the English according as it is paid at Surrat, except we bring a rewana (pass) that Custom is paid there."

² Stewart, *op. cit.*, p. 539.

³ The passage from the *farman* which is liable to two interpretations is as follows : " That in the said place (Surat), from the first day of Shuval, in the 23rd year of our reign, of the said people, 3 and a half rupees per cent. of all their goods, on account of Custom and poll-money to be taken for the future. And at all other places, upon this account, let no-one hinder or molest them for Custom, rawdarree, peashcus, phirmaish, etc." *Ibid.*, p. 540.

its former position after charging a fine of Rs. 150,000, ordering that, "they follow their trade as in former times."¹ The Nawab of Bengal, Ibrahim Khan, who was very kindly disposed towards the Company, interpreted the *farman* to mean that the Company was to pay Rs. 3,000 as a yearly *peshcush* in lieu of Customs. Prince Azim-ul-Shan confirmed this privilege in 1700. But difficulties arose soon after Murshid Quli Khan's accession to the Nawabship of Bengal, which induced the Company to send the Embassy to Delhi.

The Emperor's instructions issued to the governors of Gujrat and the Deccan were obeyed, and took effect immediately after they were published. But in Bengal their meaning was much disputed or evaded.² Still, in spite of this, the *farman* legalised the position of the English Company in Bengal and in other parts of India. As such, it gave the Company an immense advantage over its European rivals, particularly the Dutch and the French, who did not enjoy any such protection.³

For some time previous to the application for the Emperor's *farman* a great struggle had been going on between two rival English Companies, known as the Company of Merchants of London trading into the East Indies, and the English Company trading to the East Indies. This led to a great deal of loss through competition and the exactions⁴ of officers of the Court from both the Companies

¹ *Ibid*, p. 541.

² Stewart, *op. cit.*, p. 401.

³ Cf. Hill, Bengal, in 1756-57, Vol I., pp. xxiv. and xxxiii. In a slip of paper pasted between pp. 130 and 131 of India Office Home Miscellaneous Series, No. 69 (Diary of the Surman Embassy), it is stated: "Pay Rupees 3,000 yearly at Hugly as a peshcush. Rs. 8,000 for Calcutta, Govindpur, Sooltaluty, and several other towns near the above towns, to be granted to the Company.

1,200 Pagadas yearly paid at Madras.

4,862 Rupees yearly paid at Vizagapatam and 4 towns more.

900 Rupees yearly paid for 2 of the last towns.

700 Pagadas for Divy Island near Mectchlipatam.

At Surat at the time of Shah Jahan 2 per cent. paid.

Aurangzeb 3½ per cent. Viz. 2 Customs and 1½ Jizia (poll-tax).

Bahadur Shah 2½ per cent."

The above is a summary of the payments which the English Company was required to make both for Customs and Zimindari (quit-rents) in the various parts of India about the time of the Embassy.

⁴ Stewart, *op. cit.*, p. 342. Footnote: "It was during this period that the great contest between the two English Companies took place in Bengal.

seeking trade privileges, in which the latter being the newer and younger suffered more. By Godolphin's Award, completed in 1708, the two rivals were united together under the name of the United Company of Merchants of England trading to the East Indies. This union in 1708, and the grant of the *farman* in 1717, enabled the English Company to enter into a thirty-six years' period ". . . of silent inward development, of sound finance, and of commercial prosperity,"¹ which was interrupted only by their bid for political power in India in the 'forties of the eighteenth century.

During this period, the wars of succession which were constantly going on in central and north-western India disturbed the industry and trade of the country. Nadir Shah also ravaged India and sacked Delhi.² But the coasts and Bengal, which were principally engaged in foreign trade, enjoyed, relatively, a greater amount of peace and tranquillity, being too distant from the scenes of disturbances. It is true that the growing power of the Mahrattas and their levies did not spare even the peaceful regions. Apart from this, however, nothing of importance occurred to disturb the foreign trade until 1746, when the European war of Austrian Succession extended to India, and involved the English and the French Companies, two of the principal agencies of that trade. This leads us on to the second event of importance.

The French under La Bourdonnais took Madras from the English in 1746, and retained possession of it until the Peace of Aix-la-Chapelle in 1749. This peace ought to have closed fighting between the two parties in India, but it continued "unofficially," because of the occurrence of certain events in the Deccan in which both took a very prominent part.

In 1748, Nizam-ul-mulk, the Subahdar of the Deccan, died at an advanced age. This led to struggles for the throne among his sons and grandsons. The situation was further complicated by similar contentions in the Carnatic, hitherto

The Prince (Azim-ul-Shan) could not understand the subject, but took bribes from both parties. From the old Company he got 16,000 rupees; and from the new 14,000."

¹ Hunter. *History of British India*, Vol. II., p. 382.

² See above, p. 2.

a peaceful part of the Deccan, in all of which the English and the French took part on opposite sides.

By the year 1751, the French had succeeded in seating two of their nominees on the throne of the Deccan (Muzaffar Jang and Salabat Jang), while their ally, Chanda Sahib, was the ruler of the whole Carnatic, except Trichinopoly, in which the ally of the English, Mohamad Ali, had taken refuge, closely besieged by Chanda Sahib.

At this stage Clive appeared on the scene, and successfully attempted the relief of Mohamad Ali by attacking Arcot, the capital of Chanda Sahib, and thereby diverted his forces from Trichinopoly. Arcot was easily taken and then besieged by the forces from Trichinopoly. The heroic defence made by Clive and his few men against the hosts of Chanda Sahib had the desired effect. The French gave up all claims to Trichinopoly in 1752.

Bussy utilized the French influence at the Court of the Nizam, Salabat Jang, then at Aurangabad, to the advantage of the French Company for seven years. In 1753, he obtained the assignment of the revenue of the Northern Circars for the payment of the troops by which he kept the Nizam on the throne, and supplied funds to Dupleix at Pondicherry. This very territory passed on to the English Company in 1765, as we shall notice hereafter.¹

Between 1753 and 1756 the home governments expected both the Companies to observe peace in India. But the outbreak of the Seven Years' War in Europe brought them into hostility again in 1756 (May 17th).

Count de Lally, who was sent out to India to "drive the English into the sea," arrived too late (April, 1758) to shake the position of the English, who had secured a firm footing in Bengal before this. He captured St. David, but was ably resisted by Mr. Pigot and Stringer-Lawrence at Madras in 1758, utterly defeated by Eyre Coote at Wandiwash in 1760, and capitulated at Pondicherry in 1761. His surrender, and the destruction of Pondicherry put an end to French political influence in southern India, and soon affected their trade also.

¹ Joppen, *op. cit.*; Map No. 22.

Reference has been made to the firm position acquired by the English in Bengal before the arrival of Lally in India. As Bengal and its trade played the most important part in the foreign trade of India from 1757 onwards,¹ we may take a little more detailed view of this province, which will furnish us the third event of political and commercial importance.

Unlike the other provinces of India, Bengal enjoyed a period of peace and tranquillity during the fifty years under review. This was rendered possible by the strong rule of three capable Nawabs, who ruled over the province from 1704 to 1756. These were Murshid Quli Khan, 1704 to 1725; Shuja Khan, 1725 to 1739; and Ali Verdi Khan, 1740 to 1756. Whatever may have been their faults and shortcomings, they were sensible that much of the wealth of Bengal was due to its external trade; and they did everything in their power to foster and develop it.

Of Murshid Quli Khan, the first Nawab, it is said that he gave encouragement to foreign merchants, especially to the Moghuls and Arabs, and insisted upon it that his Customs officers did not charge them more than the prescribed duties of 2½ per cent. But he was jealous of the "fortified factories" of the European Companies in Bengal, particularly of the privileges of the English Company, which allowed it to trade in his province either duty free, or for a paltry consideration of Rs. 3,000 per annum.² For increasing the trade of the province and for introducing more rivals to the English Company, he allowed the Ostend Company to trade in Bengal, in spite of the opposition both of the English and the Dutch Companies.³ It was during his governorship of Bengal that the English Company obtained a *farman* from Emperor Furrukh Siyar, in spite of his efforts to prevent it.⁴ He complied with the Emperor's orders regarding the granting of *dustuck* or passports by the President of Calcutta,

¹ Cf. Abbé Raynal. *Philosophical and Political History of the Settlements and Trade of the Europeans in the East and West Indies*, Vol. II., p. 303

² Stewart, *op. cit.*, p. 394.

³ *Ibid.*, pp. 422-426.

⁴ Cf. above, pp. 3-4.

enabling the Company's goods to pass through, duty free and the *peshcush* in lieu of Customs duties. But he strictly forbade the English any participation in the internal commerce of Bengal, *i.e.*, in carrying and selling the manufacture or products of one part of the province to another.

Being conscious of the power of the Nawab, the servants of the English Company gave up their pretensions outwardly, and restricted their activities to the sea-borne trade. But even the privileges allowed by the Nawab greatly augmented the English Company's trade, and led to the rise of Calcutta which attracted Portuguese, Armenian, Moghul and Hindu merchants who carried on their trade under the protection of the English Company. Within ten years of the Embassy, the shipping of Calcutta amounted to 10,000 tons, and its inhabitants enjoyed a great deal of freedom and security.

The second Nawab, Shuja Khan, was a man of generous disposition, averse to troubles and quarrels. He allowed the English and other European Companies the same privileges as had been granted them by his predecessor.

Ali Verdi Khan's treatment of the European Companies in Bengal is said to have been rather strict than unjust. The Mahratta invasions during his reign compelled him, after ten years of ceaseless opposition and varying fortune, to grant them the cession of Orissa, and an annual payment of 12 lakhs of rupees instead of their claims upon the revenue. During this period of disturbance, he allowed the European Companies to strengthen their fortifications, the English Company having been allowed to begin the famous Mahratta Ditch round Calcutta in 1744. He exacted large sums of money from the Companies, the English being made to pay 3½ lakhs, on the plea of the expense to which he was put owing to the Mahratta invasions. This appears to have been unwarrantable, owing to his inability to defend the Company's property from the Mahrattas.

His dread of the European Companies and his strictness towards them seems to have been due to his knowledge of what was happening in Southern India about this time, where the English and the French, through their influence

in the politics of the states of the Deccan, had reduced their princes to mere puppets. He had also heard of the capture of the pirate Angria's stronghold at Gheria by the English sea forces under Watson, and land forces under Clive in 1755. While wishing, therefore, not to drive away the European Companies from his province because of their contribution towards trade and commerce, he was determined not to let them interfere in the affairs of the state.¹ These fears, and an abuse of their trade privileges by the servants of the English Company, supplied the material for a quarrel long before the accession of Siraj-ud-daula. And the quarrel did take place soon after the death of Ali Verdi Khan and the succession of Siraj-ud-daula.

Various causes contributed to it. The abuse of trade privileges, particularly of the privilege in connection with the Company's *dustuck*, which was used not only by the servants of the Company, but by the natives of the country also, to whom it was sold for valuable considerations, was one of the chief complaints of the Nawab.² At the same time, there was a great deal of impatience on his part to make the European Companies in Bengal realize that he was on the throne, as well as to enrich himself by their possessions.

Hostilities commenced on the part of the Nawab by his seizing the English Company's fort and factory at Kasimbazar. Mr. Watts, the Company's agent at Kasimbazar, was required, without success, to sign an agreement that the Calcutta Council would demolish the new fortifications, would give no protection to the Nawab's subjects, and

¹ Hill, *op. cit.*, Vol. I, Chapter I.

² Cf. *Ibid*, p. iv; also Captain Rannie in his letter dated August, 1756, on the causes of the loss of Calcutta, says: "The injustice to the Moors consists in that being by their courtesy permitted to live here as merchants, to protect and judge what natives were their servants, and to trade Custom free, we under that pretence protected all the Nabob's subjects that claimed our protection, though they were neither our servants nor our merchants, and gave our dustucks or passes to numbers of natives to trade Custom free, to the great prejudice of the Nabob's revenue, nay more we levied large duties upon goods brought into our districts from the very people that permitted us to trade Custom free, and by numbers of their impositions (framed to raise the Company's revenue) some of which were ruinous to ourselves, such as taxes on marriages, provisions, transferring land property, etc., caused eternal clamour and complaints against us at Court." Hill, *op. cit.*, Vol. III, p. 384.

would restore to the Nawab the losses suffered by his revenues by the abuse of the *dustucks*.¹ These requirements were the outcome of the other complaints of the Nawab against the English Company.

The Nawab then marched upon Calcutta, which surrendered in June, 1756, after the defence put up under the leadership of Drake, and then of Halwell. Those who escaped suffered great privations and hardships for a period of six months at Fulta.

The French and the Dutch were not spared by the Nawab, the former having been made to pay a fine of $4\frac{1}{2}$ lakhs, and the latter $3\frac{1}{2}$ lakhs. The Danes, the Portuguese, and the Emdeners also had to pay; the first Rs. 25,000, and the last two Rs. 5,000 each, respectively.²

When news of the happenings in Bengal reached Madras, the Council arranged an expedition for its relief under Admiral Watson and Clive. It took almost six months before the relief party reached Bengal. But having commenced the work in January, 1757, they soon succeeded in taking Budge-Budge and then Calcutta, without much resistance or fight on the part of the Nawab's people. The Nawab, though afraid of a fight, marched out of Murshidabad to meet the English near Calcutta. A very desultory fight took place in which the Nawab's forces had the worst, after which he agreed to carry out the demands made by the English, both as regards their trade privileges and the losses.³

It seems there was a considerable amount of evasion and

¹ Hill, *op. cit.*, p. lix.

² *Ibid.*, p. civ.

³ *Treaty and Agreement with Siraj-ud-daulah, 1757*

LIST OF DEMANDS

Article 1.—That the Company be not molested upon account of such privileges as have been granted them by the king's Firmaund and Husbul-hookums. That the villages which were given to the Company by the Firmaund be likewise allowed them.

Article 2.—That all goods belonging to the English Company, and having their Dustuck, do pass freely by land or water, in Bengal, Behar, and Orissa, without paying any duties or fees of any kind whatsoever.

Article 3.—That restitution be made the Company of their factories and settlements at Calcutta, Cossimbazar, Dacca, etc., which have been taken from them. That all money and effects taken from the English Company, their factories, and dependents, at the several settlements and aurangs, be restored in the same condition. That an equivalent in money

postponement on the part of the Nawab in fulfilling some parts of his engagements. But this time, it was the turn of the English to show impatience with the newly-acquired power over the Nawab. The Nawab's courtiers and officers were also generally dissatisfied with his capricious and weak character. Clive took advantage of the growing dissatisfaction against him, in entering into a conspiracy with some of his chief civil and military officers for affecting a revolution by which Siraj-ud-daula would be deposed in favour of a man of his own liking. The man chosen was Mirjafar, who promised to give full satisfaction to the English in the event of his being placed on the throne of Bengal.¹

be given for such goods as are damaged, plundered, or lost, which shall be left to the Nabob's justice to determine

Article 4.—That the Company be allowed to fortify Calcutta in such a manner as they shall esteem proper for their defence.

Article 5.—That Siccas be coined at Allenagur (Calcutta) in the same manner as at Moorshedabad, and that the money struck in Calcutta be of equal weight and fineness with that of Moorshedabad. There shall be no demand made for a deduction of batta.

Article 6.—That these proposals be ratified in the strongest manner, in the presence of God and His Prophet, and signed and sealed to by the Nabob, and some of his principal people.

Article 7.—And Admiral Charles Watson and Colonel Clive promise, in behalf of the English Nation, and of the English Company, that from henceforth all hostilities shall cease in Bengal, and the English will always remain in peace and friendship with the Nabob, as long as these Articles are kept in force, and remain unviolated. Aitchison. *Treaties, Engagements, and Sanads*, Vol I, p 181 (with slight omissions).

¹ The following is the Treaty between Mirjafar and the English signed before the Battle of Plassey —

(1) Mirjafar to confirm all the grants and privileges allowed by Siraj-ud-daula.

(2) Mirjafar to enter into an offensive and defensive alliance with the British

(3) All Frenchmen in Bengal with their factories and goods to be delivered up to the British. The French never to be permitted to resettle in the three provinces.

(4) The Company to receive 100 lakhs for the loss sustained by the destruction of Calcutta and for the expenses of the war.

(5) The European inhabitants of Calcutta to receive 50 lakhs of rupees for their losses at the capture of that town.

(6) The Hindus to receive 20 lakhs on the same account.

(7) The Armenians 7 lakhs.

(8) Omichand 20 lakhs.

(9) The Company to be put in possession of all the land within the Calcutta Ditch, and 600 yards all round.

(10) The Company to receive the zamindari of the country south of Calcutta between the River and the Salt Lakes as far as Culpee.

(11) The Nawab to pay the extraordinary expenses of the British troops when required by him for his own defence.

The Battle of Plassey, which followed this Treaty and was fought on June 23rd, 1757, was won by the English through the treachery and betrayal of the Nawab, by his principal military officers, Mirjafar and Rai Durlabh.

Section II

MODUS OPERANDI OF INDIAN FOREIGN TRADE

The period beginning from 1707 witnessed the development of some of the changes in the methods followed by the European Companies in conducting their trade with India. The Indian traders began to take, more and more, a "passive" share in the country's foreign trade, while the "active" share fell to the lot of the Dutch, French and English Companies. Soon after 1757 the Dutch and the French Companies too were reduced to a very unimportant position. The story of Indian foreign trade from 1757 onwards must, therefore, be built around the English East India Company.

The Portuguese who monopolized the Eastern trade in the sixteenth century, and the Dutch who followed them and copied most of their methods pursued "armed traffic" in the East from the very beginning. They combined political power and territorial acquisition with trade, although in the end the dead weight of the former led to the ruin of the latter. The territorial revenues acquired were never sufficient to keep up the grandeur and luxury of their establishments, to maintain garrisons, and to send profitable cargoes home every year.

The French started out as peaceful traders and observed that policy up to 1744. Their early troubles with the Dutch were not of their own making, but aggressions on the part of the Dutch. Up to the period of Dupleix's rule at Chandarna-

(12) The Government not to erect fortifications on the river below Hugli.

(13) The Articles to be complied with within thirty days of Mirjafar's being acknowledged Nawab.

(14) The Company to assist Mirjafar against all enemies as long as he complies with the treaty.

Hill, *op. cit.*, pp. cxci. and cxcii.

gore, their resources were very limited, and so they could not compete either with the Dutch or the English Company. Their affairs never concerned the Moghul Empire during the days of Aurangzeb, and their few possessions in India, in spite of the efforts of Dupleix and his predecessors, continued to be far inferior to those of the English in wealth, strength and trade.¹

The European Company that did concern Aurangzeb and his governors in different provinces was the English, which began to assert itself and to claim the right of fortifying its factories or commercial stations. This was a great change over the previous policy of pursuing peaceful trade in India, under the protection of the Moghul government, laid down by Sir Thomas Roe and followed up to about 1686.² This change of policy is generally ascribed to the Child brothers, Sir Josiah and John, but was actually carried out by the Court of Directors under the governorship of Sir Joseph Ash. The war with the Moghul Empire, 1686 to 1689, was an outward manifestation of that policy, though its result showed "the hopelessness of the struggle,"³ and again compelled the English Company to seek trade privileges under the protection of the Moghul Empire. Still, it left the conviction upon the Company that it could not any longer trust to "fenceless factories"; and so all the European Companies went on fortifying their factories as opportunity and occasion allowed them.⁴ Not a little of the trouble that arose in 1756 and before was the outcome of this change of policy; though it is very difficult to suggest what other course, short of withdrawing their trade with India, could have been followed by the European Companies. During

¹ Smith. *Oxford History of India*, p. 471.

² Hunter, *op. cit.*, Vol. II., p. 245, and Foster. *Embassy of Sir Thomas Roe*, Vol. I., pp. xlii.-xlv.

³ Hunter, *Ibid.*, p. 205.

⁴ In 1780, when the English Company applied to Nawab Shaista Khan for permission to erect a fort on the bank of the Ganges, it was refused. But in 1796 there was a local disturbance in Bengal, when a powerful Zamindar broke into rebellion against the Nawab, Ibrahim Kahn. The Nawab allowed all the European Companies to defend themselves by fortifying their factories. At the same time, it must be pointed out that the European Companies defied even the Nawab's authority within their fortified factories. Note Siraj-ud-daula's complaints in this connection.

the troublous days of the break-up of the Moghul Empire, the Governors of distant provinces could not protect either themselves or the European Companies from the frequent invasions of the Mahrattas, and from the civil wars that were constantly going on in each province.

One result of the adoption of this new policy was that, like the Portuguese and the Dutch before them, the English Company came to look upon the supplementing of the profits of its commerce by territorial revenues as necessary for its "armed trade." This was a period of a new-born admiration for the wisdom of the Hollanders in combining taxation with revenue. As early as 1687 the Directors wrote to Fort St. George :¹—

" . . . establish such a Politie of Civill and Military power and create and secure such a large Revenue to maintain both at that place as may bee the foundation of a large, well-grounded, sure English Dominion in India for all time to come."

Again, in their despatch to Bombay on the same subject, they said :—

" The increase of our Revenue is no less the subject of our care, and must always be yours, as much as our trade ; 'tis that must maintain our force, when twenty accidents may interrupt our Trade, 'tis that must make us a nation in India. . . ." ²

On the western side of India the policy shaped itself in withdrawing the Company's headquarters from Surat to Bombay, about 1684, and in making sufficient preparations for its effective defence by troops, fortifications, and armed vessels in the harbour, and by a system of taxation to pay for the defence. In south-western India, the presence of Aurangzeb at the head of a large army maintained order towards the end of the seventeenth century. This enabled the Company's servants at Madras to engage themselves in constituting a municipal corporation, in establishing a bank, and in laying down plans for a complete system of taxation.

¹ MS. Letter to Fort St. George, dated December 12th, 1687, India Office Letter Book No. 8, p. 466.

² MS. Letter to Bombay, dated September 11th, 1689, India Office Letter Book No. 9, p. 64.

The Company was already enjoying some revenue in Madras owing to its zimindari rights over certain territory.

In Bengal it was in pursuance of this policy that the English Company in 1698 requested and was granted by Prince Azim-ul-Shan, the permission to purchase the villages of Chuttanutty, Gobindpur, and Calicotta, for which it paid an annual rent of Rs. 1,195. Later on, in 1717, it obtained permission from Emperor Furrukh Siyar for the purchase of thirty-eight towns, adjoining the above towns, for a yearly rental of Rs. 8,121. But Murshid Quli Khan disallowed the renting of the thirty-eight towns, and the Company was not enabled to get possession of them until 1756.

So much in the domain of politics, and the change of policy, the full effects of which will be noticed in the period from 1757 onwards.

The following is a list of the important places in which factories were established by the English Company at different periods, before the union of the two Companies in 1708 :—

On the western side of India :

Cambay	Surat	Bataloe	Calicut
Ahmedabad	Bombay	Mangalore	Cochin
Baroach	Rajahpore	Tellicherry	Anjengo

On the eastern side of the peninsula :

Porto Novo	Maslipatam	Vizagapatam
Fort St. George	Ingeram	Ganjam

In Bengal :

Balasure	Cossimbuzar	Lucknow	Lahore
Calcutta	Rajmahal	Brampore	Malda
Hughli	Patna	Agra	Dacca ¹

Besides these, the English Company had factories outside India in the Red Sea and the Persian Gulf, and in the Malay Peninsula, Sumatra and Java.

In matters purely commercial the English Company maintained the principle of monopoly which, so far as England was concerned, was quite complete up to 1793, and

¹ Milburn. *Oriental Commerce*, Vol. I., p. xliv.

only partially broken up to 1813. The losses and troubles arising out of rival companies and interlopers were greatly reduced by 1708. After this, all trade between India and England by private individuals was purely by the indulgence of the Company, which was extended to only two bodies. Firstly, the Commanders and Officers of the Company's ships were allowed a certain tonnage on such ships, free of freight charges.¹ But they were not allowed to export to India military stores, woollen goods and copper. As early as 1620 to 1630, the Company's servants in the East had "struck out a port to port trade for themselves," which had to be first recognized and then abandoned to them in 1660. The Company maintained a fleet of about twenty vessels in the eastern seas for the purpose of distributing goods brought from Europe and for collecting goods for Europe.² Secondly, private English traders who were allowed to settle down in India on payment of a licence fee of £27 10s., and the Company's civil servants could take part in the foreign trade, provided they did not export calico, muslins, and piece goods, raw silk, and saltpetre except under a licence from the Company. Up to 1757, the other European Companies and indigenous traders took part in the foreign trade through the grants and understandings with the country government. After this, the monopoly of the English Company became a two-sided affair, both in India and in England.

¹ The following is the amount of the tonnage so allowed on India ships:—

	Tons.	Feet.
Commander	30	32
Chief mate	6	16
Second mate	4	32
Third mate	2	16
Purser	2	16
Surgeon	4	32
Surgeon's mate	2	16
Fourth mate	1	24
Fifth mate	—	32
Boatswain	—	32
Gunner	—	32
Carpenter	—	32

} 58 tons 32 ft.

Appendix 45.—Supplement to Fourth Report from the Select Committee on the Affairs of the East India Company, 1812, p. 514.

² Hunter, *op. cit.*, Vol. II., p. 165.

In maintaining its legal monopoly the English Company observed the laws of supply and demand, which such a monopolist has to watch very closely.

On the side of supply it kept sufficient quantities of goods on hand, both in its factories in India and in the warehouses in London. From time to time, complaints were made in England that the Company had neither sufficient stocks on hand, nor sold these at prices at which goods could be obtained on the Continent. The fear of losing its privileges in England, and of the rival supply, which could, and was smuggled into England, kept the Company on the alert. The demand for Eastern goods was regulated by the Company through the mechanism of its bi-annual sales in London in March and September. All Eastern goods brought to England up to 1813 had to be taken to the Port of London, and there disposed of at the Company's sales. Privilege and private trade goods were also sold at these auctions, for which the Company charged the owners a sale commission of 3 per cent. for landing, warehousing, and selling. Goods could not be taken to any other port, in order to prevent smuggling, and to facilitate the receipt of customs by the Government of England. To adjust the conditions of supply and demand, the Company was very much against privileged trading, as tending both to increase the price of commodities in India, and to lower it in England.¹ Half-yearly sales for the disposal of English and European goods were held at the Presidency towns; and from 1809 these sales were increased to four a year by the order of the Directors.²

In its relation with the British nation, through the British Parliament, the Company occupied a very peculiar position. It is this which kept it from following all the laws which regulate a monopoly. In return for the exclusive privileges, it was required to do certain things which were detrimental to its character as a trading body. For example, it was required to deliver to the British Ordinance an annual

¹ Appendix No. 47.—Supplement to Fourth Report from the Select Committee, 1812, p. 20.

² MS. Despatch to Bengal, dated September 29th, 1809, para., 23.

supply of 500 tons of saltpetre at a fixed price of £31 per ton in times of peace, and £40 in times of war, which at times did not repay even the cost and charges of importing it.¹ Again, it was required to export annually to the East £10,000 worth of British manufactures, particularly woollen goods—the palladium of British manufacture, which on an average of many years could not be sold even at invoice prices. The same was at times true of the export of copper from England.² Over and over again the Company was required to lend money to the British Treasury, at times without interest, and at others at a rate lower than the legal rate of interest in England. According to Macpherson, the amount so lent only between 1708 and 1750 came to £3,080,000.³ The Company's imports greatly added to the British Exchequer by the high rates of duties that were charged upon Eastern goods. Its merchant marine fought not only its own battles in the East, but those of England as well; and its territorial revenues from 1757 onwards won an empire for England without any cost to the British Treasury.

In other words, partly through choice and partly because of enjoying the exclusive trade privileges, the English Company proved a highly patriotic and useful institution to England.

Reference has been made to the Company's shipping. Previous to the year 1657, the Company made various experiments in the matter of securing its shipping cheaply, of which building its own ships was one. These ships were constructed, armed and equipped so that they might act as ships of war. But this having proved very expensive, involving as it did a large payment for dead stock, it adopted the plan of hiring ships in a slightly modified form.

¹ About 1791, owing to the representation of gunpowder manufacturers regarding shortage in supply and the high prices charged by the Company for saltpetre, the Company was required to keep ready for sale 5,000 bags more than the average of the preceding four sales, at a fixed price of £31 per ton in times of peace and £40 in times of war, on pain of permission being given to the manufacturers to import it on their own account. Cf. Millburn, *op. cit.*, Vol. II, p. 240.

² Appendix 47.—Supplement to Fourth Report, 1812, p. 123.

³ *History of European Commerce with India*, p. 414, Appendix No. 2.

It secured shipbuilders to build ships for itself, suited to its special need of "armed trade," on condition of giving them preferential employment. This led to the growth in England of a privileged body of shipowners who built the Company's fleet, which fought the Portuguese and the Dutch in Eastern waters.¹ Previous to the year 1775, the Company's ships were under 700 tons burden. After that, they were 700 tons and upwards, and each ship carried cargo worth between £120,000 and £160,000. If fine goods like piece goods and raw silk did not make up the amount and weight, then dead weights like saltpetre and sugar were loaded.² The time occupied in performing a voyage, from the period of the ship commencing the receipt of her outward cargo to her being finally cleared of her homeward one, varied according to the ship's destination from fourteen to sixteen months.³

We have already noted the number of factories owned by the English Company in India and in the rest of the East. A factory in India was simply a house of agency for the sale and purchase of goods on commission. These factories were established with a view to exploring the state of the markets, and ascertaining the situations that were best adapted for trade. The minor factories were under the control and authority of a superior government at the headquarters, consisting of a chief and council from whom all instruction and orders originated. A subordinate factory consisted of a junior factor and a writer, with a few natives for manual labour. As the affairs of the Company progressed, *Gomashtahs* or Indian agents were employed for the procuring of articles of export from India.

The above arrangements are generally referred to as the "Agency System," as opposed to the "Contract System," both of which were employed by the English and other European Companies as it suited their convenience and purse. In the latter system, goods were generally procured through Indian merchants, called *Dadney* merchants.

¹ Cf. Hunter, *op. cit.*, Vol. II., pp. 168-171.

² MS. Despatch to Bengal, June 30th, 1809, para. 13; also MS. Despatch to Bengal, August 19th, 1807, para. 51.

³ Milburn, quoted by Macgregor. *Commercial Tariffs*, p. 104.

*Section III*VOLUME, CHARACTER, AND DIRECTION OF INDIAN FOREIGN
TRADE, 1707-1757

Of all the agencies which were engaged in trade with India during this period, we have a regular and continuous account of the activities and dealings of only one, that is of the English East India Company. This is due to the fact that at the union of the two rival English Companies mentioned above, it was expressly provided in the Company's Charter, that

"an account of the several goods of the Kingdom of Great Britain as also of other goods and merchandise exported from the Port of London for account of the united trade of the English Company trading in the East Indies be presented to Parliament every year."¹

But from scattered information available for certain years of this period, it appears that the trade of some of the other agencies was just as important as that of the English Company. While, therefore, a complete computation of the foreign trade is impossible, a broad, general idea of the same can be formed by utilizing the available material.

There were, first of all, indigenous traders and merchants—Hindus, Armenians and Mohamadan—who carried on a very valuable trade from Surat and other smaller ports to Persia, Arabia, Egypt, Africa and Turkey on the western side, and with the East India Islands and China on the eastern side. Then there were Asiatic traders and merchants who came to India through the various passes in the north-western frontier, in caravans, and from Assam and Tibet on the eastern borders, and carried on an overland trans-frontier trade with India. No continuous statistical information of the volume of trade carried on by these two agencies is available, though here and there, there are accounts of the valuable contribution they made to it. For instance,

¹ Compare the Company's Charter of 1693, quoted by Bal Krishna, *Commercial Relations between India and England*, p. 182.

Taylor¹ quotes from the Commercial Resident of Dacca in 1800, an estimate of the Dacca cloth trade in 1753, and an account of the traders of different nationalities—Asiatic and European—who took part in it. According to this estimate, the total cloth trade in 1753 amounted to Rs. 2,850,000 or £356,250, and it was disposed of in the manner indicated in the footnote.

We next come to the European trading companies which had the major portion of the sea-borne trade of India under their control. Of these, the trade of the Portuguese had dwindled down to an almost negligible quantity during the period under review. This may be dated from their defeat and expulsion from Hugli by the Moghuls in 1632.² The Portuguese were the first European Power to have the monopoly of the trade of the East Indies, and the first also to be reduced to a very unimportant position. Abbé Raynal, writing in 1777, says,

“ of all the conquests which the Portuguese had made in India, they possess none at present, but Macao, Diu, and Goa ; and the

¹ *Descriptive and Historical Account of the Cotton Manufacturers of Decca*, by a Former Resident of Dacca, pp. 130-131.

For the Emperor of Delhi—	Arcot Rupees
Plain and flowered muslins, and cloths wrought in silver	100,000
For the Nawab of Murshidebad—	
Fabrics of various kinds for the use of the Nawab and his Court	300,000
For Jugguth Seth at Murshidebad—	
Fine and coarse cloths for the home trade	150,000
For Tooranees (merchants from the country beyond the Oxus)—	
Cloths of various kinds for the markets of the Upper Provinces	100,000
For Pathans—for the markets of the Upper Provinces	150,000
For Armenians—for the Bassora, Mocha and Jidda markets	500,000
For Moguls—partly for home consumption, and partly for the Bassora, Mocha and Jidda markets	400,000
For Handoos—for home consumption	200,000
For the English Company (Europe)	350,000
For English traders (foreign markets)	200,000
For the French Company (Europe)	250,000
For French traders (foreign markets)	50,000
For the Dutch Company (Europe)	100,000

Compare also Bolt's description of this trade in his *Considerations on Indian Affairs*, Vol. I., p. 67.

² Stewart, *op. cit.*, pp. 239-243.

united importance of these three settlements, in their intercourse with India and Portugal, is very inconsiderable." ¹

After describing how two vessels go from Macao to Goa every year, with goods which were rejected by every other nation, and how a single ship goes from Goa to Diu annually, he continues,

"A ship arrives every year from Europe, which procures at Goa a small and indifferent cargo, consisting of goods picked up from China, Guzarat, and a few English factories, and sells them at Mozambique, Brazil, Angola or the Capital." ²

What was true of the Portuguese trade with India in 1777, was just as true during this period of fifty years. The Moghul rulers treated them on the same footing as the Armenians. ³

We have already seen how the Ostend Company was introduced into Bengal by Murshid Quli Khan in 1723, who assigned to them Bankibazar for their factory and residence. Their trade in Bengal commenced very well ⁴; but their success aroused the jealousy of the other European Companies to such an extent that they had their Charter withdrawn by the Emperor of Germany in 1727, and had them expelled from Bengal by the Nawab.

The Danes who settled down in Tranquebar on the Coromandel coast "were scarce able to fit out a ship for Europe once in three years with a very moderate cargo," ⁵ and their concerns were totally ruined in 1730. But their Company revived soon after this, and by 1755 we find them established even in Bengal, at Serampur, which they had quitted in 1714. Judging from the amount of the fine which Siraj-ud-daula inflicted upon the European Companies in Bengal in 1756, and which was, evidently, proportionate to their means, the Danish Company was doing fairly well during this period. But its real importance as a trading

¹ *History of the Indies*, Vol. I., p. 159.

² *Ibid.*

³ *Cf. Hill, op. cit.*, Vol. I., p. liv.

⁴ Stewart, *op. cit.*, p. 243. "In the two following years (1725-26), three ships of a larger size than the first arrived in Bengal and completely established the Ostend trade in that province; and as they undersold the other Europeans in various articles, their factory quickly rose in estimation."

⁵ Raynal, *op. cit.*, Vol. II., p. 169.

agency came out during the American War of Independence and the Napoleonic Wars.

The Dutch, the French and the English, particularly the last two, were the chief European Companies engaged in Indian foreign trade during this period.

The Dutch had really had their best days in the seventeenth century, and the fairly flourishing state of their trade during this period was probably due to their strict neutrality from the politics of India. Tables I., II. and III. of Appendix contain various returns relating to their trade with India during this period. From these it will appear that the invoiced value of the cargoes, which was F. 4,248,531 in 1707, was F. 8,352,000,¹ *i.e.*, almost double, in 1719; the average number of ships returned was the same, twenty-three, for the two decades 1710 to 1719 and 1750 to 1759, but thirty-one for the decade 1720 to 1729; and the sale proceeds for the two decades, 1720 to 1729 and 1750 to 1759 were about the same, *i.e.*, an annual average of about 19 million florins. According to Stavorinus,

“ The Indian possessions of the Company (Dutch) were not always a charge upon them. In 1689, the balance drawn in the same manner was on the other side, and showed a favourable surplus of F. 937,361-10-5 (£85,214 13s. 5*d.*) ; and in 1744, an advance appeared of F. 779,056 (£70,823 5s. 6*d.*).” ²

But still, because of the heavy expense to which the Dutch Company was put in the rest of its Asiatic territories, its affairs on the whole were not as satisfactory in this period as in the seventeenth century. Von Imhof, Governor of Batavia, in his considerations of the year 1742, says,

“ . . . that the present state of the East India Company (Dutch) wears a much more disadvantageous aspect, and is not, by far, in so flourishing a condition as in former times.” ³

Mossel also wrote to the same effect in the year 1752; though he calculated, in 1753, the whole yearly receipts at F. 8,791,000 and the expenditure at F. 6,517,500, leaving a

¹ Eleven florins and 50 cents = £1. Laurie. *Universal Exchange Tables*, p. 117.

² Stavorinus. *Voyages to the East Indies*, Vol. III., p. 419.

³ *Ibid.*, pp. 420-421, quoted by Stavorinus.

favourable surplus of F. 2,273,500 or about F. 206,680.¹ Their opinion regarding the unsatisfactory state of the affairs of the Dutch Company in general is reflected by the dividends declared by the Company in this period. These were as follows :—

<i>Decade.</i>	<i>Yearly Average.</i>
1708–1717 . . .	30 per cent.
1718–1727 . . .	27½ „
1728–1737 . . .	22½ „
1738–1747 . . .	15 „
1748–1757 . . .	22 „
1758–1767 . . .	16 „
1768–1777 . . .	14 „

From 1726 to 1756 is considered to be the period in which the French trade with India was in the most prosperous condition. This was also the period of the greatest rivalry between the French and the English Companies. During this time the sale of Indian goods in France amounted to 437,376,284 livres, which gave an annual average of 14,108,912 livres (£19,135,212 8s. 6d. and £617,264 18s. od.).²

In Tables IV. and V. of Appendix are given returns relating to the exports to and the imports from India by the French East India Company from 1725 to 1771, which show great and steady progress in all directions up to 1756, and a sudden and continuous decline thereafter.³ The causes of the decline have partly been already noticed and will be further explained. The dividends paid by the Company during this period give a fairly good idea of the state of their affairs :—

<i>Year.</i>	
1722	100 livres
1723–1745	150 „
1746–1749	70 „
1750–1758	80 „
1759–1763	40 „
1764	20 „

¹ *Ibid.*, p. 419.

² Cf. Raynal, *op. cit.*, Vol. II., p. 123.

³ Raynal. *Atlas De Globe Terrestre*, Chart IV., No. 2.

Having dealt with the other agencies of Indian foreign trade, we turn our attention to the activities of the English East India Company, which, both in this period and in the years to come, played the most important part in it.

Table VI. of Appendix gives the trade returns between India and England from 1708-1709 to 1757-1758. As regards the volume of trade: both imports into and exports from India made a 120 per cent. progress during the course of fifty years; imports having increased from £4,992,682 in the first decade to £10,435,919 in the last, and exports from £9,785,911 to £21,452,595. This means an excess of about £44,000,000 of exports from India over imports. Such an excess during this period, when the English Company had no territorial revenues to transmit to England, will be incomprehensible, unless we take note of two things not mentioned in the statement. In the first place, the bills of exchange that were drawn by the Company's servants and other English private traders in India upon the Directors in England are not included in the imports into India. We do not know the amount of these bills for the years 1708 to 1731; but from 1732 to 1757 their value comes to £4,704,435,¹ which, being added to the value of imports into India for fifty years, brings the total amount of imports into India to a little over £40,000,000. This still leaves a difference of about £40,000,000 between exports and imports. In the second place, our knowledge of the exports from India is based upon the sale account of the English Company in London, and not upon the invoice prices of goods paid in India. The sale accounts include not only the prices of goods paid, but all the expenses, charges, and profits which were made by a huge joint-stock concern such as the English Company was. In this connection, it should be again noted that the average period of a ship's voyage from London and back, in those days of slow motion, was from fourteen to eighteen months, according to its destination and length of duration at ports, and this meant a great deal of expense.

This explains why there was an apparent discrepancy

¹ Report of the Committee of Secrecy, 1773, p. 75.

between total exports and imports during this period. There are different reasons for their not balancing after 1757.

In spite of the wars in which the English Company was engaged from 1744 onwards, its trade with India remained very steady; in fact, the greatest progress is shown in the last decade, which was full of wars. The steadiness and progress of its commercial affairs is attested to by the gross profit of about £40,000,000 which it earned during this period of fifty years, and by its dividends to its shareholders:—

<i>Decade.</i>	<i>Yearly Average.</i>
1708-1717 . . .	9 per cent. per annum
1718-1727 . . .	9 " "
1728-1737 . . .	7½ " "
1738-1747 . . .	7½ " "
1748-1757 . . .	8 " "

As regards the character of trade during this period, we may begin by making a general statement which applies to all the agencies of Indian foreign trade. There was a wonderful similarity and lack of variety in the imports and exports of all the agencies.

On the side of imports into India, bullion, particularly silver, formed the most important item. We do not possess consecutive figures of the import of bullion by all the agencies. But from such as are available for the English Company, we find that bullion formed about 75 per cent. of its total imports into India in these fifty years; and the same was true of the other European Companies as well as of some of the Indian trade with Asia.¹ Next to bullion came broadcloth and other woollen goods, the export to India of which was undertaken by almost all European Companies, in spite of the fact that there was very little demand for them in India. The English Company was required by its Charter to export a certain quantity of it every year, which it did, notwithstanding the losses to which it was put in certain years.

Metals—lead, copper, iron, tin and quicksilver—occupied

¹ See Appendix, Tables II., IV. and VI.

the third place in the list of imports into India. In the case of the English Company, metals were generally the product of England, and were shipped to India directly. But the Dutch Company imported copper from Japan, and tin and spelter from the Malay Peninsula, and sold it in the Indian market under conditions of keen competition with the English Company. With the proceeds of the sale of these metals it partly financed the exports to Europe. The demand for cheaper foreign metals was growing in India, and the supplies brought by the European Companies found both a ready and profitable sale. The English Company made most of its profits on imports, through the sale of metals, and on some foreign goods re-exported from England.

After the above three main items of import, we are left with only various kinds of stores, of which those for military purposes required by the European Companies were beginning to assume greater importance.

In general, it may be said that the import trade of the European Companies was a losing concern. It would have been rendered impossible but for the huge profits they made on the sale of Indian exports in Europe and other places.

Just as bullion formed the most important item of import into India, so cotton and silk piece goods, cotton yarn and raw silk were the most important items of export from India. Europe acquired a taste for Indian cotton and silk goods in the middle of the seventeenth century, and kept it up throughout the eighteenth and part of the nineteenth century. Even after the use and wear of certain kinds of cotton piece goods and manufactured silk was prohibited in England by the prohibitory and sumptuary laws of 1700 and 1720, they continued to be imported by the English Company for re-export to the Continent, Africa, West Indies and parts of America. The unprohibited cotton goods, and the smuggled prohibited cotton and silk goods, too, were largely used even after the passage of the Act of 1700. This is what rendered necessary the passing of the more stringent Act of 1720.¹ But the other European and Asiatic nations

¹ "The use of printed Indian calicoes, both in apparel and household furniture, was at this time become so universal as to be a great detriment

imported both cotton and silk goods throughout the eighteenth century.¹ Raw silk, the basic material of the English silk-manufacturing industry, which was being gradually built up about the beginning of the eighteenth century, was not only imported into England, but the English Company took pains to improve its quality at the sources of supply in India. It was imported into Europe by the other European Companies as well.

Saltpetre, the product of Behar and Patna, was the next important export by all the European Companies. It is the main ingredient of gunpowder, and is useful in glass-making, meat preserving, and in the manufacture of many other things. As such, it was greatly in demand in Europe during this period. The English required it for purposes of defence ; and so the English Company was placed under an immediate obligation of importing and supplying to the Board of Ordinance 500 tons of it annually, at fixed rates for times of peace and war, £31 and £40 per ton, respectively.² The need of procuring petre in Bengal, the quality of which was better than that of the coast petre, involved the Company in trouble with the Nawab and his servants very frequently.³ Attempts made in England to obtain it or manufacture it locally were of no avail.⁴ The demand for it depending upon the state of peace or war in Europe, the trade in it was not governed by strict principles of commerce. Nevertheless, it was in great demand by the European Companies, in spite of the difficulty of sending it from Behar to the ports.

and obstruction to the woollen and silk manufactures of the kingdom. This had occasioned several riots and tumults of the weavers in London, etc. It was therefore found necessary to redress the grievance, wherein so many were interested. An Act of Parliament was in consequence passed, to preserve and encourage the woollen and silk manufactures, etc., which absolutely prohibited the wear thereof, under the penalty of £5 for each offence on the wearer, and of £20 on the seller." Milburn, *op. cit.*, Vol. I., p. xlvii.

¹ Cf. Thomas. *Mercantilism and the East Indian Trade*, Chapters V. and VI.

² Milburn, *op. cit.*, Vol. II., p. 240.

³ Stewart, *op. cit.*, p. 301.

⁴ "Repeated attempts had been made to obtain saltpetre by digging up the floors of houses, stables, and pigeon-houses ; and the people were obliged to admit saltpetre men to destroy their floors whenever they thought proper. Other projects were set on foot ; but they were all equally unavailing." Macpherson, *op. cit.*, p. 135.

Some spices, particularly pepper, continued to be exported to Europe during this period, though they had ceased to hold that place in the export from the East Indies which they did at the discovery of the route round the Cape. A change in taste in Europe with cheaper sugar, coupled with the discovery of winter fodder for cattle, which obviated the need of slaughtering and preserving them with spices in autumn, was responsible for the decline of trade in spices. The unsatisfactory state of the Dutch trade, which held the monopoly of the supply of spices, not only in Europe but in Asia also, was, to a great extent, due to this change of taste in Europe.

Sugar and indigo, the latter particularly, also lost their previous importance as articles of export from India, owing to the great development in their production made in the various European colonies in the West Indies. A large quantity of sugar, particularly from Bengal, was exported to Muscat, the Persian Gulf, Mocha, and Jedda.

Various kinds of drugs, Carmanian wool, diamonds and precious stones complete the list of exports from India.

And, finally, as regards the direction of Indian foreign trade : in addition to the former markets in Asia, Eastern Africa and Europe, this period witnessed the development of American and African markets by the European Companies. The improvement of American and African commerce, particularly by the English Company, greatly increased the consumption of Indian commodities in these directions.

CHAPTER II
INDIAN FOREIGN TRADE UNDER
MONOPOLY, 1757-1813

Section I

GENERAL TREND OF THE TRADE

SUCH, then, was the condition of the foreign trade of India when the Battle of Plassey decided the political preponderance of the English East India Company in Bengal.

Whether this battle and the year in which it was fought mark a landmark in the political and economic history of India has been a subject of no small discussion.¹ Undoubtedly it laid the foundation of great changes in India.

The immediate effect of this battle and of the previous ten years' disturbances was a certain falling off in the English Company's exports from India.² The change from a commercial body founded upon a system of economy, to a

¹ Those who deny it emphasise the fact that the treaty with Mir Jafar merely confirmed the previous treaty made between the English and Siraj-ud-doulah in February, 1757, in which he ". . . had consented to that purchase by the Company of the talukdari rights in thirty-eight villages which the Emperor Furrukh Siyar had sanctioned in 1717—a purchase which the astute Nawab Murshid Quli Khan had prevented. The addition to the English Zamindari of the twenty-four Parganahs conceded by Mir Jafar was little more than what his ousted predecessor had consented to. Again, as to the Company's trading privileges, it was an essential point in Governor Vansittart's position in 1760 to demonstrate that the victory at Plassey had been productive of no fresh privileges for English commercial enterprise." Firminger. Historical Introduction to the Bengal Portion of the Fifth Report, 1812, p. ii.

As against this view, we may compare the following opinion of Macpherson, who, speaking of the battle of Plassey and of its results, says: "This revolution, effected in one day by a mere handful of men, but more important in its consequences than most of the protracted wars which have convulsed Europe during some Centuries by past, immediately raised the condition of the Company in Bengal, and of every individual in Calcutta, of whatever nation, from the depth of misery to the highest state of prosperity: all the subordinate factories were re-established, and commerce flourished in the Country more than ever." *Op. cit.*, p. 180.

² Cf. Hill, *op. cit.*, Vol. III., p. 389.

military and political body without additional resources, was enough to upset its commercial position. This was, no doubt, aggravated by the trouble and confusion which arose in Bengal owing to the change in government, as also by the loss and expense to which the English Company and the trading community at Calcutta had been put, on account of the loss of Calcutta in 1756. Both loss and expense were, however, amply made up for by the liberal compensations and restitutions made by Mir Jafar, half of which was paid up soon after the battle of Plassey, and the other half was to have been paid in three equal yearly instalments.¹

The broad features and general tendencies of the Indian foreign trade during the period of the English Company's monopoly are as follows :—

On the side of exports from India, the Company's total sales in London for the decennium 1751 to 1760 amounted to £13,657,786, as compared with £15,333,444, for the previous one. The next decennium shows an increase to £16,876,931, although it was a period of the greatest amount of disturbance in the economic history of Bengal, the principal province from which the Company's investments were procured after 1757. The increase continued steadily, until exports were more than trebled in 1791 to 1800 over those of 1741 to 1750. The slight fall from this position in the last decade, 1801 to 1810, was due to Napoleon's Continental system, which rendered the re-export of Indian goods to the Continent very difficult. In other words, the average sales per annum, which amount to a little over £1,000,000 during the fifty years previous to the battle of Plassey, increased to more than £4,500,000 per annum towards the end of the following fifty years.²

On the side of imports into India, bullion, which formed the principal item during several centuries of trade relations with Europe, should be separated from merchandise. During the period of about fifty years before Plassey, the relative position of the two was £21,911,277 and £8,508,184, respec-

¹ *Ibid.*, Vol. I., p. ccx.

² See Appendix, Table VII, prepared from Macgregor's *Commercial Tariffs*, pp. 122-124, excluding Tea.

tively. In the fifty years after Plassey the position was completely reversed, bullion imported being £7,668,033 and merchandise £25,964,586. The reduction in the import of bullion was due to two causes. Firstly, after the English Company obtained the *Diwani* of Bengal, Behar, and Orissa, its exports to England were partly purchased out of the surplus revenues of those provinces. Secondly, Englishmen in India who had fortunes to transfer to England did so by means of bills of exchange obtained from the Company in India, upon the Court of Directors in England. The two together rendered the import of bullion by the Company unnecessary. The fall was very great between 1760 and 1790, the average annual import about 1760 having been £377,183, while that about 1790 was only £72,016.¹ The increase in the last two decades was due to the Americans and the Portuguese and Danish Companies which imported treasure into India.² If the English Company imported any bullion it was only to Bombay or Madras, when Bengal could not supply them with funds, owing to expensive wars towards the end of the eighteenth century.³ The import of merchandise into India continued to be steady, though not very progressive, up to 1790, after which it almost doubled and trebled in 1791 to 1800 and 1801 to 1810 over the imports of the previous three decades. The increase both in import into and export from India in the last two decades of the Company's monopoly was due to a partial break in the monopoly in 1793.

For an account of the character of this trade we shall have to wait until we have made some detailed study of the principal articles constituting it, and of the circumstances under which these were produced.

It may be pointed out here that, although an account of the Indian foreign trade that passed through the hands of the English Company from 1757 to 1813 is not a complete

¹ See Appendix, Table VIII., prepared from Macgregor's *op cit.*, pp. 119-121.

² "The ancient practice of exporting silver from the West to India appears of late years to have considerably revived. The imports into Bangal in the last four years appear to have been about eighty-nine lacks of rupees, of which seventy-one lacks were from Foreign Europe and America." Appendix, No. 47, Supplement to Fourth Report, 1812, p. 16.

account of that trade, yet it is almost so, and became so increasingly as greater portions of the country came under the Company's possession. How this was brought about forms the subject of the next section.

Section II

ELIMINATION, BY THE ENGLISH COMPANY, OF ALL TRADE RIVALS

Soon after the retaking of Calcutta by Clive and Watson, Chandernagore, the principal settlement of the French in Bengal, was captured by the English in 1757, and Pondicherry fell into their hands in 1761, by which year

“ . . . the French had neither any regular force in any part of India, nor any local possessions, except their factories of Calicut and Surat, which were merely trading establishments.”¹

By the treaty of Paris signed in 1763, England restored to the French Company those factories in India which it possessed in 1749. The Company had scarcely recovered from the effects of the Seven Years' War in India, when its trade monopoly was abolished by Louis XV. in 1769. French trade with India, thereafter, was carried on by private merchants with crippled resources. The war with England in 1778 almost destroyed this small trade also, and the Napoleonic wars gave it a death blow. Abbé Raynal, writing of the French trade with India about 1777, says,

“ It was impossible that they should be able to strive against the English, who being masters of every branch of trade, and in all places, had all the advantages resulting from power and from the loose principles which prosperity inspires, to enable them to defeat all attempts of this kind. In whatever manner, therefore, or in whatever shape, the trade of France was carried on, it was a necessary consequence of the situation of affairs that it must suffer greatly.”²

The Dutch fared no better. For some time after the Battle of Plassey they were suspected of carrying on secret

¹ Thornton, quoted by Smith, *op. cit.*, p. 480.

² *Op. cit.*, Vol. II., pp. 157-158.

negotiations with Mir Jafar, who was uneasy under his new masters. In 1759 they sent six ships from Batavia to overthrow the English in Bengal. In the Battle of Biderra, a small village between Chandernagore and Chinsura, they were completely defeated, and, thereafter, ceased to be a factor in Indian politics. This affected their trade. Stavovrinus, who visited Bengal about 1770, writes,

"The commerce of the (Dutch) Company in this country was formerly very profitable; but some years back, it has greatly declined, which is, undoubtedly, in a great measure, ascribable to the increasing influence and power of the English, and their consequent preponderance in affairs of trade; I say, however, in a great measure, because I think I am pretty well informed, that a want of fidelity in the Company's servants, has not a little contributed to lessen the profits."¹

The war with England in 1780 reduced the Dutch Company's trade with India still further, and during the Napoleonic wars they lost most of their Asiatic possessions. By the end of the eighteenth century, its affairs became so desperate that it could hold out no hope of any dividend to its shareholders. Macpherson, writing about the year 1812, says,

"By these and other similar disasters, by the great increase in the expenses of their oriental establishments, by the great diminution of the demand for spices, owing to the change of taste or fashion in Europe, and by the ascendancy acquired by the English East India Company . . . the formerly prosperous condition of the Dutch East India Company was now so far reduced, that the States-General, amidst their own distresses were obliged to assist them with very large loans."²

Whatever trade, therefore, these two nations carried on with India during the period of the English Company's monopoly was in times of peace with the English, and through the sufferance of the English Company.³

The only European Companies that did flourish during this period were the Danish and the Portuguese, and the

¹ *Op. cit.*, Vol. I., pp. 524-525.

² *Op. cit.*, p. 67.

³ "Our acquisition of territorial power, though we did not employ it to divest Foreigners of their privileges, brought them, however, gradually into more dependence upon us for the provision of their investments." Appendix 47. Supplement to Fourth Report, 1812, p. 12.

Americans towards the end of the eighteenth and the beginning of the nineteenth century.

The Danish Company which had been totally ruined in 1730 re-appeared during the last twenty-five years of the eighteenth century. Owing to its neutrality in England's wars, it carried on a brisk trade, both on its own account and on account of the English, who sent their goods under the cover of their neutral flag. But owing to its poverty its normal trade with India never amounted to much.

The increased trade of the Portuguese towards the close of the eighteenth century arose owing to the increased demands for Indian goods in the Brazils, Spain, and Spanish America.¹

The trade of the Americans with India was based upon the treaty of amity, commerce, and navigation between them and England, carried out on November 19th, 1794, according to which there was to be a reciprocal and perfect liberty of navigation and commerce between their respective people.² The Americans took the fullest advantage of this treaty by increasing the consumption of the Indian commodities, and by supplying these to the West India Islands and the Spanish Settlements in South America. They were charged with supplying Indian goods to the Continental nations also during the Napoleonic wars, which was contrary to the above treaty.

As regards indigenous traders and merchants, two things must be borne in mind. First, as pointed out in the previous chapter, ever since the arrival of European Companies in Eastern waters, a good deal of the carrying trade of India passed into their hands. As a matter of fact, even so early as the middle of the seventeenth century, Indian merchants preferred Dutch and English ships to Indian vessels.³ This

¹ *Ibid.*, p. 43.

² 37 Geo. III, Chapters XCVII. and CXVII.

³ "The attitude of merchants in inland cities may be gathered from the fact that, at the time Surat was actively opposing the admission of English ships to the Red Sea, Ahmadabad was asking the English to carry goods on freight to Mocha, Persia, and elsewhere; and after more than twenty years' experience of the business, the English at Surat reported that Indian merchants chose Dutch or English in preference to Indian vessels." Moreland. *From Akbar to Aurangzeb*, p. 87.

was due to the fact that European ships were better fitted to engage in naval warfare against pirates and sea robbers, both Asiatic and European, who infested the seas. By the beginning of our period, and as we proceed, this transference was almost completed. The political revolution which took place in Persia after the assassination of Nadir Shah in 1737 destroyed that valuable portion of the Indian trade in the Persian Gulf and the Red Sea, which was carried on from Surat by Indian traders and merchants themselves. This left only a little trade with the Eastern Archipelago and with China, in purely indigenous hands. Secondly, the political change in India itself eliminated the Indian traders and merchants from participating in the foreign trade, as will be shown hereafter.

The overland trade with India, whatever its extent and amount, has not been recorded anywhere, until within comparatively recent times. But, as now, it could not have been much as compared with the sea-borne trade.

For the above reasons we have to depend upon the trade statistics of the English East India Company for forming an idea of the extent of Indian foreign trade.

Section III

THE SERVANTS' MONOPOLY

In a sense, the internal trade of India lies outside the scope of this work. But as the private fortunes made by the English after 1757 were mostly through the internal trade, some part of the internal trade is inextricably bound up with the external, and a short account of it is therefore necessary. It is also required to explain further how the English Company monopolised the foreign trade of India.

Before the Battle of Plassey was fought, Mir Jafar had undertaken to confirm the trade privileges of the English Company which had been renewed by Siraj-ud-doula in his treaty of February 9th, 1757. He also undertook to make good the losses suffered by the Company and the inhabitants

of Calcutta when it was attacked in 1756. The total amount of these came to £2,394,000, out of which Clive received a sum of £31,500, and a jagir¹ during his lifetime, reverting to the Company upon his death. Half the promised sum was paid up soon after the battle, and the other half was to have been paid in three equal yearly instalments.

Neither Siraj-ud-doulah nor Mir Jafar granted the English Company any new privilege over what they had secured from Emperor Furrukh Siyar in 1717. In fact, none was asked for. This has been attested to by Vansittart, who was the Governor of Bengal from 1760 to 1764.² But very soon after the new order of things came into force, some of the Company's servants and their Indian agents, called *Gomashthahs*, claimed the privilege of exporting and importing their private goods, duty free, in the same way as goods belonging to the Company. These servants began to use the Company's *dustuck* or permit to enable their goods to pass duty free quite freely, and also sold it to other Indian merchants. At the same time many of them began to take part in the internal³ trade of the country, in goods which formed the common articles of consumption by the people of the country, such as salt, betel-nut, tobacco, rice, and other grain.⁴ This was the beginning of the change by which the country merchants were gradually excluded from this trade, until the Company's servants obtained a monopoly in it.

During his three years' rule as the Nawab, Mir Jafar made regular complaints against the high-handedness of the servants of the Company. The losses to the revenue caused by this invasion of the inland trade and by the abuse of the

¹ An hereditary assignment of land and of its rent as annuity. Hobson-Jobson, p. 446. A landed estate given by Moghul rulers for military or other service

² *Narrative of the Transactions in Bengal*, Vol 1, p. 24. "With respect to trade, no new privileges were asked of Mir Jaffer; none indeed were wanted by the Company, who were contented with the terms granted them in 1716, and only wished to be relieved from the impositions to which they had been exposed from the arbitrary power of the Nawab."

³ By internal trade here is meant the buying of goods in one part of the market within the country and selling them in another part of the same, pocketing the difference in the two prices.

⁴ Cf. Despatch to Bengal, dated December 18th, 1771, paras. 1-2, and Vansittart, *op. cit.*, Vol. 1., p. 25.

dustuck were no small factor in his inability to pay to the Company the remaining half of what he had promised. But this was considered to be due to his inefficiency. So he was removed in favour of a stronger man, Mir Qasim, who lavished money upon the members of the Calcutta Council amounting to £200,269, out of which Vansittart received £58,333. He also undertook to pay off all the arrears due to the Company, besides ceding to it the districts of Burdawan, Chittagong, and Midnapur, yielding a monthly income of 50 lakhs of rupees for the maintenance of the English troops that might be required by him. All these promises were faithfully carried out by him.¹

But the evil of the inland trade and of the abuse of the *dustuck* continued in spite of Mir Qasim's protests. In an oft-quoted passage he represented the extent of the evil as follows :—

“ The cause of the country's not being in my possession is this ; that from the factory of Calcutta, Cossimbuzar, Patna, and Dacca, all the English Chiefs, with their gomastahs, officers and agents, in every district of the government, act as collectors, renters, zemindars, and taalookdars, and setting up the Company's colors, allow no power to my officers. And besides this, the gomastahs and other servants in every district, in every gunge, pergunah and village, carry on a trade in oil, fish, straw, bamboos, rice paddy, betel-nut, and other things ; and every man with a Company's *dustuck* in his hand, regards himself as not less than the Company.”²

When matters became very bad, Mir Qasim agreed to a compromise by which the servants of the Company were to be allowed to take part in the internal trade of the country, on payment of a fixed duty of 9 per cent. instead of the varying and vexatious demands of the servants of the Nawab. But the majority of the Calcutta Council would not agree to it, and insisted upon the right of inland trade, duty-free, “ granting ” the Nawab a 2½ per cent. duty on salt, as a concession ; while, according to the investigations of Vansittart, the Nawab's subjects were paying, as general duty, 25 per cent. and over at several places.³

¹ Vansittart, *op. cit.*, Vol. I., pp. 178-179.

² Vansittart, *op. cit.*, Vol. II., pp. 2-3.

³ Hallward. *William Bolts*, p. 8.

When Mir Qasim saw that the revenue from inland trade was reduced to almost nothing, and that his subjects were excluded from it he threw the trade open to everybody, free of duty. In this, both Vansittart and Hastings considered the Nawab within his rights, and as a measure very beneficial for the people.¹ But the rest of the Council took it for an encroachment upon their rights in placing the Nawab's subjects and other nations on terms of equality with them.² Resistance on the Nawab's part led to a rupture and a fight at Buxar in 1764, in which he was overthrown. After this the servants of the Company had their own way in everything for some time. The Nawabs placed on the throne of Bengal after Mir Qasim were mere puppets in the hands of the English Company.

In 1765 Clive received the *Diwani*, or the right of collecting the revenues of Bengal, Behar and Orissa from the Moghul Emperor, Shah Alam, in consideration of an annual payment of 26 lakhs of rupees. In the same year the five northern Circars were completely ceded to the English Company without any requirement of payment of any kind. Both these events had a great effect upon the fortunes of the Company and of its servants, as well as upon the foreign trade of India. The first laid the foundation of what is known as the "Double" or "Masked Government," whereby the English Company became the real power behind,

"(the) legal fictions concerning the Padshah of Delhi, the

¹ Vansittart, *op. cit.*, Vol. III., pp. 74-75. ". . . We say, tho' it may be for our interest to make this unlimited use of our force, yet it is not to be expected the Nawab will join with us, in endeavouring to deprive every merchant of the country of the means of carrying on their business, which must undoubtedly soon be the case, if they are obliged to pay heavy duties, and we trade in every article on the footing before mentioned.

"Neither in our opinion could the Nawab in such circumstances collect enough to pay the expense of the chokeys, collectors, etc.

". . . We hope the present regulation instead of being a prejudice to the Company's business, may be an advantage to it, as well as to the Country in general, by rendering the necessaries of life cheaper, and particularly those of the poorer sort, as rice, salt, betel-nut, tobacco, etc."

² Hallward, *loc. cit.* "This treaty was generally regarded by the English in Bengal as a gratuitous and unwarrantable surrender of their rights. . . . The majority of the Council maintained that the *firman* conferred on the Company and its servants a right to trade in India in all articles everywhere free of duty."

Subadar of Bengal, and other personages whose real position differed widely from that officially ascribed to them." ¹

This lasted up to the year 1772, when the Directors, no longer afraid of the jealousy of the French and the Dutch, and because the real position was understood by everyone, decided to become the *Diwan*, both in name and in fact.²

To return to the claims of the Company's servants. The trade privileges granted to the English Company by the various Moghul rulers referred to the Company's foreign trade or to exports and imports of goods from and to India. This kind of trade was calculated to provide a vent for the manufactures of the country, and to enable the import of bullion, horses, metals, and a few other commodities which were prized by the Emperor and his courtiers. As such the trade of the English Company in particular, and that of the other European Companies in general, was greatly encouraged; and it is a mistake to think that European traders were disliked in India, as they were in Japan and China from the very beginning.³ But the excesses com-

¹ Smith, *op cit.*, p. 501.

² MS. Despatch to Bengal, August 28th, 1771. "It is therefore our determination to stand forth as *Duan*, and by the agency of the Company's servants to take upon ourselves the entire care and management of the revenues." Para. 21.

³ The efforts made by the English East India Company up to about 1683 to secure the favour of the Emperor of Japan to allow it trade privileges availed nothing "The Emperor of Japan was not only inflexible in his determination to have no commercial intercourse with this country (England), but he even prohibited the importation of British woollens by his own subjects trading to Bantam, and other places in the South Seas" Appendix No. 47, Supplement to Fourth Report, 1812, p. 125

In China, the English Company's monopoly was met by the Chinese monopoly in the hands of Hong merchants, who were responsible to the Government for the conduct of the foreigners with whom the Hong merchants had exclusive dealings. "After the ships are despatched for the season, the factors are obliged to withdraw to the Island of Macao, a low Portuguese Settlement, till the ships of next year arrive And with respect to the ships, they are, whilst in harbour, under the control of the Chinese officers, who are empowered by law to take the custody of their guns: and if in the intercourse, and consequent frays, between the Native and our English Sailors, one of the former happens to meet with his death by accident, from an unknown hand, it may produce the most serious consequences." House of Commons, 78, 1812-1813, Vol. VIII., p. ii.

Notice, however, the solicitude shown both by Aurangzeb and Shaista Khan in 1689, when the English Company withdrew from Bengal. Although the Company had declared war against the Moghul Empire, and was defeated, yet Aurangzeb restored it to its former position and privi-

mitted by the Portuguese and the sea pirates, including the English, in the seventeenth century were responsible for creating an antipathy towards European traders. In the later days of the Moghuls, the English and the Dutch Companies were also welcomed as a protection against the aggression of the Portuguese, and to defend the coastal trade and Mecca pilgrim vessels against European and Malabar pirates.

It must be confessed that the *farmans* of the Moghuls granted to the English Company were so loosely worded that their meaning could be stretched to suit the convenience of the grantee. But in none is there any specific mention made of any privilege for the servants of the Company.¹ For a long time, however, through the indulgence of the Company and the connivance of the Provincial Governors, the servants availed themselves of the privileges of their masters in using the Company's *dustucks* to cover their private goods, and the same was utilized for carrying on their internal trade, the Company having nothing to do with such trade. Therefore the claim put forward from 1757 onward was altogether gratuitous, and was only due to the changed political situation.

Vansittart said that the claim would appear to all reasonable men as unjust as it was new. Who could suppose the Moghul Emperor meant by his *farman* to give to the English the right to trade from place to place, in the centre of his own country, upon a better footing than his own subjects? ²

Verelst, writing on the subject, says that the Emperor's *farman* confined the exemption from payment of duties to only exports and imports, and this was observed while the English were wholly subordinate to the country government of Bengal. The private traders in the Company's service

leges. Similarly, when Siraj-ud-Doulah tried to extract 20 lakhs of rupees from the Dutch after the fall of Calcutta in 1756, they threatened to withdraw from Bengal. Rather than let them go away, he was contented with receiving only 4½ lakhs. The loss of revenue, gifts, and presents was another consideration, both in the mind of the Emperor and of the Provincial Governors. Cf (for the last point) Hunter, *op cit.*, Vol. II., p. 265.

¹ Even a cursory perusal of the *farman* of Aurangzeb issued in 1680, and of Furrugh Siyar will bear out the correctness of the statement.

² Cf. *op. cit.*, Vol. II., p. 315.

enjoyed this privilege only by connivance. When Mir Jafar was raised to the throne by the arms of the English Company, the trade of the servants increased with the authority of the Company, and they began to engage in the internal trade of salt, some even claiming an exemption from duties.¹

Lord Clive, in his speech before the House of Commons on March 30th, 1772, said :

“ Many years ago an expensive embassy was sent to Delhi to obtain certain grants and privileges from the great Moghul in favour of the East India Company, and amongst others was obtained the privilege of trading duty free. The servants were indulged with this privilege, under the sanction of the Company's name. The Company never carried on any internal trade. Their commerce has been confined to exports and imports only. It is impossible that the servants should have a more extensive right than the Company itself ever had. Yet they claimed a privilege of carrying on an inland trade duty free. The absurdity of a privilege so ruinous to the natives, and so prejudicial to the revenues of the country, is obvious. At the Revolution in 1757, no such claim was set up, nor was any such trade carried on publicly, or to my knowledge during my government, which ended in the beginning of the year 1760.”²

The Court of Directors in their despatches dated April 26th, 1765, said :

“ Treaties of Commerce are understood to be for the mutual benefit of the contracting parties. Is it then possible to suppose that the Court of Delhi, by conferring the privileges of trading free of Customs, could mean an inland trade in the commodities of their own country, at that period unpractised and unthought of by the English, to the detriment of their revenues and the ruin of their own merchants? We do not find such a construction was ever heard of until our servants first invented it, and afterwards supported it by violence ; neither could it be claimed by the subsequent treaties with Mir Jafar or Cossim Ally, which were never understood to give one additional privilege of trade beyond what the phirmaunds expressed.”³

In spite of these clear and cut opinions regarding the illegality of the whole affair, the evil was perpetuated for some time even by Lord Clive, who had been sent out in

¹ *View of the English Government in Bengal*, p. 105.

² *Hansard*, Vol. XVII, 1771-1774, p. 334.

³ *MS. Despatch to Bengal*, para. 23.

1765 to put down, among other things, the servants taking part in inland trade.

He established in 1765 what is known as the Salt Society for conducting the trade in salt, betel-nut, and tobacco, in the form of a monopoly, for the benefit of the Company and its superior officers. This was in violation of the orders of the Directors, who first authorized it and then ordered its abolition.¹ In their despatch, dated November 20th, 1767,² while referring to the proceedings of the Bengal Council dated September 8th, 1766, regarding inland and salt trade, and their instructions regarding the exclusion of all persons excepting the natives from being concerned in inland trade, they said :

“ Past experience has so impressed us with the idea of the necessity of confining our servants and Europeans residing under our protection within the ancient limits of our export and import trade, that we look upon every innovation in the inland trade as an intrusion on the natural right of the natives of the Country, who now more particularly claim our protection. . . .”

But the policy of the Directors in this matter was not consistent. Having abolished the trade of their servants in articles of inland traffic, and having increased³ the allowances of their superior servants, they again laid the inland trade open. Bengal General Consultations, dated December 12th, 1770, announced the laying open of the trade in salt, betel-nut, and tobacco to all persons throughout the provinces, in view of instructions received from the Directors in 1769. The Fourth Report of the Committee of Secrecy, 1773, remarked that, although trade was laid open to all persons, natives and Europeans, the English subjects were to be permitted to trade only upon the same footing and subject to the same duties and restrictions as the natives or other subjects. Lord Hastings by his notification dated February 16th, 1773, prohibited to the servants of the

¹ Ninth Report from the Select Committee, 1783, p. 43.

² MS. Despatch to Bengal, para. 90.

³ In their despatch to Bengal, dated November 20th, 1767, the Directors authorized the distribution of 2½ per cent. of the net revenue of the newly acquired territories among the superior officers of the Company, in view of their trade being confined to only export and import of goods from and to India. Cf. paras. 105-108.

Company the privilege of the *dustucks*, and granted them certificates on payment of the duty of $2\frac{1}{2}$ per cent. These certificates enabled them to claim a drawback on making an affidavit that the goods were on their own account. The Regulating Act of 1773, prevented the servants of the Company,

“ . . . to engage, intermeddle, or be anyway concerned, directly or indirectly in the inland trade in salt, betel-nuts, tobacco or rice except on account of the United Company.”

But as late as 1800, the idea that the natives of the Company's possession as well as British subjects should have the same freedom in trade as the foreign European nations, was decried because of the Company's monopoly and its political consequences.¹

One reason which is generally given why the servants of the Company insisted upon taking part in the internal trade, free of duty, was the inadequacy of their salaries. Referring to this matter, Lord Clive said before the House of Commons, in 1772, as follows :—

“ The salary of a Counsellor is, I think, scarcely £300 per annum, and it is well known that he cannot live in that Country for less than £3,000. The same proportion holds among other servants.”²

Adverting to the luxury and extravagance of the Dutch factors in the East, Stavorinus says,

“ This mode of life naturally occasions an enormous expenditure. The least in rank stand in need of five or six thousand rupees annually, and even then they must practice economy.”³

The Court of Directors was also aware of the luxury and extravagance of the English factors in Bengal, for in one of their despatches, they said :—

“ . . . for as it is notorious that even youths in our service expend in equipage, servants, dress and living, infinitely more than our stated allowances can afford, we cannot but be anxious to discover the means by which they are enabled to proceed in this manner.”⁴

¹ Appendix 47. Supplement to Fourth Report, 1812, p. 10.

² Hansard, Vol. XVII., 1771-1774, p. 338.

³ *Op. cit.*, Vol. I., p. 523.

⁴ Despatch to Bengal, April 7th, 1773, para. 26.

*An Account of the Stated Salaries and Allowances to the Company's Civil Servants in India.*¹

	Salary and Allowances.				Commission on the Revenues.							
	Bengal.		Fort St. George.		Bombay.		Bengal.		Fort St. George.		Bombay.	
	£	s.	£	s.	£	s.	£	s.	£	s.	£	s.
The Governor p.a.	4,800	0	3,000	0	1,668	15	18,516	6	4,037	5	3,000	0
Second in Council	368	15	276	10	287	9	2,687	17	1,057	7	900	0
Third	342	13	129	10	145	0	1,194	12	480	12	450	0
Fourth	342	13	129	10	125	0	1,194	12	480	12	450	0
Rest	342	13	129	10	125	0	1,194	12	480	12	450	0
Senior merchants	81	0	80	0	85	0	—	—	—	—	—	—
Junior	75	0	70	0	75	0	—	—	—	—	—	—
Factors	60	0	60	0	70	0	—	—	—	—	—	—
Writers	50	0	60	0	60	0	—	—	—	—	—	—

Besides salary and diet, such as are not provided with apartments are allowed house rent : viz., at Bengal, £30 per annum ; at Bombay and Bencoolen, £30 ; and at St. Helena, £10.

¹ Ninth Report from the Committee of Secrecy, 1772-1773, p. 460.

On the last page is a statement of the salaries and allowances of the various servants of the Company about 1772 to 1813.¹

The port to port trade passed out into the hands of the Company's servants as early as between 1620 and 1630, and the profits made in it made a substantial addition to the salaries of the servants, considering that it was this trade which principally attracted people into the Company's service.

Whether, then, the servants of the Company received an adequate remuneration or not, may be judged by the above statement of their remuneration and perquisites, and to a certain extent by the following prices of the necessaries of life at Calcutta in 1775.^{2, 3} While this statement of prices does by no means supply a suitable estimate of the cost of living of Europeans in India, it at least shows the general

Articles. ¹	Price at Moorshedabad in the year 1136, Bengal Sule. ²	Present Price in Calcutta. ³	Previous to 1769, at Azim Abad, per Rupee. ³
	Mds.-Srs.	Mds.-Srs.	Mds.-Srs.
Rice, fine, called Bhansephool :			
1st sort	1—10	0—16	
2nd „	1—23	0—18	
3rd „	1—35	0—21	
Rice, coarse, called Desua .	4—15	0—32	
„ „ „ Poorbic .	4—25	0—37	0— 60
„ „ „ Mansurah .	5—25	1— 0	
„ „ „ Kurkashalle.	7—20	1—10	
Wheat : 1st sort	3— 0	0—32	0— 75
2nd „	3—30	0—35	
Barley	8— 0	1—13	0—100
Bhenot—grain for horses . .	4—35	0—20	Javar--
		to 22	150
Oil : 1st sort	0—21	0— 6 $\frac{1}{4}$	
2nd „	0—24	0— 6 $\frac{3}{4}$	
Ghee : 1st sort	0—10 $\frac{1}{2}$	0— 3	
2nd „	0—10 $\frac{1}{4}$	0— 4	

¹ See Salaries of Servants, etc., Table on p. 47.

² Appendix 15 to the Sixth Report from the Select Committee, 1782, p. 952.

³ Ghulam Hussain. *Sēir Mutaqherin*, Vol. II., p. 438.

purchasing power of the rupee in those days. But if Lord Clive thought that the salary of each Counsellor should have been ten times more than what he was actually receiving, then all attempts at estimating the cost of living are hopeless. But, as a matter of fact, it was not for making a living, but for making "fortunes," in a short time, to be shipped off home that the servants entered trade, both internal and external, and excluded the indigenous traders and merchants wherever possible. The Directors testified to this when they said,

" . . . when youths have been suffered with impunity to exercise sovereign jurisdiction over the natives, and to acquire rapid fortunes by monopoly of commerce, it can not be a wonder to us or yourselves that Dadney merchants do not come forward to contract with the Company." ¹

To what extent this exclusion of indigenous traders and merchants had been carried out may be judged by the writings of the well-known contemporary Indian writer, Saiyad Ghulam Hussain, who, writing in 1789, says :—

" Now matters go otherwise : service for the troopers and cavalry, there is none at all : and of the various branches of trade, heretofore open to all, none is left free : they are engrossed by the Company themselves, or by the English in general ; as these, whether they enjoy the Company's Service, and of course have power and influence, or chance to be otherwise circumstanced, very seldom are without concerns in trade. But if, with all that, it happens that most of the superior military officers, whilst showing a shyness for trade, are really merchants invested with high powers and authority, how can the poor subject pretend to derive a subsistence from merchandising ? Would they dare it ? " ²

Section IV

THE DRAIN OF WEALTH AND CAPITAL

A second economic consequence of the changed political situation was the "drain" of wealth and capital³ from

¹ MS. Despatch to Bengal, April 7th, 1773, para. 23.

² *Sair Mutaqherin*, Vol. II, p. 601.

³ As late as towards the end of the monopoly of the English Company it was stated that : " The importance of that immense Empire to this Country (England) is rather to be estimated by the great annual addition

India, in the sense that something went out of the country for which there was no commercial return. This began soon after Plassey, and was aggravated by the grant of the *Diwani* to the Company in 1765.

The subject has been commented upon by many writers of the economic history of India—English, Indian, and other foreign writers, and was considered responsible for the great currency difficulties and industrial decay which was experienced in India after 1757. Whether this was due to an actual transfer of gold and silver from India to England, enriching the latter while impoverishing the former, or in some other way, we shall presently see.

There were several causes which combined to create this drain and a fairly prolonged scarcity of currency in the country.

In the first place, the gifts, exaction, tributes, and restitutions, which were either voluntarily made or forcibly required by the English Company and its servants from various country powers and individuals, from 1757 to 1766, had to be transferred to England. Without taking account of the exaggerated¹ estimates of the sums so acquired and transferred, we note that the Select Committee of the House of Commons, 1773, put down the total of,

“ . . . such Sums as have been proved or acknowledged before the Committee to have been distributed by the Princes and other natives of Bengal from the year 1757 to the year 1766, both inclusive ” ;

at £5,940,498, with the following summary detail :—

Total of Presents	£2,169,665
„ Restitution, etc.	£3,770,833

exclusive of Lord Clive's *Jagir*.²

Next were the private fortunes made by the servants of the Company and other private English traders, sometimes

it makes to the wealth and capital of the kingdom, than by any eminent advantages which the manufacturers of the Country can derive from the consumption of the Natives of India.” Appendix 47, Supplement to Fourth Report, 1812, p. 7.

¹ Cf. Adams. *Law of Civilization and Decay*, pp. 249–258. Digby. *Prosperous British India*, pp. 31–35.

² Report I., pp. 19–22.

called free merchants, through external and internal trade, duty free. It is very difficult to give an exact idea of the amount of wealth sent out of the country in this way. A single individual, Bolts, admits¹ that he made £90,000 through such trade during the course of six years.² That many others made fortunes, and returned to England to enjoy it, is suggested by the following passages :—

“ The vast wealth which poured into the coffers of individuals, upon the ascendancy of the English power in India, at the same time that their number, in consequence of this great change, rapidly increased there, soon overflowed the usual channel of remittance through the Company, . . . ”³

and

“ The rapid acquisition of riches in Bengal had recently sent so many of the Superior servants, along with their fortunes, to Europe, that few remained to fill up the vacancies in the Council, except either men very young and inexperienced, or those whom Clive described as tainted with the corruptions which had vitiated the administration.”⁴

A third cause of the drain was that up to the year 1757 the English Company's trade with China was financed by means of bullion from England. From then onwards bullion began to be exported from India to China for purchasing Chinese goods for the Company, the proceeds of which were realised in England, and so never returned to India. The amount of such remittances commenced with £300,000 a year, and averaged about six hundred thousand a year.⁵ In their despatch, dated April 26th, 1767, the Directors said,

“ With particular satisfaction we see so proper an attention was paid to that important branch of our affairs, the China Trade, by

¹ William Bolts. *Considerations on Indian Affairs*, Vol. I., p. xi.

² Hallward, *op. cit.*, p. 3.

³ Appendix No. 47. Supplement to Fourth Report, 1812, p. 9.

⁴ Mill. *History of British India*, Vol. II., p. 248.

⁵ “ About an hundred thousand pounds a year is also remitted from Bengal, on the Company's account, to China ; and the whole of the product of that money flows into the direct trade from China to Europe. Besides this, Bengal sends a regular supply, in time of peace, to those Presidencies which are unequal to their establishment.” Ninth Report from the Select Committee, 1783, p. 16.

setting apart ten lakhs of rupees out of our revenues, to be sent thither.”¹

Some of the other Asiatic territories of the Company, such as Fort Marlborough and Bencoolen, were also supplied with funds from India.² Private English traders and merchants also added to this drain of bullion to China on their own account, as much as £1,700,000 worth having been lent to one company of merchants alone in China, none of which ever returned to India.³

The fourth cause of the drain was that, soon after the acquisition of the *Diwani*, the English Company's investment from India began to be made out of the territorial revenues of India, the entire surplus of which was devoted to this purpose. According to Burke's Report of 1783,

“goods from Bengal purchased from the territorial revenues, from the sale of European goods, and from the produce of the monopolies, for the four years which ended with 1780 . . . were never less than a million sterling, and commonly nearer twelve hundred thousand pounds.”⁴

In their despatch dated September 15th, 1785,⁵ the Directors said that, on an average of five years ending in 1778, goods were invested from India to Europe to the amount of 120 to 130 lakhs of current rupees, exclusive of what was sent to China as well as of what was sent by the servants, both through the English Company and the foreign European Companies on the capitals of the servants. They therefore ordered the investment to be increased to 150 lakhs of rupees during the ensuing two years, i.e., 1786 and 1787, in the following proportion :—

¹ MS. Despatch to Bengal, para. 12.

² Cf. MS. Despatch to Bengal, dated March 4th, 1778, ordering Bengal to supply Fort Marlborough £20,000, unconditionally, para. 16.

³ “In a memorial presented to the Governor-general and Council in March, 1782, it appears that the principal money lent by British subjects to one Company of merchants in China, then amounted to seven millions of Dollars, about one million seven hundred thousand pounds sterling; and not the smallest particle of silver sent to China ever returns to India.” Ninth Report from the Select Committee, 1783, p. 16

⁴ *Ibid.*, pp. 15-16.

⁵ MS. Despatch to Bengal, pp. 112-114.

From Bengal	.	115 lakhs of rupees	¹
„ Madras	.	25	„ „
„ Bombay	.	10	„ „

They show a little anxiety also owing to the heavy drain the above amount would mean. Say they, in the same letter,

“ We conceive that there is danger, lest by bringing to Europe too large an amount of the revenues of those countries *in goods for which no return is made* (italics ours), we should occasion a drain, which our territories may be unable to support.” ²

But the expected increase in investment did not take place ; and in their letter ³ dated March 27th, 1787, the Court admitted that,

“ A scarcity of current specie, arising from the embarrassed situation of the public affairs, and the great discount on paper currency, might possibly have some effect upon the investment.”

How much of the Company's investment was bought from the proceeds of the sale of exports from England ? Speaking on the subject, the Select Committee of 1812 said, “ Those exports, it is sufficiently known supply but a small proportion of the advance which the Investment demands.” ⁴ The bills of exchange drawn by the servants of the English Company after 1757, either upon the Court of Directors or upon the foreign European Companies, should not be considered imports into India during the period of the Company's monopoly for two reasons. Firstly, these were purchased in India, not from the returns of any capital that had been invested in India either by the English Company or its servants, but from the returns of money borrowed of indigenous bankers in India, and invested in internal and external trade, under circumstances already detailed. Throughout the period of the Company's monopoly it discouraged the investment of British capital in India, and

¹ Note the comparatively small capacity of Madras and particularly of Bombay in the foreign trade of the country, up to about the end of the eighteenth century. Of course, the criterion used here is the amount of surplus revenue which each Presidency could afford to invest into such trade.

² MS. Despatch to Bengal, September 15th, 1785, p. 112.

³ MS. Despatch to Bengal, paras. 247-248.

⁴ Appendix No. 47. Supplement to Fourth Report, p. 19.

neither its servants nor particularly the private merchants had any to invest.¹ Secondly, in England, the sale proceeds of the investment both from India and China, the latter being out of bullion supplied from India was, evidently the only fund out of which these bills could be paid.² Under these circumstances territorial revenues and produce of monopolies were, by far, the main source of the Company's investment.

We do not ignore the economic service that was rendered by these traders. At the same time, it cannot be denied that the returns for these services included very little, if any, of capital introduced into the country from 1757 to 1813.

It may be pointed out in connection with this item of the drain, that great hopes had been raised in England by Lord Clive and other servants of the Company regarding the immense stores of wealth from India which would be poured into the coffers of the Company on account of the territorial acquisitions. It was on the strength of these expectations, which began to be partially realised soon after 1765, that the Company raised its dividends from 6 to 10 per cent. in 1766 and to 12½ per cent. in 1767, and agreed to pay annually the sum of £400,000 to the British Parliament. But owing to mismanagement, and the haste with which its servants enriched themselves to the disregard of the interest of their masters, the expenditure on civil and military establishments in India increased so greatly that the Directors were compelled to seek the aid of Parliament for relief³ for a

¹ " . . . that the colonization of Europeans in British India and all measures leading to it, should be prevented; that the transfer of capital from Great Britain to the East, in the manner capital has been sent to our American Colonies, in order to raise produce there, would be the introduction of one of the first principles of the Colonial System." *Ibid.*, p. 40. Also see p. 17.

² "The sole fund out of which the payment could be made was the sale of the investment or the goods transmitted to them from India and China. If the quantity of these goods was less in value than afforded a surplus equal to the amount of the bills which were drawn upon them, they remained so far deficient in the ability to pay. And if the goods were sent in too exorbitant a quantity, the market was insufficient to carry them off." Mill, *op. cit.*, Vol. II., p. 264.

³ Cf. Macpherson, *op. cit.*, p. 196, and Despatch to Bengal, November 24th, 1772, p. 433, which reads: "From our repeated orders on the subject of remittances by draughts on us, you have been thoroughly warned of the

short time. According to the Select Committee of the House of Commons, 1773, there was a deficit in the Company's accounts for the earlier years of the period 1757 to 1772, although there was a surplus of £3,877,000 for the eight years 1766 to 1774. The surplus from revenue continued, almost invariably, except during periods of great warfare.

And, finally, to complete the story of the drain and of the currency difficulties in India, we have to take note of the stoppage of the export of bullion to India, both by the English and other European Companies, soon after 1757. This affected the drain in an indirect manner.

Previous to the year 1757 Bengal alone used to import, annually, bullion to the value of about one million sterling as follows : ¹—

Through the French Company	. £200,000
" " English "	. 250,000
" " Dutch "	. 300,000
" " Danish "	. 30,000
" Persia and the Red Sea	. 180,000
	£960,000

We have already noticed how the French trade with India declined between 1757 and 1765. The English Company stopped the exporting of bullion because,

" (it) was liberally furnished with money, either stipulated for indemnification, restitution, etc., or borrowed of private individuals on their bonds or bills," ²

and later because of the surplus revenues. The Dutch Company lost its importance in Indian trade after its defeat in Bengal in 1759. The Persian and the Red Sea trade was ruined by 1757, ". . . by the overgrown influence of the

difficulties that we apprehended would one day befall the Company from your acting contrary thereto ; that day is now come upon us, and we are labouring under the greatest pressure in regard to a want of cash that we have ever yet felt, and indeed the want is so great that nothing but the aid we shortly expect from Parliament can possibly give us relief at present."

¹ Verelst, *op. cit.*, pp. 85-86.

European Companies " and by political difficulties in Persia.¹ The remaining European Companies, instead of bringing any bullion, were provided with funds for their investments by the servants of the English Company and other English traders against bills payable in England.² Verelst sums up the total loss from this cause alone, from 1757 to 1766 as follows :—

" From the reduction of Chandernagore in 1757 to the commencement of a gold coinage in 1766, Bengal had lost, by deficiency in the usual imports of bullion and by exportation of silver more than eight million sterling." ³

As regards the form in which the drain took place ; popular belief, encouraged by some contemporary evidence, though not of an incontestable nature, is that bullion actually flowed out of the country into England. Apart from the unsubstantiated views of Brooks Adams and Digby, referred to above,⁴ there are Minutes recorded by Verelst, Francis, Hastings and Shore, all referring to the export of silver to England. The Court of Directors, in their despatch dated December 15th, 1775, said,

" Information being given to us, that a considerable quantity of gold, silver, and diamonds, had been imported from the East Indies by the men of war lately arrived from thence, and lodged for safe custody in the Bank of England, we have required that the same should not be delivered to the respective proprietors without our express permission, nor until the Company's duty shall have been regularly paid."

" Of the above articles we are informed that several of them do not appear to have been registered." ⁵

But neither the Select Committee nor the Committee of Secrecy, 1772 to 1773, refers to this export, though both were conscious of the great scarcity of silver in Bengal. It would not be unreasonable, therefore, to conclude that some

¹ *Loc. cit.*

² Raynal, *op. cit.*, Vol. I., p. 462.

³ *Loc. cit.*

⁴ See above, p. 50.

⁵ MS. Despatch to Bengal, paras. 13-14. Also Despatch to Bengal, dated February 11th, 1773, para. 7, and Despatch to Bengal, dated September 15th, 1785, pp. 113 and 122-124.

of the drain was actually in the form of bullion, though not in a large quantity, generally smuggled into England by private individuals to avoid the Company's import duty of 5 per cent., or openly after paying the duty.

The Ninth Report from the Select Committee of 1783 makes a very definite pronouncement upon the subject. Speaking of the surplus revenues, and of the means adopted for its transmission to England, it says,

"To send it out in silver was subject to two manifest inconveniences. First, the Country would be exhausted of its circulating medium. A scarcity of coin was already felt in Bengal. Cossim Ali Khan during the short period of his power had exhausted the Country by every mode of extortion; in his flight he carried off an immense treasure which has been variously computed, but by none at less than three millions sterling. . . . The next and equally obvious inconvenience was to the Company itself. To send silver into Europe, would be to send it from the best to the worst market. When arrived, the most profitable use which could be made of it would be to send it back to Bengal, for the purchase of Indian merchandise. . . . It was necessary, therefore, to turn the Company's revenue into its Commerce."¹

From this it appears that the major portion of the drain from India was not in the form of bullion, but in that of goods, though it does not alter the fact that wealth went out of India, for which there was no commercial return.

As a matter of fact there were cheaper ways of transmitting wealth to Europe than through the export of gold and silver. The purchase of diamonds in India and sending the same was one very frequently used.² Bills upon the Directors of the English Company purchased from their agents in India and payable in England was another, though not very much favoured for two reasons. In the first place, the Directors were not very willing that such bills should be drawn upon them, and they allowed these,

¹ P. 15.

² "That Lord Clive did make extensive purchase of diamonds is well known, and he explained the reason in a speech which he made in the House of Commons on the 30th of March, 1772. Speaking of the necessity of finding a mode of remitting the proceeds of his Jaghir (about Rs. 30,000 a year), he said, 'For this purpose and this only, I sent an agent into a distant and independent country to make purchase of diamonds.'" Hallward, *op. cit.*, p. 32.

“at too low a rate of exchange to be availed of.”¹ As noticed above, the only fund out of which they could pay these bills was the sale proceeds of the goods from India and China, and if the quantity of these was less than afforded a surplus to pay these bills, they remained deficient in paying up. Secondly, owing to previous heavier drawings in India and consequent embarrassments in England, the Company was restrained by Act of 1773 from accepting any more bills than £300,000 a year, exclusive of certificates to the amount of £5,000 to the commanders and officers of each of the Company’s ships. From time to time this limit was raised until it stood at £650,000 by 1800,² although the amount of bills actually drawn was always greater than that allowed by Parliament and the Directors, so great was the demand for transferring fortunes to England, in spite of the low rate allowed by the Company. The following are the amounts of bills drawn from 1764 to 1828 :—³

1764 to 1778,	£6,996,000 =	£466,000	average per annum.
1779 to 1791,	£11,278,000 =	£867,000	“ ”
1792 to 1813,	£26,158,000 =	£1,143,000	“ ”
1814 to 1828,	£15,302,000 =	£1,020,000	“ ”

But there was still more wealth to be transferred in spite of the above excessive, prohibited, and disadvantageous drawings. This was accordingly done through the other European Companies in India against bills payable in England. This enabled the foreign companies also to complete their investments without the necessity of importing bullion into the country, which became a matter of great concern to the English Company and Parliament throughout the period under consideration. The Select Committee of 1783⁴ estimated that the purchase of bills from foreign

¹ MS. Despatch to Bengal, dated August 28th, 1771, indicated the Directors’ surprise and indignation at the draughts on them, at a higher rate than that sanctioned by them in their instructions, dated June 27th, 1770, and April 10th, 1770, and intimated to their agents in India that they would be required to make good the losses suffered by the Company through their disobedience. Paras. 35–36.

² Appendix 47. Supplement Fourth Report, 1812, p. 25.

³ Lords’ Committee of 1831, pp. 567–568, quoted by Professor Hamilton. *Trade Relations between England and India*, p. 147.

⁴ P. 16.

companies amounted to about £1,000,000 per annum. Measures were, therefore, taken to prevent Englishmen from buying bills on these companies, and to encourage the export of their wealth directly to England in the form of goods.

It would be indeed very interesting to know the total amount of wealth which left the country, or was prevented from coming into it, owing to the various causes enumerated above. But there are so many gaps in our information that any attempt at calculating it is, at the best, conjectural. Professor Hamilton says :

“ if the total drain in merchandise that came into England directly between 1757 and 1780 both on account of the Company’s territorial tribute and of the gains of the private English traders were estimated at a total of £1,000,000 per annum, it is probable that the estimate would be in excess.”

Further down, referring to the indirect drain to England through the European companies, he says :

“ . . . if the total foreign drain to England, direct and indirect, between 1757 and 1780 was estimated at a million and a half sterling per annum, it is probable that such an estimate would not place the amount too low.”¹

Professor Sinha, by means of some very careful calculations, places the amount of the drain from 1757 to 1780 at £38,400,000, and says :

“ Even if it was a few million pounds less, it must have been a very heavy burden on the people of Bengal,—much heavier at that time than it would be at the present day, because the purchasing power of the rupee was then at least five times as high.”²

According to the above calculation also, the amount of the annual drain during the period works out to a little over a million and a half sterling per annum. Both stop at the year 1780, evidently because of a passage in Burke’s Report, which, referring to the year 1780 in connection with these investments, says, “ when the investment from the surplus

¹ *Op. cit.*, pp. 147-148.

² *Economic Annals of Bengal*, p. 52.

revenues finally closed,"¹ implying thereby that investments made after that date were from some other source. In fact, Professor Hamilton quotes Francis, who, writing in 1781 to the Court of Directors, seriously thought that they could never again have an investment from the revenues of Bengal.

But such was the case only in the year in which Burke's Report came out, when private persons were asked to make a subscription of £1,000,000 for an investment on their own account,² and in subsequent years owing to heavy war expenses of the English Company the amount of investment was somewhat decreased. Otherwise, the investment from surplus revenues and the drain, both directly and indirectly, continued right through the period under investigation.³ We have already noticed that the Directors in their despatch to Bengal dated September 15th, 1785, ordered an investment from surplus revenues of 150 lakhs of rupees from Bengal, Madras and Bombay. This demand was reduced to 90 lakhs and over for Bengal about 1791.⁴ During Lord Cornwallis's administration the investment from surplus revenues generally kept about 50 lakhs of rupees, though the Directors' standing instructions were not to limit the investment to 90 lakhs of rupees, when it could be furnished from the surplus revenues.⁵ On the termination of the war

¹ Ninth Report from the Select Committee, 1783, p. 15.

² *Ibid.*, p. 16.

³ Professor Sinha is aware of this fact, for in a footnote on p. 50, he says : " It is difficult to say when the investment out of the surplus of territorial revenues first began and when it finally came to an end." Burke, however, says that the practice began in 1766. *Loc. cit.*

⁴ MS. Despatches to Bengal, March 25th and 30th, 1791. The former reads : ". . . we are impelled to impress upon your minds, in the most serious and forcible manner, the absolute and indispensable necessity of our receiving in any circumstances of the Company's affairs in India, a well chosen investment annually from your Presidency to the full extent of ninety lakhs of rupees. Whenever therefore, either on account of hostilities, or from any other cause, you shall not be able to furnish, from your own resources, funds for our investment to that amount, we authorize you to supply the deficiency by taking up money for Bills on the Court of Directors at a rate of exchange not exceeding 2s. per current rupee, . . ." Para. 14. The latter referring to the termination of the Mysore war which had reduced the amount of the investment, temporarily, says, ". . . it is by no means our intention to limit the amount of the investment to ninety lakhs of rupees," para. 31.

⁵ MS. Despatch to Bengal, May 30th, 1792, para. 28. ' We likewise

with Sultan Tippoo the investment went beyond one crore of rupees. The Directors' commercial despatch to Bengal, dated February 9th, 1814, para. 7, throws some light upon the amount of investment towards the end of the eighteenth and the beginning of the nineteenth century. It reads :—

“ It is indeed of vital importance that our Commercial Profits, shall not fall short of a million sterling annually, and so large a sum cannot be expected to be realized but upon an adequate Investment of goods.”

think it necessary to repeat . . . that after the cause which produced so large a deduction as thirty lakhs from the sum originally appropriated for the provision of the investment of 1790 shall no longer exist, and after you shall be again able to furnish the whole investment from the surplus Revenue, without drawing bills upon the Company, it is by no means our intention to limit the amount of the investment to ninety lakhs of rupees.”

CHAPTER III

INDIAN FOREIGN TRADE DEVELOPMENTS UNDER MONOPOLY,

1757-1813

Section I

THE ENGLISH COMPANY'S MONOPOLY

THE manner in which the English Company's investment from surplus revenues was made established a virtual monopoly of the Company over the production and sale of the goods forming its investment. This proved to be one of the causes of the destruction of two of India's main manufacturing industries, that is, cotton and silk manufactures, which along with raw silk and saltpetre formed the principal articles of export from India, during the period under review.

Of these, saltpetre became an absolute monopoly of the English Company in 1758, soon after the accession of Mir Jafar to the throne of Bengal, so that saltpetre *picars* (retail dealers) were instructed "not to sell an ounce of Saltpetre to any other person."¹

Previous to the year 1753 the English Company used to procure its investments in cotton goods and silks through Indian contractors, called *Dadney*² merchants. These merchants arranged with the weavers for the supply of finished goods, at stated prices and times, as agreed to at the time of advances made to some of them for the purchase of raw material. This was about the most satisfactory arrangement under the government of the country rulers,

¹ Ninth Report of the Select Committee, 1783, Appendix No. 30. Perwannah from Jaffier Ally Khan, for the Saltpetre of Bahar.

² From Dadan, "to give," an advance made to a craftsman, a weaver or the like, by one who trades in the goods produced. Hobson-Jobson.

although it was sometimes complained that the *Dadney* merchants supplied goods of inferior quality at enhanced prices. In 1753 this system was given up, and the company began direct dealings with the weavers through its agents at the various *aurangs* or factories. These agents made advances to the weavers which, in some cases, were very unwillingly received, and thereafter established a monopoly of the Company both upon the worker and his work. These advances led to endless outstanding debts and quarrels, and were greatly objected to by Mir Qasim because of the pre-emption they established on the weavers' work. ¹

It seems that the system of advances to the weavers was by no means a universal practice previous to 1753. Many weavers employed their own capital in their manufactures, and sold their goods freely and without oppression. Bolts, who made a large fortune in private trade, referring to the times of the Moghul government and of Ali Verdi Khan, says,

" . . . it was then a common practice for reputable families of the Tânty, or weaver cast, to employ their own capitals in manufacturing goods, which they sold freely on their own accounts." ²

The European Companies, however, employed the system of advances to the *Dadney* merchants at quite an early stage of their dealings in Indian trade, in order to insure an investment at the proper season.

The new system of direct dealings with the weavers introduced by the English Company, coupled with the Company's political authority from 1757, became an engine of great oppression upon the weavers in the hands of the Indian agents called *gomashtahs*. The story is known well enough, and so does not need recounting here. Be it noted, however, in passing that the *gomashtahs* could not have been guilty of all the excesses ascribed to them if it had not been for the power and authority they derived from their masters. It is true that some of the severities practised upon the weavers were due to the non-fulfilment of their contracts, by

¹ Cf. Hallward. *William Bolts*, p. 7.

² *Considerations on Indian Affairs*, Vol. I., p. 194.

disposing of finished goods to other European Companies. But this was done owing to the fact that the prices paid by the English Company were

“ . . . in all places at least fifteen per cent., and in some places even forty per cent. less than the goods so manufactured would sell for in the public *bazar* or market, upon a free sale.”¹

Even the Directors were aware of this fact. In their despatch to Bengal, dated November 11th, 1768, while referring to the desertion of weavers resulting in the shortage of goods, they say,

“ . . . it appears that force is exerted to make the weavers undertake the Company's business, which they are unwilling to engage in because we do not pay them a fair price. The gentlemen at Dacca say the Foreigners give 20 and 30 per cent. more than we do ; . . . and violence being added to that we are no longer to seek for the reasons why so many of them quit the looms.”²

The need of procuring larger investments by the English Company after 1765 and 1772, in the face of the desertion of many weavers, and of the death of still more in the great Bengal Famine of 1770, was responsible for the great injustices practised upon them. In an oft-quoted passage, Bolts gives a vivid description of these.³ The great scarcity of weavers was due to many of them giving up their profession and taking to other occupations, particularly agriculture.⁴ Verelst says,

“ Such was the rigour exercised to complete the quantity required by our directors, that the Nabob has found it difficult to procure the necessary supply for his household without making application to the English agents.”⁵

The Directors were aware of this monopolistic control exercised by their servants in India ; for, in their despatch dated June 30th, 1769, they said,

¹ *Ibid.*, Vol. I., p. 193.

² Para. 38.

³ Bolts, *op. cit.*, Vol. I., pp. 192-194.

⁴ Verelst, in a letter to the Court of Directors, dated March 17th, 1767, says : “ A great number of manufacturers in cloth have deserted their profession to seek subsistence from a less precarious calling.”

⁵ *View of the English Government in Bengal*, p. 86.

“ It is with concern we see in every page of your Consultations, restrictions, limitations, and prohibitions affecting various articles of trade. In a Country abounding with manufactures, this is the worst of policy, a free liberty of buying and selling encourages the manufacturers and will increase the number. When the hand of authority is held over them and they are told they have only one market open for their goods they will not long bestow their labours upon that trade, and the quantity will decrease from year to year.”¹

Raw silk was the third important article of export from India by the Company, and it should be recollected that manufactured silk was not consumed in England, but was imported only for the purpose of re-export to the Continent. About 1769, the Directors became anxious² to obtain a better quality of raw silk from Bengal, as the quality of that which had been previously sent, compared unfavourably with that of Italian and French silks. In order to bring this about they directed their servants in India to start filatures of the Company to which Indian reelers and winders were to be attracted by the offer of higher wages than could be obtained in any other business. In their despatch to Bengal, dated March 17th, 1769, after instructing their servants regarding higher wages to be offered to silk winders, they concluded by saying, “ and in particular we would have you endeavour to induce the manufacturers of wrought silk to quit that branch and take to the winding of raw silk.”³ Further instructions were given in the same letter regarding encouragement to be given to the cultivation of the mulberry tree by granting bounties in the form of exemption from and reduction of rents for two to three years of such lands as were planted with the mulberry tree, so as to insure a good

¹ MS. Despatch to Bengal, para. 40.

² “ The Court of Directors . . . in 1768, advised their Government that it was to the increase in raw silk that they looked chiefly for the means of bringing home their surplus revenue, the importation being a national benefit, and the consumption being far less limited than that of manufactured goods. A wish for these reasons was expressed, that the influence of the Government should continue to be exerted to promote the growth of the mulberry tree.” East India Company. *Reports and Documents connected with the Proceedings of the East India Company in regard to the Culture and manufacture of Cotton-wool, Raw Silk, and Indigo in India.* Raw Silk, pp. vi.-vii.

³ Para. 30.

supply of raw silk. The Directors' solicitude for raw silk was further evinced by their sending to India Italian silk winders, with complete frame and reel to superintend the Company's filatures in Bengal.¹ These efforts no doubt improved the quality of silk winding. At the same time they discouraged the manufacture of silk with all the authority and inducement of the Government. The Company could have encouraged the manufacture of silk for the purpose of re-export to the Continent in just the same way as it patronized the production and winding of raw silk for export to England, at the cost of heavy losses at times.

Such silk manufacturers as, lured by the higher wages, undertook to do silk winding, had to work at the Company's factories rather than at their own homes, which many of them found very irksome. By 1769 the position became such that working at their own homes by the silk winders in the service of the Company was ordered by the Directors to be stopped, ". . . by an absolute prohibition under severe penalties by the authority of the Government."² A better system for discouraging the manufacture of silk could not have been devised.

The Directors at last realized that the use of power and influence for the Company's investment was bound to be used by its servants and other English traders for their private benefit also, resulting in loss to the Company. In the year 1773 they ordered that all use of power and influence in the purchase of silk goods and cotton piece goods should be given up. Thereafter all articles were to be bought at an equal and public market from the native merchants.³ Unfortunately, however, it was found within only two years of the working of the new system that silk and cotton cloths rose 25 per cent. above their former price, and a further rise of 40 per cent. was announced from India.

The Company's servants in India explained this rise by saying that the prices previously paid were "arbitrary," and no more than "what was judged sufficient for the maintain-

¹ MS. Despatch to Bengal, January 31st, 1770, paras. 5-9.

² Cf. MS. Despatch to Bengal, dated March 17th, 1769, para. 33.

³ Cf. MS. Despatch to Bengal, April 7th, 1773, paras. 28-29.

ance of the first providers.”¹ If this was true, then the previous prices paid to the weavers were at least 25 and 40 per cent. less than the market prices.

The Directors, alarmed at the increase in price, and considering it due to collusion on the part of their servants, ordered that,

“ all persons whatever, in the Company’s service, or under our protection, be absolutely prohibited, by public advertisement, from trading in any of those articles which compose our investment, directly or indirectly, except on account of, and for the East India Company, until their investment is completed.”²

This order was interpreted in India, “ As indeed the words seemed directly to warrant,” to exclude everyone from the trade, including indigenous merchants and traders, until the Company’s investment had been completed. This established the Company’s pre-emption authoritatively, and regulations made later on to relieve the country merchants were ineffective in removing the monopoly.³ This was so, as the previous orders were to be “ considered as standing orders.” No doubt, in their despatch dated December 24th, 1776, the Directors said that the above restrictions were intended only for their servants and for all persons under their immediate and particular influence, such as the country *Bunyans* acting as agents of the Company’s servants, and not for natives in general. But this statement was made by them only after an assurance had been given to them that the revenues of Bengal would be sufficient to reserve 93 lakhs of rupees for their commercial establishments and investments, after defraying every civil and military expense, and leaving a large surplus for contingencies. This state of things, in the Directors’ view, removed the principal objection to Free Trade.⁴

The oppression of the weavers of cotton cloth and silk winders was a necessary outcome of the monopolistic power of the Company, and of the manner in which its investment was procured after 1753, *i.e.*, by direct dealings with the

¹ General letter from Bengal, December 24th, 1776.

² MS. Despatch to Bengal, dated March 3rd, 1775, para. 27.

³ Cf. Ninth Report from the Select Committee, 1783, p. 27.

⁴ MS. Despatch to Bengal, December 24th, 1776, paras. 68-70.

weavers. Monopoly was considered necessary because the surplus revenue of Bengal had to be transferred to England in the form of goods. Such oppressions would have been difficult, if not altogether impossible, under the previous system of dealing through the *Dadney* merchants, who did not have the power and influence of the Company's agents and *gomashtahs*.¹ It was partly in recognition of this difference, and partly the unemployment of the country merchants which induced Lord Hastings to resume, to a certain extent, the contract system in 1773.² But, as has been noticed above, this partial measure was revoked by the Directors in their despatch dated March 3rd, 1775.

Regulations were made from time to time to protect the weavers and silk winders from these oppressions and monopolistic control.³ But the very frequency with which these regulations were made shows that the abuses continued for at least a period of thirty years during the most critical situation of the Bengal cloth manufacturing and silk industries. They also show the good intentions, at least, of the authorities to relieve trade of impediments.

The following is the general tenor of these regulations :—
Extract Regulation, dated April 12th, 1773, said,

“ That all weavers and manufacturers shall have in future full liberty to work for whom they please, and shall on no pretence whatever, be obliged to receive advances against their inclina-

¹ *Sinha, Economic Annals*, p. 184. “ Though sweating of labour was prevalent both under the Contract and the Agency System, contract with indigenous merchants was likely to cause less oppression on the weavers. These merchants had not the power of the Company behind them. They could not therefore oppress the weavers with impunity like the Company's *gomashtahs*.”

² Extract from Bengal Regulation, dated April 12th, 1773 “ That we will receive proposals from all native merchants, who may be willing to contract with the Company for any quantity of goods (not amounting to less than 20,000 rupees) of the proper assortments for their investment, and to give satisfactory security for the performance of their engagements.”
Colebrooke. *Digest of Bengal Regulations*, supplement, p. 453.

³ (1) Bengal Commercial Regulations, April 12th, 1773.
(2) “ “ “ June 12th, 1775.
(3) “ “ “ September 5th, 1775.
(4) “ “ “ April 22nd, 1782.
(5) “ “ “ July 19th, 1786.
(6) “ “ “ July 23rd, 1787.
(7) “ “ “ October 30th, 1789.
(8) “ “ “ October 31st, 1793.

tion, either from the Company or from private merchants. It is intended, however, that they shall compleat any engagements which they may have already made for this year." ¹

In 1775, when the Dutch complained of "great impediments and vexations in the provision of the cloths," the servants of the English Company were warned that they would be punished in a severe and exemplary manner if they compelled the weavers to enter into their (English) service or to accept their advances; also if they interrupted or hindered the fair trade of the Dutch Company or other merchants.²

In 1789, regulations were made for the conduct of the commercial agents in carrying out their private trade. According to these, they were required not to make the Company's prices a standard for their own trade, and not to make use of their influence as the Company's representative to induce the manufacturers to work for them in preference to other dealers.³

But that oppressive taxes and unauthorized demands continued to be made upon the weavers up to 1790, is shown by the Directors' concern about their condition and their own investment. In their commercial despatch, dated April 28th, 1790, they ordered all these abuses should be speedily terminated, as it must affect the Company's investment either in quality or price, and probably in quantity also.⁴ It may be pointed out that taxes and unauthorized demands were made upon them by Zamindars and by those who were interested in the cloth trade. So far as the Company was concerned, employment under it carried some privileges and immunities with it; though also the liability to have the Company's "Peons" placed upon them,⁵ if they fell short of their contract! These regulations applied both to cloth manufacturers and the silk winders.

Regulation XXXI. of 1793 was probably passed in con-

¹ Colebrooke. *Digest*, supplement, p. 453.

² *Ibid.*, p. 455.

³ *Ibid.*, p. 468.

⁴ Despatch to Bengal, para. 61.

⁵ House of Commons, 1831-1832, Vol. X. Paper 735-II., p 643. (Report from Select Committee.)

formity with the requirements of the Directors in 1790. It said (extract),

“ Weavers who are not indebted, nor under engagement to the Company, shall not be compelled to enter into their employ ; and weavers indebted or under engagements to the Company, on duly discharging such debts or engagements, shall not be compelled to enter into fresh engagements.”

Legislation alone could not remedy the evil which continued, as will be noticed hereafter. There was inherent difficulty in the manner of procuring the Company's investment, and in the authority and influence of its agents who had private interest to look after.¹

Section II

OPIUM AND SALT MONOPOLY

Two more articles were monopolized by the English Company, one of which entered into Indian foreign trade directly, and the other indirectly. These were opium and salt.

The Company's monopoly in opium resembled that in saltpetre in two ways. Like saltpetre, the best opium was produced in Behar, and like saltpetre again, it became an object of monopoly very soon after 1757. The monopoly was started in 1761, and became greatly strengthened after 1765. In the beginning, it was enjoyed by the Company's civil servants of the Patna factory, and the monopoly was

¹ Professor Hamilton, while discussing the causes of the decline of Indian cotton manufactures, quotes from Abbé Raynal to show that oppression upon weavers existed also during the days of the Moghuls. (Cf. *Trade Relations*, pp. 199-200, and Raynal, *op cit*, Vol. I, pp. 435-438.) Professor Hamilton himself, however, admits that the weavers referred to were, “. . . the weavers in the royal factories.”

Professor Sinha says: “ It is sometimes said that the oppression on weavers existed even in pre-British times and so the East India Company could not be held responsible for the decline of the Cotton industry. What is not recognised in such an argument is that the oppression in Mughal times affected only a few weavers, who worked for the Court. It was never so systematic and widespread as under early British rule.” (*Economic Annals of Bengal*, p. 85, footnote.)

justified on grounds of the peculiarity of the nature of the commodity, its growth, and its trade.

In the course of time the Directors' attention was drawn to it, and in their letter dated December 15th, 1775, they ordered that the produce of the sale of opium should be employed in the purchase of goods for their investment.¹

In 1776, the majority of the Calcutta Council was in favour of abolishing the monopoly, as there was no monopoly in this commodity in the neighbouring territories of the Raja of Benares and of the Nawab of Oudh. Owing to the good quality of opium from these localities, the Bengal opium of inferior quality, manufactured under conditions of monopoly, was undersold, in spite of a heavy duty on the neighbouring territories' imported opium. But knowing that power and influence would leave it a monopoly, in effect, in the hands of the Europeans, they did not abolish it. The contracts were given to Europeans, first to a Mr. Mackenzie, and then to Mr. Sullivan, son of the Chairman of the East India Company, for his private gains, on such easy terms as were simply scandalous.² The Directors condemned the contract with Mackenzie and Sullivan, and in their letter, dated July 12th, 1782,³ they expressed their willingness to give up their monopoly on a revenue consideration of Rs. 30 a *maund*, if it were beneficial to the natives of the country. But this was not done, and it continues to be a Government monopoly, quite justifiable on moral and physical grounds, up to the present day. Then, as for a long time afterwards, it was considered hopeless to get the revenue derived from it in any other way.⁴

The Dutch were the principal exporters of this commodity to Batavia, from whence it was distributed all over the Malayan Archipelago. After their expulsion from Bengal, and owing to the deterioration of the quality of opium, a great difficulty was experienced in the disposal of the commodity, in spite of the presence of the Danes and the

¹ MS Despatch to Bengal, para. 41.

² Ninth Report, 1783, pp. 37-38.

³ Despatch to Bengal, para 53.

⁴ Cf. Holt Mackenzie's Evidence before the Commons' Committee, 1832, Part I., p. 26.

Portuguese, who could have taken the place of the Dutch. So an expedition was set on foot during Lord Hastings' time to smuggle it into China through the English Company's factory at Canton, although it was a contraband in China ; the ships dealing in it were liable to be confiscated, the opium burnt, and the Chinese found in possession of it liable to be put to death.¹ So opium was disposed of at public auctions, and the produce of the sale laid out in country merchandise for the Company's export, until opium itself began to be exported to China. As in the case of other monopolies, oppressions were committed upon the ryots by the contractors, who forced them to grow poppy instead of corn against their will.² In this case, however, the contractors were Europeans instead of the Indian *gomashtahs*. The penalty of Rs. 300 per chest, payable by the contractor for deficient delivery was probably responsible for the oppression upon the ryots.³

The East—China and the Malayan Archipelago—has been, and still is, the principal market for this commodity. A certain quantity has been exported to England and other European countries also. The Directors' despatch to Bengal, dated May 6th, 1791, said :

“ This article was put up too green or it would have sold higher. It nevertheless fetched a tolerable profit, and will continue to do so if not sent in too large quantity and the quality is attended to.”

Judging from the quantity exported to England during the ten years previous to 1790—an annual average of 5,802 (chests or lbs. ?)—a fair amount of the drug was taken off by England. Part of this might have been for re-export.⁴

Regarding the monopoly in salt, it was said above that it entered into the foreign trade of India indirectly, as it came into competition with English imported salt. Other-

¹ In their despatch to Bengal, dated July 12th, 1782, the Court depreciated the clandestine despatch of 2,000 chests of opium to the supercargos at Canton for the above reasons, para. 55.

² Ninth Report, 1783, Appendix No. 69.

³ Colebrooke. *Digest*, Vol. II., p. 595, Sec. 6.

⁴ MS. para. 64.

wise, the monopoly in it was for purposes of revenue, the surplus of which was used for the Company's investment.¹

We have already seen how salt was made an exclusive monopoly for the benefit of the Company's superior servants, and how this monopoly was finally abolished in 1767, when the Directors declared that "Such trade is hereby abolished and put a final end to." Under these orders, the trade in salt remained open from 1768 to 1772. In 1773, Hastings turned it into a monopoly for the Company's benefit, and in his letter to the Court of Directors, dated February 22nd, 1775, he said :

"No new hardship has been imposed upon the Salt manufacturers by taking the management of that article into the hands of Government ; the only difference is, that the profit which was before reaped by the English gentlemen and by Banians, is now acquired by the Company."

The Directors, who only ten years previously had condemned the monopoly in salt, as well as in everything else, most unequivocally approved of the plan, so long as it brought the Company £100,000 sterling, per annum. In their despatch, dated December 24th, 1776, they said : "the monopoly on its present footing, can be no considerable grievance to the Country."² But the hardships which were inflicted upon *molungees*, or salt manufacturers by contractors and farmers of salt *mahals*, coupled with the increase in the price of a necessity of life to the consumer was, indeed, a great hardship, with no gain to the Company during the earlier days. The number of experiments which were made by Lord Hastings between 1776 and 1780 is indicative of this.³

It is sometimes said that monopolies were not unknown in India previous to the early British rule, and that the English Company simply kept up an institution which it

¹ Cf MS. Despatch to Bengal, dated December 15th, 1775, para. 40 : ". . . and that our said Board of Trade sell the same (salt) at public auction, and apply the produce towards the provision of our Investments, . . ." Also, *Digest of Evidence*, 1832, 735-II., p. 475.

² MS para. 76.

³ Ninth Report, 1783, p. 44.

found in existence previous to 1757. Of Bengal, Stewart says that the reason why Murshid Quli Khan forbade the English all share in internal trade was,

“ . . . that as salt, betel-nut, tobacco, and several other articles of general consumption, were either farmed out in monopolies, or taxed with heavy duties, if the English were allowed to trade in these articles, it would not only be a great injury to all the other merchants, but a very considerable diminution of the public revenue.”¹

Professor J. Sarkar, speaking of the good deeds of Shaista Khan, who was a predecessor of Murshid Quli Khan, says,

“ The former governors of Bengal used to make monopolies (ijara), of all articles of food and clothing and [many] other things, and then sell them at fanciful rates which the helpless people had to pay. Shaista Khan restored absolute freedom of buying and selling.”²

Again, in his *Moghul Administration*, he mentions as many as six different classes of *abwabs* or illegal cesses, each having sections running into a total of fifty-four.³

Lord Clive maintained that salt trade in Bengal had been a monopoly from time immemorial. The Committee of Secrecy, 1773, reported that under the government of the Nawabs, the duty on salt made in Bengal was 2½ per cent. paid by Musalmans, and 5 per cent. paid by the Hindus.⁴

It is true, therefore, that monopolies existed in India in the pre-British period, and indeed no country was free from them. But, it must be remembered, that in India, all monopolies were repeatedly forbidden by the Emperor. Their reappearance was determined by the extent of the inability of the Emperor to enforce his command, and by the distance at which the governor of a province was from the Emperor. In this connection may be noted the treatment meted out to Prince Azim-ul-Shan, Governor of Bengal,

¹ *History of Bengal*, p. 402.

² *Studies in Moghul India*, p. 160.

³ Sarkar, pp 119-128.

⁴ Cf Ninth Report, 1783, p. 43. Also, “ Salt was at this period extraordinarily cheap. From a curious application to the Board, made in August, 1764, by Mr. Bolts, as Secretary to the Committee of Lands, it appears that no less than 3 *maunds*, or 240 pounds were then sold for one rupee.” Hallward, *op. cit.*, p. 8.

by Aurangzeb, when the former tried to establish a monopoly for his personal use, by buying up the cargo of every ship at a low price, and to retail it at a considerable profit. The epithets of *Sauda-i-Khas* and *Sauda-i-am*, special and general purchases, were given by him to this kind of commerce.

When Aurangzeb heard of this, he wrote to him a letter, "replete with irony and sarcasm," in his own hand, saying among other things, ". . . that the monopoly, which he had dignified with the name of *Souda-i-Khas*, was nothing less than individual insanity and public oppression."¹ In order further to show to the people that he would not tolerate an act of injustice, even by his sons or grandchildren, he punished the Prince by striking off 500 horse from his military rank.

But in the case of the English Company, three articles, *i.e.*, saltpetre, salt and opium, were completely monopolised, and two others, *viz.*, cotton and raw silk manufactures, were virtually monopolised by the Company; and, what was worse, the profits arising out of these went out of the country completely, for a very long time. Herein lay the difference, which can bear repetition, in spite of what has been said on the subject by the English writers themselves. The Directors entered upon monopolies with reluctance; prevented their servants from monopolising goods and trade; but finally succumbed to the temptation themselves because of the gains. How very human, after all!

Section III

NEW ARTICLES OF EXPORT FROM INDIA

Having made a study of the principal articles which constituted the exports of India, and of the circumstances under which these were produced from 1757 onwards, we next proceed to a study of some new commodities which were introduced by the English Company into the export trade, during the period of its monopoly. Of these, indigo was by far the most important.

¹ Stewart, *op. cit.*, p. 348.

Like spices, indigo formed one of the principal exports from India during the early days of the trade relations with Europe. It was one of the principal articles exported by the English Company throughout the seventeenth century. But by 1724 its export was given up, as it came into competition with the produce of the British Colonists in the West Indies and in the southern provinces in the United States of America, which were not independent till then. After the British colonists gave up its production in favour of sugar and coffee which yielded higher profits, England had to depend upon Spanish and French colonists, and on the Americans for the supply of a commodity so vital for British manufactures. In 1780, supplies from all sources were cut off owing to the American War of Independence; and therefore the English Company in India undertook the cultivation of indigo in its newly acquired provinces.¹

Liberal contracts were entered into with Europeans in India in 1779, the most important of these having been with Mr. Princep. In 1785 the Directors sent samples of indigo to Bengal, with directions for its proper manufacture.² It seems that the encouragement given by the Company did not bear immediate fruit. In their despatch, dated March 28th, 1788,³ the Directors complained of the heavy losses suffered in the indigo trade in their contract with Mr. Princep, altogether amounting to 27 per cent. on the original cost, and amounting to £80,000 in the course of a few years. For this reason they resolved to give up all concern in indigo for a period of three years, and left it to private traders. In 1791, they were encouraged by the profits realized from sales about that time, and consented to allow certain remissions of duty to manufacturers, both in India and in England. They also pointed out that about 1,700,000 lb. of indigo was annually imported into England, of which about 370,000 lb. came from the East Indies, the remaining being supplied by Spain, Portugal, and America. Of this, 1,000,000 lb. was consumed in England, and the balance⁴

¹ Macpherson. *European Commerce*, p. 201.

² Cf. MS. Despatch to Bengal, April 11th, 1785, paras. 48-51.

³ MS. paras. 38-43.

⁴ MS. Despatch to Bengal, dated May 6th, 1791, paras. 37-39.

exported. By 1792, the Directors were able to say that the Indian indigo had surpassed the American and French, and that by perseverance and proper attention it would rival the Spanish.¹ In 1793, they approved of the manufacture of indigo being undertaken by the natives instead of the Europeans. From now onwards it formed the principal export by private traders, etc., to whom it was relegated by the Directors as supplying a very good means of transferring their fortunes to Europe. By the beginning of the nineteenth century it resumed its former position of being ". . . one of the grand staples of Indian trade," which, with sugar, constituted the chief cause of the increase in the sale amount of privileged goods for many years.² The Company also made ready-money purchases or by contract, from 1806 up to a short time before the expiration of its Charter in 1833.

SUGAR

We have already seen how sugar was one of the staples of Bengal in former times. In 1756 the annual exportation was about 50,000 *maunds*, which yielded a profit of about 50 per cent., and in twenty years before 1756, 60 lakhs of rupees are estimated to have flowed into Bengal as a clear gain through trade in sugar. For twenty years after 1756 the trade fell upon hard times.³

The next we hear of it is when proposals were made by certain Englishmen in Bengal to Lord Hastings in 1776, that the growth and cultivation of sugar might be encouraged by free grants of unoccupied land to them. The Governor readily consented to the proposal, but efforts made in growing sugar cane were quite unsuccessful up to 1790, owing to the devastations of white ants.

About 1790 the supplies of sugar to Europe from the West Indies were deranged owing to civil commotions in St. Domingo. This led to a great rise in its price in the supplies from the British West Indies. This rise in the price

¹ MS. Despatch to Bengal, dated May 30th, 1792, paras. 119-127.

² Appendix No. 47. Supplement to Fourth Report, 1812, p. 17.

³ Milburn. *Oriental Commerce*, Vol. 11., pp. 270-71.

of sugar happened to coincide with a fall in the price of tea in England—two necessary concomitants—owing to the reduction in duty by the Commutation Act of 1784, and so the English public looked up to the Company to supply the deficiency in sugar from its territories. The Company undertook to do so, provided the supplies from India were put on the same footing with respect to duties and drawbacks in England, as the produce of the West India planters. The import of sugar from the East was subject to an *ad valorem* duty of £37 16s. 3d. per cent., under the unenumerated manufactured goods, while the maximum duty payable on sugar from the West Indies or any other foreign country was only £4 18s. 8d.¹

No attention was, however, paid to their request regarding equalisation of duty. Still, in order to relieve the wants of the English public the Directors sent instructions to Bengal for as great a supply of sugar as possible. They entered into an agreement with an Englishman, John Peterson, giving him 6,000 bighas of land in Bengal, free of rent, and undertook to buy up the entire produce from him on most liberal terms, if the quality of his produce was somewhere near what was agreed upon. In their despatch to Bengal, dated April 25th, 1792,² they ordered a thorough inquiry into the past and the then existing culture of sugar in Bengal. But in their despatch to Bengal, dated September 11th, 1811,³ they said it was not expedient that sugar should form part of the investment in future.

Owing, therefore, to precarious prices and heavy import duties in England, the trade in Indian sugar was liable to great fluctuations, and till 1820 its export to England was trifling as compared with that from other countries. It was difficult to compete with sugar produced by slave labour under conditions of heavy preferential duties in England. So it was accepted by the Company on its boats to fill up spare space and to procure freight.

¹ MS. Despatch to Bengal, May 6th, 1791, para. 67, and Milburn, *op. cit.*, Vol. II., p. 272.

² MS. paras. 1-2.

³ MS. paras. 4-5.

HEMP AND FLAX

Towards the end of the eighteenth century we hear of these fibres, which were to form such an important item in the list of exports in later times, for the first time. In their despatch dated May 6th, 1791,¹ the Directors asked their servants in India to make very detailed inquiries regarding the possibilities of making English shipping independent of the supply of hemp from Russia, in the event of that market being closed to the English. Hemp was used for naval cordage and sail cloth by all European nations, and Russia was the great hemp-producing country. Flax was manufactured in France in those days. Trial orders were given and experimental supplies of both were sent from India. Hemp sent from India was not cared for much, though the flax supplied was considered to be of a very superior quality. A few thousand tons of hemp were shipped to England up to 1810,² and the jute supplied was not favoured much until after 1830.

RAW COTTON

Previous to the year 1788 the casual exportation of cotton wool to England from the western coast of India by the English Company was inconsiderable. Most of the export of raw cotton from India up to that year was made by the Company to China, to procure its investment of tea for England from there. In 1788, however, as will be seen hereafter,³ the Directors ordered the despatch to England of 500,000 pounds weight of Broach and Surat cotton, "in compliance with the wishes of the manufacturers (English)," and asked for full information respecting its cultivation, etc.

¹ MS Despatch to Bengal, paras 1-2

² For instance, in their despatch to Bengal, dated January 13th, 1808, paras. 2-3, the Directors informed their servants that they had undertaken to supply to the British Government a very large quantity of sunn hemp, or hemp at prime cost and charges. This was the largest order ever given, and was "in consideration of the present circumstances of the political state of Europe" The order was as follows —

5,000 tons in the year	1808
7,000 " "	1809.
8,000 " "	1810.

³ See below, p. 94.

This moderate supply was not obtained at the time, and it took some time before the efforts made at growing cotton for export bore fruit. Regular export of Indian raw cotton to England commenced in 1790, followed in 1791 by the arrival of American cotton in the English market. But the quantity exported was very small, of only 3,825 bales, on an annual average, between 1781 and 1799. The result of greater attention in culture, prevention of adulteration, and of the use of screws for compressing cotton to reduce the expense of freight was that a larger quantity, an average of 12,700 bales per annum, was exported between 1800 and 1809.¹

The war with America and the embargo placed on the trade with that country in 1808 gave a temporary fillip to the export of raw cotton from India, which amounted to 79,000 bales in 1810. The Directors ordered their servants to send liberal supplies of cotton to meet the shortage in England.² But this stimulus disappeared soon, for in their despatch to Bengal, dated August 29th, 1810, and to Bombay under the same date, the Directors said that the immense quantity of cotton in their warehouses rendered it indispensable not to increase their stock, owing to renewed intercourse with America and the coarse nature of Indian cotton.³

SPICES : PEPPER

Pepper makes a class by itself, as it was neither monopolised by the English Company in the same way as some other commodities, nor was it a new article of export. As seen in Chapter II., it was the only spice of importance exported to Europe during the latter half of the eighteenth and nineteenth centuries.

Since the expulsion of the English from Bantam by the

¹ East India Company, *op. cit.*, *Raw Cotton*, p. vi.

² In their despatch to Bengal, dated February 10th, 1809, the Directors said : " The measures which have been lately adopted by the Legislature of the United States of America, will in their consequences operate to check very severely some of the manufactures of this Country, unless a liberal supply of cotton wool can be procured from other sources than those States ; and it is to our territorial possessions in Asia, that the hopes of the manufacturing classes are principally directed." MS. para. 6.

³ MS. paras. 5-6.

Dutch in 1682 until the beginning of the French Revolution, the Dutch were supreme in the pepper trade, both in the East and in European markets. Up to the French Revolution, out of a total supply of about 10,000,000 lb. weight of pepper in Europe, the English Company's supply was only about 2,500,000 lb. Through the capture of the Dutch and French possessions in the East during the French Revolutionary Wars, and the acquisition of the Malabar coast, the average quantity imported by the English Company and sold for a period of twelve years up to 1906, amounted to above 5,000,000 lb. The rest of the supply of pepper to Europe passed into the hands of the Portuguese, Danes and Swedes.¹

Mention may here be made of an article the export of which was stopped during the days of the Company's monopoly. This was the export of cotton yarn to England. Referring to this article in their despatch to Bengal, dated April 12th, 1786, the Directors said :—

“ In addition to the circumstance of this article being a losing one, we have for certain prudential reasons struck the same out of our list of investment, and we desire that no more may be sent us on any account. We have also prohibited the importation of it in private trade. . . . ”²

The prudential reasons were, probably, the demands of the Manchester spinners to stop its import into England. Through Crompton's invention of the mule the English spinners were, by 1786, able to produce yarn of sufficient strength to be used as warp. This stoppage of the export of yarn proved a great hardship to the families of the rural population, which used to eke out a living by spinning.³

¹ Appendix No. 47. Supplement to Fourth Report, 1812, pp. 219-221.

² MS. para. 113.

³ Cf. Colebrooke. *Husbandry and Internal Commerce of Bengal*, pp. 123-124. “ Intermediate preparations, for which machinery is substituted in place of manual labour, or to which the latter cannot in England be applied so as to add more than the price of labour to the value of the materials, do not constitute a manufacture of which Great Britain can be jealous. This observation seems applicable to cotton-yarn, which the British manufacturer might receive, in preference to cotton-wool, for such manufactures as admit of yarn being prepared out of the verge of his own superintendence.”

Section IV

EXTERNAL FORCES WHICH LAID THE FOUNDATION OF
CHANGES IN THE CHARACTER OF INDIAN FOREIGN
TRADE, 1757-1813.

In the preceding chapter we made a study of some of the internal forces which affected the character and volume of Indian export trade during the period after the Company's monopoly had been established. In this chapter we propose to take note of two external forces which, beginning with this period, affected both the exports and imports of India. These are the English commercial policy in its relation to trade with India and the English industrial revolution. We reserve for a later chapter the effect of the British Indian tariff policy, both internal and external.

We noticed in Chapter I, that by the Acts of 1700 and 1720, the use and wear of certain cotton goods, and of all silk manufactured goods, the manufacture of Persia, China, or East India was prohibited in England.¹ The original trouble arose owing to the large importation of cotton and silk manufactured goods by the two rival English Companies whose activities we noticed in the first chapter. This led to the passage of the Act of 1700. But it did not bring about

¹ (Extract) Acts XI. and XII, William III, Cap 10, 1700, reads "Whereas it is most evident, that the continuance of the trade to the East Indies, in the same manner and proportions as it hath been for two years last past . . . whereby many of the manufacturers of this Nation are become excessively burdensome and chargeable to their respective parishes . . . be it enacted . . . that from and after the twenty-ninth day of September, one thousand seven hundred and one, all wrought silks, bengalls, and stuffs mixed with silk or herbs, of the manufacture of Persia, China, or East India, and all calicoes, painted, dyed, printed or stained there, which are or shall be imported into this kingdom, shall not be worn, or otherwise used in the Kingdom of England, Dominion of Wales, or town of Berwick-on-Tweed" These were to be imported, warehoused and re-exported. *Statutes at Large*, Vol. 10, p. 328.

Act VI., George I, Cap. 7, 1720. The preamble reads. "An Act to preserve and encourage the woollen and silk manufactures of this Kingdom, and for the more effectual employing the poor, by prohibiting the use and wear of all printed, painted, stained or dyed calicoes in apparel, household stuff, furniture, or otherwise, after the twenty-fifth day of December one thousand seven hundred and twenty two." *Statutes at Large*, Vol. 14, p. 318. The above was enforced by a penalty of £5 upon the wearer, and £20 upon the seller of the prohibited goods.

the desired result, and so the more drastic Act of 1720 was passed.

It should be noted that the Acts did not prohibit the use and wear of all Indian cotton goods, but of only such as came into competition with the English woollen and silk manufactures, and without intent,¹ with the calico printing industry, which was growing up in England. The heavier Indian calicos, which proved a substitute for woollens with the poorer classes, were excluded; but muslin made of fine thread, and white calicos and *dimities* were allowed to be imported and used on payment of an import duty of 15 per cent. By these legislative measures the goods prohibited in England were diverted towards the Continent, Africa, America and other Colonies. The following rates of import duty charged in England in 1758, and the drawbacks allowed on re-export, illustrate the encouragement given to the re-export trade: ²—

	Paid on Importation.			Repaid on Exportation.		
(1) Muslins and white calicos, stitched, etc., sold for £100 .	£	s.	d.	£	s.	d.
(2) Dimities	38	5	11	37	2	0
(3) Bengal silk the pound qt. 24 oz. Rate, 10s.	37	8	5	36	2	9
	0	2	4	0	2	1

Whatever explanation may be given of the exclusion of certain Indian manufactured articles from the English market at the beginning of the eighteenth century, and of the subsequent legislation on the subject up to 1757, this much is certain: that it cannot, and should not form a part of the charge which ascribes the destruction of Indian cotton

¹ The exclusion of painted, dyed, printed or stained calicos was not purposely made in 1700 in favour of the British calico printing industry. Yet it did have a wonderful effect upon its growth and prosperity, and so much white calicos were imported and printed in England only within four years of the passing of the Act of 1700, that in 1704 a duty of 15 per cent was imposed upon these also, though the Act of 1700 had exempted them from duty. Cf Thomas. *Mercantilism and East India Trade*, pp. 121-128.

² T. Langham. *The Net Duties and Drawbacks*, p. 85. (Customs House Library, London.)

and silk manufactures to the trade policy of England. Up to 1757, both England and India were quite free to legislate about the export, import, or the exclusions of whatever was good or not good for each country; and both did so, whenever they had the power to do it.¹ We noticed in Chapter I how the strong *Nawabs* of Bengal kept the English traders from doing anything that was considered by them against the welfare of their people and country. Although the nominal value of the *peshcush* was Rs. 3,000 a year, they made both the English and other European Companies pay in many other ways for the loss of revenue caused by their growing trade. Nor did the Indian export trade suffer as the result of this exclusion and of the duties raised on their importation into England up to 1757. It is true that the incentive to mechanical inventions in England was supplied by this exclusion, as the English people, particularly the ladies, had become accustomed to the use of Indian calicos.² Otherwise it is just a matter of sentiment. The same, however, cannot be said of the legislation after 1757, coupled as it was with English power and influence in India itself.

Between 1759 and 1782, by four different Acts, the import duty on cotton goods was raised from £38 5s. 11d. per cent. to £53 5s. 11d. per cent., while that on raw silk was first lowered from about 25 per cent. to 12½ per cent., and then raised to about 22½ per cent.³

The result of the great increase in the import of duties

¹ Dr S. A. Khan, discussing the subject of these Acts in *The East India Trade*, p. 292, says "After the Revolution (English), however, the scene was totally changed. Not only was the amount of gold and silver exported to the East greatly increased, but also the Indian goods vitally affected the chief English industries. The English Parliament could hardly remain indifferent to the serious injury inflicted on English commerce. The instinct of self-preservation is no less strong among nations than among individuals, and the Parliament would have abdicated its primary duty if it had remained indifferent to the protests of the English merchants."

² "The reasons for the coming of machinery into cotton were many, but the immediate impulse probably came from the shutting out of the Indian Imports." Knowles. *Industrial and Commercial Revolutions*, p. 43.

³ 1759, 32 Geo. II, c. 10
 1765, 5 Geo. III, c. 29
 1779, 19 Geo. III, c. 25
 1782, 22 Geo. III, c. 66
 1783, 23 Geo. III, c. 74
) *Statutes at Large*, Vols. 22, 26, 32, 34.

was a great deal of smuggling of Indian goods into England. Hence the Act of 1783 laid down that, "To discourage the pernicious practice of smuggling," the previous duties on plain muslins, and unrated muslins and calicos were to cease, and a new duty of 18 per cent., *ad valorem*, with a drawback of 10 per cent. on re-export was imposed. The rated calicos were not affected by this Act. By Pitt's Consolidated Act of 1787, the following single duties were imposed on Indian cotton goods, instead of the numerous small imposts:—

	Duty. £ s.	Drawback. £ s.
(1) Muslin plain, Nankeen cloth, muslins or white calicos, flowered or stitched	18 0	10 0
(2) Unenumerated cotton manufactures	50 0	48 10
(3) Prohibited goods for export only .	6 15	<i>Nil</i>

From 1787 onwards, during the period of the English Company's monopoly, the duties imposed may be learned from the following schedule: ¹—

Rates of Duty on Cotton Goods Imported

Year.	East India White Calicos.			East India Muslins and Nankeens.			East India Dyed Goods		
	Per Piece		Percent <i>ad valorem</i>			Percent. <i>ad valorem</i>			Prohibited
	s.	d.	£	s.	d.	£	s.	d.	
1787	5	3	16	10	0	18	0	0	
1797	5	9	18	3	0	19	16	0	
1798	5	9	21	3	0	22	16	0	
1799	6	8	26	9	1	30	3	9	
1802	6	8	27	1	1	30	15	9	
1803			59	1	3	30	18	9	
1804			65	12	6	34	7	6	
1805			66	18	9	35	1	3	
1806			71	6	3	37	7	1	
1809			71	13	4	37	6	8	
1813			85	2	1	44	6	8	
1814			67	10	1	37	10	0	

¹ Baines. *Cotton Manufactures in Great Britain*, p 323. (Furnished by order of the President of the Board of Trade.)

Besides the heavy import duties, bounties were given in England on the export of British calicos and cottons, while the export of machinery, etc., used in the manufacture of cotton, silks, etc., was prohibited. The following were the main Acts passed for this purpose :—

1781 (21 *Geo. III*, c. 40).¹—Bounties to the export of British calicos and cottons, or cotton mixed with linen, printed, painted or stained in Great Britain, as follows :—

½ penny per yard of the value of 5 pence per yd.
1 " " " 6 "
1½ " " " 6-18 "

1781 (21 *Geo. III*, c. 37).²—An Act to prevent the exportation to foreign ports of any machinery, tool, or utensils made use of in the cotton, linen, woollen and silk manufactures of this kingdom, on pain of confiscation of

“all such machines, engines, tools, press, paper, utensils or implements, models or plans . . . but also the Sum of two hundred pounds of lawful money of Great Britain, and shall also suffer imprisonment in the common gaol.”

1782 (22 *Geo. III*, c. 60).³—An Act to prevent the seducing of artificers or workmen employed in printing calicos, cottons, muslins and linens, or in making or preparing blocks, plates or other implements used in that manufacture, to go to parts beyond the seas ; and to prohibit the exporting to foreign parts of any such block, plates or other implements.

It was probably in view of the above legislation and of a memorial from the English calico printers to the Court of Directors threatening them with an application to Parliament praying that an additional duty should be laid on Indian calicos, to put them on an equality with goods manufactured in England, that the Directors wrote,

“ . . . rather than contending the matter in Parliament, . . . (we) resolved to withhold the importation of printed goods from Bengal, for the term of four years (beginning from 1783). We

¹ *Statutes at Large*, Vol. 33.

² *Ibid.*

³ *Statutes at Large*, Vol. 34.

therefore hereby direct that you do strictly conform to our said resolution, . . .”¹

Excise duties on cotton manufacture in England were imposed in 1784, and continued up to 1831. These were as follows :—

1784 (24 *Geo. III, c. 40*)².—Excise duties on cotton stuffs, and cotton and linen mixed and dyed in Great Britain :—

Under 3s. per yard in value	. 1d. per yard.
3s. per yard or upwards	. . . 2d. „

1785 (25 *Geo. III, c. 24*)³.—Repealed the above Act. Found inconvenient. New duties were, however, imposed in the same year by (25 *Geo. III, c. 72*).

For all mixed or cotton stuffs valued at more than 20*d.* and not more than 3s. per yard, 2*d.* per yard.

For all mixed or cotton stuffs worth more than 3s. per yard, 4*d.* per yard.

Besides the Excise duties, there were duties on the import of cotton wool also, imposed from the year 1798.

The second external force to take account of is the Industrial Revolution in England between 1760 and 1830.

No other industry was affected by this revolution either so early or so greatly as the cotton manufacturing industry.⁴ The incentive to inventions was supplied by the bans placed upon the import of cotton goods from India in 1700 and 1720, and by the great demand for such goods almost everywhere.⁵ The difficulty about the raw material was overcome by the possibility of procuring it from cotton-growing countries, and by disposing of the finished products to the almost limitless tropical and temperate climes.

The first invention appeared in 1733 in Kay's flying shuttle which expedited weaving and made the task of the spinner, who was already finding it difficult to supply

¹ MS. Despatch to Bengal, July 12th, 1782, para. 10.

² *Statutes at Large*, Vol. 34.

³ *Statutes at Large*, Vol. 35.

⁴ Cunningham. *Growth of English Industry and Commerce, Modern Times*, Part II., p. 620.

⁵ See above, p. 84; also Cf. Knowles, *op. cit.*, pp. 41-46.

sufficient yarn to the weaver, more difficult. Attention was, therefore, concentrated upon improvement in spinning, until in 1765 Hargreaves' spinning jenny was invented, though it was speedily surpassed by Arkwright's water frame in 1770, which combined the inventions of many others. In 1775, Arkwright perfected his water frame still further by combining a number of processes—carding, roving, and drawing—with spinning. Thereafter, it was possible to send cotton wool into the factory, and receive it back in the form of finished thread, all the processes having been performed under the same roof.

One great difficulty from which the English cotton industry was suffering throughout this period was the lack of yarn of sufficient strength to be used as warp. Linen yarn was, therefore, used for purposes of warp, cotton yarn being used for weft; and the product was not pure cotton or calico. The difficulty was partially removed by Crompton's invention of the mule, in 1779, which combined the principles of Hargreave's spinning jenny and of Arkwright's improved water frame. This produced yarn which was both finer and stronger than had been made so far, and therefore capable of being used as warp.

By the year 1780 the art of spinning was so much perfected as to have been definitely established as a factory industry, though this reversed the position of the weavers and spinners. Between 1733 and 1780 the weavers outstripped the spinners; from 1780 onwards there were not enough of weavers to use the large supply of yarn available. It is true that Cartwright's weaving machine was patented in 1784, but it did not prove to be a commercial success until Horrocks's improvements in 1813. It is after these improvements that the export of Manchester goods began to develop rapidly.

Spinning was carried on by means of hand, horse, or water-power until the end of the eighteenth century, when steam was applied to it. In the case of weaving, steam was not used until after a few years of the nineteenth century, the first factory for steam looms having been put up in Manchester in 1806. Watt's invention along this line benefited both spinning and weaving.

Improvements and inventions were made in some of the subsidiary branches of the cotton industry also, such as cylindrical printing, which was invented in 1785, and did away with block printing, till then used both in England and India. The servants of the East India Company asked the Directors for materials and utensils for use in calico printing in India about 1778. They wrote back in reply :—

“Several of the principal calico printers having made an application to the Lords of the Treasury, representing that the exportation of workmen and materials for printing *chintz*, would be of great detriment to the manufacturers of this Kingdom; which application having been referred to our consideration, we have resolved to suspend for the present, our intention of sending the materials and utensils requested by your Board of Trade in their letter of the 13th February, 1778.”¹

Throughout this period, silk manufacture continued to be a domestic industry, carried on in the old traditional way, although silk mills for the production of yarn, in imitation of those in Piedmont, had been erected in England as early as 1720. The improved methods of weaving cotton cloth were introduced into silk manufacture quite late, and it was not until 1820 that the first silk machine for weaving silk was patented in England.

Out of the changes that took place as the result of the industrial revolution, we have so far taken note of only such as affected the technical side of the cotton and silk industries. But in order to understand the full effect of that revolution upon Indian foreign trade, mention should also be made of the great changes that were taking place in other directions. For instance, the great changes in the extraction and manufacture of metals increased the export of cheap metals to India, the only profitable export of the English Company about the end of the eighteenth century. There is a distinct advance in the quantity and value of lead, copper, iron, and tin exported to India, after the setting in of the industrial revolution; the export of tin having commenced only from 1781.²

¹ MS. Despatches to Bengal, May 27th, 1779, para 60. Cf. also, Cunningham, *op. cit.*, p 640.

² See Macgregor. *Commercial Tariffs*, p 125. (Amount of the principal articles of export to India, from 1708-1720 to 1801-1811.)

In England, improved methods were introduced into the production of coal, iron and steel, the product of each of which was greatly needed to make the inventions in the textile industry a commercial success. So long as only wooden machinery and implements were used, the replacing of every machinery or part took about as much labour and cost as the one to be replaced. The need for machinery that would not wear out soon led to great changes in mechanical engineering, which produced machinery more accurate, efficient, and durable, with spare parts. Ultimately the use of iron and steel for manufacturing machines resulted in machine being made by machinery. The importance of this fact should be kept in mind while discussing the possibilities of hand labour, however cheap, competing with the product of machine-made machinery.

The means of transportation, which were gradually changing in England, also underwent a great revolution during this period. Transportation by means of roads and canals was greatly improved, and even steam was applied to river navigation by 1813. The construction of railways began, and the first steam-driven railway made its appearance in 1830. The story of how these changes affected Indian foreign trade is reserved for the last section.

Banking, exchange, business and commercial methods were also undergoing great changes side by side with improvements in other directions. The concentrated effect of all these is almost incalculable.

It is sometimes suggested that India should have substituted mechanical for hand labour at the same time this substitution was going on in England and other Western countries, and thereby maintained its supremacy in its ancient textile industries.

There were three obvious difficulties in adopting any such course as this. In the first place, the only place from which machinery could have been obtained was England; and we have already noticed the legislation which forbade the export of tools, machinery, etc., entering into the manufacture of any textile. The Act passed in 1781,¹ was made

¹ 1781 (21 *Geo. III*, c. 37).

still more stringent by another¹ passed in the following year, which prohibited not only the export of tools, implements, etc., used in textile manufactures, but also the going beyond the seas of "artificers or workmen employed in printing calicos, cottons, muslins, and linens." In the second place, the entire political and economic atmosphere in India towards the end of the eighteenth century, and during the first quarter of the nineteenth century was not conducive to industrial or commercial changes, nor to the investment of capital. And finally, the extreme conservatism of the people, with no tradition or preparation for changing the methods of production rendered the introduction of machinery impossible.

Section V

SUMMARY OF CONCLUSIONS AS TO TRADE CHANGES DURING THE PERIOD

We are now in a position to examine the course of the export trade from India in three of the most important commodities, bearing in mind the internal and the external forces which were affecting it during the period of the Company's monopoly. We take up the export of cotton goods first.

During the period of twenty-five years previous to the partial break in the monopoly, the average number of pieces exported per annum, amounted to 643,993, at a little over £1,000,000, giving a medium price per piece of £1 14s. 8d. (see Table IX. of Appendix). If statistics of pieces sold and of the sale value realized were examined for each year during these twenty-five years, a fall is noticeable in both for the years, 1779 and 1781, and again for 1788 and 1789 (see Table X. of Appendix). In the former two years this fall was probably due to the American War of Independence in which France, Spain and Holland got involved, while that in the latter two years was due to the famine in India in 1788,

¹ 1782 (22 Geo. III, c. 60).

and to its after effects. Apart from this there seems to be steady progress both in the number of pieces and their sale price. In their despatch, dated March 25th, 1791,¹ the Directors acknowledged that Indian manufactures had found a ready sale and increased prices, “. . . owing in a great degree, to the goodness of the manufactures.”

The other European Companies were also exporting cotton goods from India about the end of the eighteenth century in fairly large quantities, judging from the sale of the French Company at L'Orient in 1791, of 717,042 pieces for £1,227,887.² The Dutch also exported piece-goods to Holland at an annual average of about £109,570 for the years 1785 to 1791.³ It is in connection with the export of Indian cotton goods by foreign European Companies that the Select Committee of 1793 made the following remarks on the representation of the British cotton manufacturers in 1788, that great injustice had been done to them through the import of Indian cotton goods :—

“ If to this sum shall be added the value of what was imported in the same season by other nations, the British manufacturers must be convinced that every attempt to check the importation of the consumption of Indian calicos and muslins upon the Continent is impossible.”⁴

The above is indicative both of the great export of Indian cottons, as well as of the great “ jealousy ”⁵ which was shown by the infant industry of cotton manufacturers in England in 1788. It may be recalled that Cartwright's power loom, although it did not prove to be an immediate commercial success, led to such a rush into the cotton manufacturing industry in England as resulted in the failure and bankruptcy of many. The cause suggested was the large import of cottons by the East India Company from India, and the remedy proposed was that both its imports into England and its re-exports to the Continent should be

¹ MS. Despatch to Bengal, para. 13.

² (Further) Report of the Select Committee on the Cotton Manufacturers of this Country (England), 1793, Appendix, 4, pp 14-16.

³ Milburn. *Oriental Commerce*, Vol. II, p 234.

⁴ (Further) Report of the Select Committee, 1793, p 4

⁵ *Ibid.*

stopped by Parliament, so as to turn these markets over to the English cotton industry.¹ It may be remembered that about 90 years previous to this, the use and wear of some Indian cotton goods was prohibited in England, in the interest of the English woollen and silk industries. This time the demand was in the interest of the cotton industry itself.

We have made a study of the inventions and improvements made in the cotton manufacture in England up to 1785. The East India Company, far from ignoring these, was highly alive to the storm that was brewing over its head. As noticed above, in 1782 it stopped the export of Indian calicos for four years, beginning from 1783, in view of the memorial from the English calico printers. In 1783, the Directors sent their servants in India three boxes containing muslins made in Manchester, showing great alarm, and drawing the servants' attention to the state of perfection to which the English muslins had already reached, selling at 20 per cent. below the Company's goods.² In 1786, they stopped the export of cotton yarn to England, ". . . for certain prudential reasons" In their despatch, dated August 20th, 1788,³ they said :

" At present the manufacturers deem themselves so effectually competent to the supply of the ordinary sorts, both muslins and calicos for home consumption that they have solicited of Government, the laying the Company's trade therein under such restrictions as if carried into effect would go in great measure to weaken if not altogether destroy it so far as these articles are concerned."

Observing that duty and freight had already enabled the English manufacturers to undersell Indian cotton in the British market, they recommended greater attention to be paid to the manufacture of the finer sort (Dacca muslins, etc.), which, ". . . yield the greatest profits and interfere the least with the Home manufactures." They also con-

¹ *Ibid.*

² MS. Despatch to Bengal, March 27th, 1783, paras. 12-13.

³ MS. Despatch to Bengal, paras. 1-4.

sented, “. . . in compliance with the wishes of the manufacturers (English),” to export to England 500,000 lb. weight of Broach, Surat and Bengal cotton (raw), and ordered their servants to furnish them information regarding its growth, quality, cost, etc.

In their despatch, dated March 28th, 1788,¹ the Directors went the whole length they could to appease the Manchester cotton manufacturers, by sending to India patterns of Manchester goods, and by inquiring of their servants if such goods would sell in India.

The above explains the attitude of the East India Company towards the cotton manufactures in India, which, for many long years, were its main profitable investment from that country. The Company was essentially a commercial concern, existing on privileges of monopoly, aided by its territorial revenues from 1765. As such, its interest in Indian cotton manufactures was limited by the extent of the profit it could make by their sale, without becoming hostile to any English interest. As soon as these interests came into collision, the Company had to yield for fear of losing its exclusive privileges, although it showed some concern for the Indian manufacturer.² It was conscious of the experiences of 1700 and 1720, and of many others besides. The Select Committee of the Court of Directors, in its report on the cotton manufactures of England in 1793, said :

“The jealousy subsisting against the East India Company is not new; it was much more general towards the close of the last

¹ MS. Despatch to Bengal, para. 31. Cf also Despatch to Bengal, dated April 12th, 1786, para 97, wherein while transmitting pattern cards of several articles manufactured in the towns of Manchester, Halifax, and Norwich, the Directors said . “And (we) direct that you transmit us your opinion whether the whole or any particular species of those goods would be likely to prove advantageous in Bengal or its dependencies without interfering with or proving injurious to the interest of the native manufacturers whom we conceive ourselves likewise bound to protect to the utmost of our power.”

² MS. Commercial despatch, dated March 30th, 1810, paras. 7 and 14. Para. 7 reads as follows: “In framing this indent, it has been a primary object to allow the utmost latitude to the principle of giving general employment to the weavers whose means of subsistence have been impaired from the narrow scale to which the state of Commerce . . . rendered it expedient to reduce our investment. . . .”

and the beginning of the present century, forming one of the chief subjects for discussion at that time."¹

Turning again to the sale prices of export from 1793 to 1805, we find these amounted to an annual average of over £2,000,000, though the average price per piece began to show a fall; while from 1806 to 1813 there is a distinct fall both in the quantity exported and the sale value (see Table XI. of Appendix).

During this period, three new factors entered into the situation. Firstly, the absolute monopoly of the Company, so far as England went, was changed into "a regulated monopoly," at the renewal of its charter in 1793, and not "a regulated Free trade," as some thought.² By this, the Company was required to provide to private English traders, both in India and in England, an annual tonnage of 3,000 at a charge of £5 for outward and £15 per ton for homeward journey. Strictly speaking, this trade should be called "Privilege" as opposed to "Private" trade, which was allowed by the Company, free of freight, to the commanders and officers of its ships. Between 1793 and 1809 both of these amounted to £28,760,359, of which privilege trade was £21,217,283 and private £7,543,076 (see Table XII. of Appendix). The privileged traders took advantage of this, and part of the great increase in the export of cotton pieces and in the total sale value was due to their activity, though the fall in the average price per piece is also to be ascribed to the same cause. The export of English cotton goods east of the Cape of Good Hope did not make any headway during this period; and even so late as 1812 amounted to only about £100,000, while that from India was about £2,000,000 in 1805.

Secondly, the French Revolution and the Berlin Decrees destroyed the Continental market for Indian cottons. In their despatch, dated July 4th, 1804, while giving instructions regarding investment for 1805, the Directors said that the war with France

¹ P. 4

² Cf. Appendix, No. 47 Supplement to Fourth Report, 1812, p. 50.

“ . . . increases the difficulties and charges of their (Indian cotton cloths) introduction into France, Holland, and Flanders to such a degree as to have materially shortened the demand at our sales, and consequently affected a very considerable reduction in the prices.”

This was particularly true of the superior assortments, “ . . . which as we have heretofore advised you found their vend principally in Paris.”¹ By the time the Napoleonic wars finished, both the English and the Continental markets were lost to the Indian manufacturers, partly through the development of the English cotton manufactures, and partly on account of the beginning of cotton manufactures on the Continent itself.

And finally, the heavy English tariff, which increased from 18 to 67½ per cent. on calicos, and from 20 to 37½ per cent. on muslins, between 1797 and 1814, drove away even the 15 per cent. of calicos and 40 per cent. of muslins which were consumed in England in 1788, out of the total that the Company exported from India.² In the despatch mentioned in the last paragraph, the Directors said :

“ It behoves us also to vary our indent as not to clash with articles thus substituted ; for as our goods are burthened with heavy duties, it is evident we must sustain the larger part of the loss to accrue from such a competition.”

The efforts made by the English Company to improve the quality and quantity of Bengal raw silk bore fruit to this extent that between 1776 and 1785, Bengal exported to England on an average 560,283 small lb., while the import of such silk from Italy, Turkey, etc., did not exceed 282,304 lb.³ During this period of ten years the supply was obtained by means of contract with the Company's servants and other English free merchants in India, who practised such big frauds upon the Company that although the quantity increased, the quality became poor, and alto-

¹ MS. Despatch to Bengal, paras. 3-4.

² Further Report of the Select Committee, 1793, p. 3. Cf. also Directors' Despatch to the Governor-General of Bengal, dated June 20th, 1810 (Parliamentary Paper, 139), quoted by Banerjea. *Fiscal Policy in India*, p. 50.

³ East India Company, *op. cit.*, *Raw Silk*, p. xxiv.

gether the Company lost £884,744 on its investment. This was due to the fact that the contractors were also allowed by the Company to make investments in raw silk on their own account. They reserved the best for themselves and passed on the refuse to the Company. In their despatch, dated April 12th, 1786, the Directors, while complaining of these frauds, said that the Company's silk investment for 1784 realized 1s. 10d. per current rupee, while that for private trade produced 2s. 6d. per rupee, in spite of the Company having, ". . . every advantage that influence could give it." ¹

By their despatch, dated January 25th, 1782,² the Directors relinquished the Company's monopoly in raw silk as well as filatures to private traders, on condition of resuming it at two years' notice, which they did by their despatch, dated April 11th, 1785.³ This time the agency system of procuring the raw material was used and answered very well. During eighteen years, from 1786 to 1803, there was a net profit of £616,781, which on an average was £34,266 per annum, or about 13 per cent.⁴ During the ten years' period from 1801, when raw silk on account of the privilege trade began to arrive regularly, the annual average exported came to 405,307 small lb., and the sale amount to £394,922.

But just as the Company was beginning to reap the benefit of its exertions in improving the trade in Bengal raw silk, two factors entered into the situation which greatly affected that trade. First, the development of cotton manufactures in England, which proved a great rival to the silk industry. Between 1783 and 1787 the Company sold 2,437,384 small lb. of raw silk, whereas in the five years from 1788 to 1792 the sales amounted to only 698,784 small lb., which was less by one-third.⁵ No wonder, therefore, that such pains were taken for a period of 126 years to exclude some Indian cottons to protect the silk industry of England, until its own cottons proved a

¹ MS. Despatch to Bengal, para. 112; also *cf.* para. 91.

² *Ibid.*, paras. 139 and 141.

³ *Ibid.*, para. 41.

⁴ Milburn. *Oriental Commerce*, Vol. II., p. 257.

⁵ Milburn, *op cit.*, Vol. II., p. 253.

great rival to silk. Secondly, the French Revolution upset silk manufacture and trade, not only in England but upon the Continent as well, leaving very little demand for raw silk. The Company suffered a loss on its sales in 1793 and 1794. In order to guard against future losses, it threw its surplus stock of raw silk into organzine to take the place of the thrown silk which was imported from Italy. This practice continued throughout the period of the French War, and between 1794 and 1815, on an average, 157 bales or 21,305 lb. were annually thrown into organzine. This was opposed by those who were interested in the import of thrown silk from Italy, but by 1796 the Bengal organzine silk reached such a state of perfection that it was welcomed by all the eminent houses in the English silk manufacture.¹ During a period of ten years, from 1794 to 1803, the Company earned a profit of £27,031 net through the organzine business, which increased both the quality of silk and the trade from Bengal.

After the exclusion of all Indian silk manufactures from England in 1700, the British tariff policy with regard to the Indian raw silk was uniformly encouraging. In general, it may be said that there was an import duty of about 4s. to the pound weight on raw silk from Bengal. The industrial revolution did not affect silk manufacture during this period.

Saltpetre, the third important export from India was of a peculiar nature, both on the side of supply and demand. On the side of supply it was procured altogether from the revenues of Bengal at almost invariable prices. On the side of demand it was conditioned by the course of political events. In other words, the trade in petre was not on commercial principles at all. The Company was under an obligation to provide a regular supply to the gunpowder manufacturers. With all its efforts in this direction, fluctuations in its sale price may be judged from the following :—

In 1783, at the conclusion of peace after the American War of Independence—£1 18s. per cwt.

¹ East India Company, *op. cit.*, *Raw Silk*, pp. xxv.—xxix.

In 1793, about the beginning of the French wars—
£5 5s. 6d. per cwt.¹

In their commercial despatch, dated April 8th, 1789, the Directors stated that the supply of 3,000 bags of petre a year left more than enough on their hands at prices varying from 80s. to 42s. per cwt., and still it would not sell.² While they offered large quantities of it, only small quantities would be demanded. But in their despatch, dated May 30th, 1792, at the beginning of troubles in France, they reported that 16,000 bags were sold at an average of 44s. 7d. per cwt., and 20,871 at 52s. 3d. per cwt., and more could have been sold if available.³

Taking into consideration the entire export trade of India to England during the period of the Company's monopoly, it would appear that it was not an exchange of goods for goods, value for value, in its general sense. The trade with other countries—Foreign European, the Americans, and some Asiatic countries—was so. It was as Burke called it :—

“ . . . a permanent vehicle of the private fortunes of the Company's servants. . . .” “ The idea of remitting tribute in goods naturally produced an indifference to their price and quality, the goods themselves appearing little else than a sort of package to the tribute.”⁴

The Company's exports, which constituted by far the largest part of the export trade of India, were made regardless of the cost and profit, merely to enable it to transfer the tribute to England. This is how the Company itself looked upon its export trade. As early as within ten years of the obtaining of the *Diwani*, the Directors wrote :—

“ We readily grant that if the revenues of Bengal had enabled us to support our Civil Government, to maintain our army for the defence of the provinces, reimbursed us for our European exports, and yielded us a clear surplus to the amount of our annual investment, the *nominal value* of the goods would have been of less consequence to the Company, as the investment

¹ Milburn. *Oriental Commerce*, Vol II, pp. 239-240

² MS. paras 53-55

³ MS. Despatch to Bengal, para. 115.

⁴ Ninth Report from the Select Committee, 1783, pp. 20 and 23.

must, in such case, have been considered merely as a remittance from Bengal to Britain." ¹

The mainspring of a commercial machine—the principle of profit and loss—was wanting in the affairs of the Company from the very beginning, and was made worse after it acquired the rights of sovereignty in India.²

As regards the character of the imports into India, not many important changes took place during the period of the Company's monopoly, except for the beginnings of the import of English cotton manufactures. But as already seen, the total value of such as were exported to the East of the Cape of Good Hope in 1812, amounted to about £100,000 only.

Woollen, metals, naval and military stores, and articles of trifling amount, wholly for the use of the Europeans, continued to be the principal items. Between 1781 and 1791, woollens, metals, and stores of the following value were imported: £1,179,342, £1,561,841, and £1,255,259 respectively.³ Of these, the last were altogether for the use of the Company or of its servants and other Europeans in India. Woollens were generally sold at a loss in India, and still more so in China. Letters from Bombay and Bengal were full of unfavourable reports regarding the prospects of the sale of woollens in India. The Company's warehouses in India were always full of supplies for which there was no demand, and had, on many occasions, to be disposed of at prime cost.⁴ Mr. Bebb, appearing before the Select Committee of 1812, with his long experience of residence in India and possessing the most correct information on the subject of woollens, observed that :—

"The staple article of woollens sent out by the Company, . . . had for many years past sold at a loss, and individuals cannot obtain better terms." ⁵

¹ MS. Despatch to Bengal, March 3rd, 1775, para. 19.

² Ninth Report, 1783, p. 22.

³ Second Report of the Select Committee, 1793, p. 6.

⁴ First Report of the Select Committee, 1793, pp. 10-11, also Appendix No. 47, p. 123 (1812).

⁵ Appendix 47. Supplement to Fourth Report, 1812, p. 122.

Metals were the only exports to India which realized a profit, and copper, Swedish iron, and tin, were the three new metals introduced into the Indian import trade by the Company, during this period. English iron had been imported from the very beginning, though larger quantities began to come in. The export from England of window glass is mentioned for the first time in 1809,¹ and samples of steel required in India were asked for in the same year.

As in the case of woollen goods, the Company was under obligation to export a certain quantity of the products of the English mines also, even at a loss. This is how the revolution in the processes of extracting and working minerals in England affected the character of the import trade into India. In their despatch, dated September 29th, 1809, the Directors complained that the tin miners could supply only 100 tons of tin for export, as evidently, they could get better prices for it in Europe in that particular year. The Directors said :—

“ . . . we have for a series of years, taken off a large proportion of the produce of Tin miners with the intention to serve the County of Cornwall, and without the prospect of any profit to the Company, which view of the case experience has fully justified.”

They further said they would not be played by the miners in that way.²

The following is a specimen of the kind and quantity of metals that were exported to India towards the end of the Company's monopoly :—

Copper, 1,500 tons ; iron (British), 3,760 ; lead, 2,200 ; lead (sheet), 50 ; red lead, 60 ; steel (faggotted in small bars), 90 ; tin, 500 ; brass wire, 4 ; vitry, 400 botts. ; cutlery, £5,000.³

The partial break in the Company's monopoly in 1793 prepared the ground for further attacks upon that mono-

¹ MS. Despatch to Bengal, dated September 29th, 1809, para. 12.

² *Ibid.*, paras. 9-10.

³ MS. Commercial Despatch to Bengal, dated October 23rd, 1811, para. 2 Further idea of the uniformity of the character of the export trade to India during this period may be formed from the following intimations of the Directors to their servants in India regarding the despatch of

poly, which in the course of the succeeding twenty years led to its complete abolition. Thereafter, *i.e.*, from 1813, the Company traded for another twenty years, but only as a corporate body among other individuals and small groups of traders, though, as the ruler of the country, it still enjoyed the power of pre-emption.

The main object of the concessions allowed to privilege traders in 1793 was "The remittance of British fortunes acquired in India, by the medium of goods into the Thames. . . ." ¹ The concession granted to the British manufacturers in this connection was rarely availed of previous to 1813, for the obvious reason that the Company itself had a great difficulty in disposing of English woollens and, sometimes, metals too—the only English exports of importance up to 1813. The fortunes made in India by servants of the Company and other English traders formed the capital with which a great trade was being carried on between India and foreign Europe and America; and the concessions granted were meant to attract this trade to London. These concessions only partially met the object, for, among other disadvantages, the rates of duty charged in England even

goods for the Indian market: MS Despatch to Bengal, dated December 11th, 1772.

FOR BENGAL

Cloth 552 bales; long ells, 100 bales and 51 bales of broad long ells; lead, 200 tons; copper, 245 tons; iron, 100 tons, gunpowder, 900 barrels, and Madeira wine, 200 pipes, musquets, 5,100.

FOR FORT ST. GEORGE

Cloth, 954 bales; long ells, 51 bales and two bales of flannels; lead, 160 tons, iron, 150 tons, copper, 180 tons, and 6 tons of (hea?); gunpowder, 550 barrels, Madeira wine, 150 pipes; musquets, 9,000.

BOMBAY MARKET

Cloth, 910 bales, long ells, 270 bales; lead 180 tons; iron, 100 tons; copper, 305 tons, steel, 60 tons; Madeira wine, 50 pipes; 40 half puncheons of . . . ?

MS. Despatch to Bengal, dated February 23rd, 1810

The Directors informed the President of their intended consignment, woollens, metals, and wines, as follows:—

Cloth, 2,082 bales, long ells, 1,000, woollen caps, 3,000, embroidered flannels 40 Ps.; military serge flannels, 100.

Copper, 358 tons; iron (Swedish) 400 tons; British, 310; lead, 400 tons for sale and 400 for military use; red lead, 10 tons; window glass, 600 chests.

¹ Supplement to Fourth Report, 1812, p. 50.

upon goods for re-export were higher than those in the Continental ports.¹ That these fortunes continued to be exported through the agency of foreign Europeans and Americans, is shown by the following statements: Trade of America and Portugal with the Port of Calcutta: ²—

Average of the Years 1796-1797, 1797-1798, and 1798-1799

		Imports.		Exports.	
For 1799-1800	S. Rupees	17,82,327		27,37,604	
	do.	81,81,005		71,30,372	
		Imports.		Exports.	
		1795-1796.	1799-1800.	1795-1796.	1795-1800.
Hamburgh .	6,57,431	72,333		17,37,342	61,582
Copenhagen .	7,70,136	10,16,474		8,13,832	9,56,145
Lisbon .	10,24,943	46,56,391		21,81,371	33,44,435
America .	8,43,118	35,24,644		19,49,319	37,85,937
Rs.	32,95,628	92,69,842		66,81,864	81,48,099

“The Foreign Exports of 1795-6 nearly doubled the Foreign imports, consequently Bengal paid so much more than it received, and the greater part of the difference was probably British property, sent out of the country by clandestine channels.”³

But exports to England in privilege trade also increased at the same time, as is shown by the following statement for the period 1793 to 1812:—

¹ It is a curious fact that, while every effort was made to attract Indian goods to London, no attempt was made, until the passing of the Warehousing Act of 1799, to reduce either the import or re-export duties on these goods. Even this Act did not improve matters, as Indian muslins and calicos continued to be subject to a re-export duty of 2½ to 7½ per cent. respectively, leave alone the import duties into England. All other goods paid 2 per cent. The Continental and American ports were either free or charged a 1 per cent. duty. Cf. Owen. *Selection from the Despatches of Marquess Wellesley*, p. 709.

² In 1794 the British Government gave the United States of America a right to direct trade with the ports of British India; and in 1797 this privilege was extended to all friendly nations.

³ Appendix No. 47. Supplement to Fourth Report, 1812, p. 43.

*Short Abstract*¹

	£
Total privilege trade	24,585,673
„ private „	8,543,027
	<hr/>
	33,128,700
Which contained :—	
Indigo—privilege	11,504,716
„ private	4,290,591
Cottons—privilege	2,916,860
„ private	209,258
	<hr/>
	18,921,425
All other articles	14,207,275

The large quantity of goods that was exported from India in privilege trade, among other causes, brought down its price, especially of cottons, in England and on the Continent. The Company blamed the private traders for lowering the quality of the goods exported, and thereby lowering prices.²

The free traders, on the other hand, complained of the great restrictions and restraints under which they had to trade owing to the Company's monopoly. We have already taken note of the requirement of the payment of a license fee, and of residing within ten miles of a residency town. Besides this, they complained that they could not hold land or engage in the inland trade. Some of these were really no hardships, and were needed in the interest of discipline and good government. The main difficulty consisted in the requirement that the goods in privilege trade should be exported to England in the Company's ships for which the charges before 1793 were £5 a ton outward, and £22 homeward. But owing to the French wars, heavy insurance and convoy charges raised the rates of freight from time to time, until in 1810 these stood as follows :³—

¹ House of Commons, 1812-1813, Vol. VIII., Paper 78, p. 21.

² Memoir on the Trade to and from India. Supplement. Fourth Report, 1812, p. 215.

³ MS. Commercial Despatch to Bengal, dated February 23rd, 1810, para. 12. Cf. also Despatch to Bengal, dated September 29th, 1809, para. 31.

	Outward.	Homeward.
On regular ships . . .	£10 10s.	£32
„ extra „ . . .	£9	£27

The free traders desired that they should be allowed to build and use their own ships, or charter other boats than those of the Company for their trade.

Lord Wellesley, in his letter to the Court of Directors, dated September 30th, 1800, while strongly recommending the introduction of India-built shipping in the trade between India and England, pointed out that the tonnage of exports in privilege goods from Calcutta alone, subsequent to the Act of 1793, had exceeded that provided by the Act :—

	Tons.
1794-1795	2,473
1795-1796	5,346
1796-1797	4,659
1797-1798	3,787
1798-1799	6,223
1799-1800	7,748

Besides inadequate provision in tonnage, the private traders, supported by Lord Wellesley, maintained that the trade conveyed in foreign ships had the advantage of comparatively low rates of freight, economy in management, and expedition and celerity in voyages and returns. The Company's boats, being warlike, were liable to considerable delays, detentions, uncertain times of despatch and arrival, and deviations in the course, and were still more expensive than the Continental and American ships.¹

The Directors, realizing that yielding on the matter of allowing India-built ships in the trade would be the most serious breach in their monopoly, disallowed it in principle. But in actual practice, they allowed or assented to certain India-built ships, authorized by Lord Wellesley, to come to London. At the same time they offered to provide extra tonnage to any extent above that required by the Act of 1793. This extra tonnage was to be managed on commercial

¹ Owen. *Selection from the Despatches of Marquess Wellesley*, pp. 704-708.

and not military principles and at lower charges than those made for the regular ships of the Company. They could not give up their monopoly in this, in spite of the fact that the extra tonnage provided by the Company put it to a great loss, and still left the private traders dissatisfied.

The demand for private ships was made not only by the Englishmen in India, but by their agents in England, as also by the various shipping and port interests in the British and Irish sea-ports, particularly those of Liverpool, Glasgow, and Bristol. The demand of the latter was directed against that part of the monopoly of the Company by which ships to India sailed only from the Port of London, except where the Company gave a special concession; and all Eastern goods had to be brought to the Port of London, to be disposed of at the Company's sales.

The Company tried to show that spreading the Eastern trade all over the ports of Britain and Ireland was fraught with consequences ruinous to itself, to the British exchequer which would experience great difficulties and loss in realizing duties from the outports, and to India itself, which would become the home of needy adventurers who would proceed there from the outports unchecked and uncontrolled, and to the Port of London with all the Company's interests connected with it.¹ Besides, a free import of goods into these outports

"... would immediately reduce and derange the periodical public Sales of the Company, which is the master wheel in the mechanism of their import trade,"²

by which they adjusted supply to conditions of demand and thereby prevented Eastern trade from becoming unprofitable.

The Company was also blamed for lack of vigour and enterprise in extending the export of British manufactures to India, some maintaining that it had done positive harm to trade by its negligence, prodigality and exclusive privileges.

From statistics of tonnage used by the traders-in-privilege and private traders, it appears that the private traders were

¹ House of Commons, 1812-1813, Vol. VIII., Paper 78, p. 10.

² *Ibid.*, p. 8.

no more successful in increasing the export of British manufactures than the Company had been. In the matter of exports from India, a considerable advance had been made, and this was undoubtedly due to the efforts of the private traders.

There was a great deal of exaggeration in the charges and counter-charges made both by the Company and by those who wanted to see its monopoly abolished. It is true that the Company's monopoly exercised a very baneful effect both upon the manufactures and export trade of India ; but as has been noticed above, the English traders and manufacturers were no more successful than the Company in extending British manufactures in India.

The fact of the matter is, that the whole period from 1793 to 1813 was one of great distress and privations for the English manufacturing and trading classes, owing to the French wars, the disputes with America, and their consequent exclusion from the usual markets. It was hoped that the freeing of trade with the East would remove all the evils, provide a substitute for the loss of European commerce, and supply an equivalent for all other markets.¹ For this reason the trade monopoly of the Company with India had to go, though that for China was continued for another twenty years.

“ The exigencies of the commerce of Great Britain probably weighed more with the ministers than the arguments and assertions of either party. . . . To this great necessity the interests of a single corporation were bound to yield ; . . . ”²

The trade to India was opened to private individuals on condition that they traded directly only with the Presidencies of Calcutta, Bombay and Madras, in vessels not under 350 tons burthen. They were not to take part in the coasting trade of India, unless allowed by the Company. The requirement of a 350-ton ship by private traders was made, in order to keep trade “ in respectable hands.” The Company's trade dwindled after 1813, and its political activities became more and more prominent.

¹ House of Commons, 1812-1813, Vol. VIII., Paper 78, pp. 3-4.

² Wilson. *History of British India*, Vol. I., pp. 516-517.

CHAPTER IV

THE REMOVAL OF MONOPOLY, RESTRICTIONS, AND RESTRAINTS, 1813-1857

Section I

TRADE UNDER THE COMPANY'S PRE-EMPTION, 1813-1833

SOON after the renewal of the Company's Charter in 1813, and the termination of the European War, the Company's trade affairs began to suffer owing to several causes. Chief among them were the growing competition of the private traders, the requirement ¹ that the Company should separate its commercial from the territorial accounts, and finally, the decline in the export of Indian cotton manufactures, the Company's principal export, which set in at a rapid pace after 1817.

¹ In their Public Despatch to Bengal, dated September 6th, 1813, para. 18, the Directors observed as follows: "We cannot more distinctly explain our views of the construction of the sections of the Act which have now been brought under notice, than by observing that although the management of the whole as one concern remains with us, it is requisite that the Political branch should be considered as an affair of Government, the Commercial as that of a Mercantile transaction, and by debiting and crediting in account the transactions between them in advances and supplies as if they were absolutely distinct and separate concerns, so that accounts of receipts, expenditure and balance may be duly rendered by each respectively in the way required by Parliament."

The following is the procedure laid down by the Directors for the investment for 1814 and 1815, (Bengal Despatch, February 9th, 1814, paras. 19-20), which was to be followed as a sample, in view of the Act of Parliament, 1813:—

(1) A sum to be set apart in India equal to our Political disbursements in London on account of India.

(2) The invoice cost of the military and naval stores exported to India.

(3) The sale amount in India and China of our European staples and the profits thereon.

(4) The profit arising upon the sale of the Company's cotton and sandlewood in China.

(5) Cash received in India for bills of exchange upon the Directors in London. The total investment was to amount to annually (invoice)

We have seen how the Company gave up, from time to time, to its servants and private traders, its monopoly in some of the items of its export trade either because it became unprofitable, or to provide the traders with the means of remitting their fortunes to England. Thus the export of raw silk was left entirely in the hands of the servants and private traders for two years, 1783 and 1784, when, for want of commercial funds owing to wars in India, the Company could not continue it; and again in 1791. On both occasions, when the trade in raw silk was resumed by the Company, it purchased it from private traders, but reserved the right of exporting it to Europe exclusively to itself. The Company stopped the purchase of indigo for a period of three years from 1788 owing to its being a losing concern; and, although it resumed these purchases in 1806, indigo was generally left to the servants and private traders.¹

The trade in saltpetre was made entirely free in 1814, as it had become quite unprofitable to the Company. The rest of the exports, like sugar, hemp and flax, and raw cotton, were then only in the experimental stage, the demand for which depended upon the conditions of war and the state of the market in Europe.

With the development of the English cotton manufactures, the remaining important item of export became unremunerative both to itself and to the private traders. But while the private traders busied themselves with discovering and developing other articles of export from and import into India, the Company began to retire from the losing business, unaided as it then was by the territorial revenues of India. For instance, during the period of ten

£3,500,000. It should meet the following expenses through profits on Sales, etc —

(1) Replacement of Cost (invoice)	£3,500,000
(2) Freight, Commissions, Demurrage, etc, Duties in England, etc.	1,200,000
(3) Commercial Charges in England	300,000
(4) Interest on Bond Debt of £5,000,000 at 5 per cent.	250,000
(5) Dividends	630,000
	<hr/>
	£5,880,000

¹ East India Company, *op. cit.*, *Raw Silk*, pp. xix.—xxii.

years, 1819-1820 to 1828-1829, the Company suffered a net loss of £2,112,941 in its export trade from India.¹

From statistics of the export of cotton goods from India sold at the Company's sales from 1815 to 1834, it appears that their value declined from a total of £1,484,949 in the former to one of £393,597 only in the latter year.² The cotton piece goods exported during this period were mostly for re-export from England, except for a small quantity of very superior quality which was retained in England, as it could not be manufactured there. As late as 1836, Ure said, "Yarn continues to be spun and muslins to be manufactured at Dacca to which European ingenuity can afford no parallel."³ At the same time, the value of British cotton manufactures exported to places east of the Cape of Good Hope, except China, increased from £142,410 to £1,173,639 in the same period.

In 1813-1814 the value of the cotton goods imported into Bengal was £47,000. In 1827-1828 it was £561,000.

In the former year cotton yarn was unknown, in the latter the value of that imported was £188,000.⁴ Taylor explained Ure's statement about the cotton yarn of Dacca by saying that native-spun thread, with the exception of very fine and very coarse qualities, had been in a great measure superseded by British yarn by about 1844.⁵ In fact, he calls the year 1787

"... the most flourishing period of the cloth trade of Dacca, or it was, at least, the year in which the amount of exports was the greatest ;"

and he dated the decline of the Dacca cloth trade from 1793.⁶ While this may be true of the Dacca trade, statistics of the export of cotton cloth from India as a whole show a rapid falling off only in the second decade of the nineteenth century.

It was in 1817 that the Company abolished the Com-

¹ House of Commons, 1830, Vol. VI., Paper 646, Appendix A., p. 630.

² Appendix, Table XIII

³ *Cotton Manufactures of Great Britain*, Vol. I., p. 117.

⁴ Wilson. *External Commerce of Bengal*, p. 45.

⁵ Taylor. *Cotton Manufactures of Dacca*, p. 133.

⁶ *Ibid.*, p. 132.

mercial Residency at Dacca, and closed down the factory in that place.

One reason, among others that have yet to be noted for this change, was the fall in the price of British calicos from 1813 to 1828, both absolutely and as compared with the prices of Indian calicos. Table XIV., of Appendix, states the great fall in prices, from 1813 to 1828, of British calicos and its effect upon the sale prices of the Company's goods in London. Wilson, speaking on the subject of prices during this period, says that the invoice prices of European goods had been considerably reduced, particularly of piece goods and spelter.

"The latter, when first imported, was invoiced at £35 per ton, and in the present year (1827-28) is valued at £12 10 0. Cotton goods have fallen at least one-third."¹

While the Company was interested in trade even after the abolition of its exclusive privileges, its position as the ruler of the country gave it a great advantage over its rivals. Lord Wellesley said, ". . . the intimation of a wish from the Company's Resident is always received as a command by the Native manufacturers and producers."² Of this undue influence frequent complaints were made by private English traders in India and by their agents in England. In spite of this advantage, the Company came to realize during this period of twenty years that its commercial transactions were a dead loss, and by 1825 it exported very little merchandise to the East beyond naval and military stores. Why it did not take up the export of British cotton manufactures to India, which was left mostly in the hands of private traders, might have been due either to a consideration for its old Indian weavers, or to the difficulty of finding suitable articles of export from India. In their despatch to Bengal, dated February 9th, 1814, the Directors said,

"We are still, notwithstanding the change which has taken place in our commercial relations with India, fully as desirous of facilitating the consumption of the manufactures of Great Britain, in India and China, as we have ever been; but it is of

¹ *External Commerce of Bengal*, pp. 44-45.

² Quoted by Macgregor. *Commercial Statistics*, p. 117.

importance that our endeavours to accomplish this national object should no longer expose us to absolute loss."

Facts and figures which were placed before the Lords' and Commons' Committees of 1830, 1830-1831, and 1832, prove that, while the total trade of India, particularly the exports, was steadily increasing in this period, that carried on by the Company was deteriorating.¹ The following reply of the Liverpool East India Committee to the question to what extent the trade with India had increased since 1814, and to what extent the increase consisted of British staples is characteristic of the situation with regard to the Indian trade after 1814. The Committee said :—

"The increase of trade with India since 1814 has been enormous, as appears by Parliamentary returns, and the exports consist entirely of British manufactures ; it may also be safely asserted that such foreign produce as has been exported to India, has been purchased virtually by a similar amount of British produce."

"From 1794 to 1814 the export trade in the hands of the Company had greatly fallen off, the official value of the exports to India (including those to China which varied little) having been on the average of the first six years of that period £2,924,829, and of the last six years £1,699,123 ; but upon the opening of the trade in 1814 (though the Company's exports have further fallen off) the increase on the whole has been most rapid, as appears by the following comparative view :"²—

Declared Value of Exports to India.

	Company's.	Private Trade	Total
	£	£	£
Average of three years, 1814 to 1816	818,784	1,524,518	2,343,302
Average of three years, 1827 to 1829	575,266	3,825,110	4,400,376
The exports of 1829 exceeded those of 1814 as follows :—			
1814 . . .	826,558	1,048,132	1,874,690
1829 . . .	434,586	3,665,678	4,100,264

¹ Appendix, Table XV.

² House of Commons, 1832, Vol. X., Paper 735-II., p. 517.

The increasing share taken by private English traders brought, incidentally, several advantages to the indigenous producers and manufacturers of India. These may be described as follows : (1) The final removal of restrictions and restraints from the weavers employed in cotton manufacture and silk winding and from the growers of raw cotton for the Company's export to China for tea.

Regulation XXXI. of 1793 attempted to remove compulsion from weavers to enter into the Company's employ and to leave them free, unless they accepted advances voluntarily. But in actual practice, once the advance had been accepted, restrictions, restraints and inducements continued to exist and to be offered just as much as before. These difficulties and disabilities were brought out not by the weavers themselves, but by certain mercantile firms in London, who, in a letter dated June 30th, 1825, to the Court of Directors pointed out how the Company's advances made it impossible for the weavers to withdraw from their employ.

"No persons in balance to the Company, or engaged in any way in the provision of their investment, can withdraw from their employ ; they cannot work for themselves or others." ¹

These disabilities were finally rescinded by Regulation IX. of 1829, by which the commercial agents of the Company were placed on the same footing towards natives of the country as other persons, and workmen, contractors and others were made liable to be served with process of civil or criminal courts as other persons.² Previously, all people engaged in the provision of the Company's investments enjoyed influence and immunities.

(2) Secondly, owing to the competition of the private traders in certain articles, a rise in prices took place which was enjoyed by the producers of these goods. In some cases, such as indigo, the rise was so great (120 per cent.) that it would not have paid to export it to England if freight had not fallen from £14 to £16 per ton, in the second decade of the nineteenth century, to about £4 to £6 in the third.³ In

¹ House of Commons, 1831-1832, Vol. X., Paper 735-II., pp. 643-644.

² *Ibid.*, p. 646.

³ Wilson. *External Commerce of Bengal*, p. 47.

others, such as raw silk and raw cotton, where the Company's monopoly was more absolute, and where provision for the investment was made through the agency of public servants, remunerated by commissions on their produce, waste and extravagance raised prices by about 50 per cent. in the 'thirties of the nineteenth century.¹ In the provision of cotton for China, the method used by the Company and complained of by private traders was that the Company secured half of the produce in revenue, and the other half at a price fixed by itself, through its agent, who was the judge, collector and the commercial Resident all at the same time.

(3) Finally, the disabilities of the tariff, both in England and India, were also brought out by these private traders, although in this particular we also notice an application "signed by 117 natives (of India) of high respectability," and presented to the Lords of His Majesty's Privy Council for Trade, dated, Calcutta, September 1st, 1831. The petitioners prayed for the removal of import duties on cotton and silk goods in England which were required to pay 10 and 24 per cent. respectively, while in India they were admitted "without² any duties being levied thereon to protect the native fabrics."³ Most of the English traders and merchants who appeared as witnesses before the Parliamentary Inquiry Committees of 1830 to 1832 recommended a reduction of import duties in England on other articles than cotton and silk manufactures, such as sugar, coffee, pepper, sago, dye-stuff, and drugs, on which the duties were called "exorbitantly high." Some said that the products of India should be placed on a footing approximating more nearly that of other British Colonies. Mr. Rickards, one of the witnesses, observed as follows :—

"The rates of duty imposed on Indian imports into Britain, when compared with the exemption from duty of British staples into India (cotton goods being subject to a duty of $2\frac{1}{2}$ per cent.), constitute an important feature in the present question. Indians within the Company's jurisdiction, like English, Scotch, or

¹ House of Commons, 1831-1832, Paper 735-II., p. 526.

² There was an import duty of $2\frac{1}{2}$ per cent. on English cotton cloth, but subject to a withdrawal on exportation.

³ House of Commons, 1831-1832, Paper 735-II., p. 573.

Irish, are equally subjects of the British Government. To make invidious distinctions, favouring one class, but oppressing another, all being subjects of the same Empire, can not be reconciled with the principles of justice; and while British imports into India are thus so highly favoured, I know that Indo-British subjects feel it a great grievance that their commodities when imported into England should be so enormously taxed." ¹

From the circumstances and particulars enumerated above, it is clear that, long before 1833, both the Company and the English nation had made up their mind as to the severance by the Company of all trade relations with India. A similar conclusion had been arrived at with regard to the trade with China. The Company's commercial relations with India impaired its efficiency as the ruler of the country, and gave it an undue advantage over all traders, in spite of the abolition of its monopoly in 1813.

In the evidence before the Commons' Committee of 1832 on commercial subjects it transpired that the Company's commercial establishments at Madras had been abolished, and at Bombay there was only one factory for the provision of cotton to be exported to China. The Company had no commercial agents in India except the silk, cotton and saltpetre agents. These agents were selected by the Government from the covenanted servants who had gone to India as writers. Its only anxiety then was in connection with the remittances to England on account of the territorial charges, and the payment of the dividends to stock-holders, for both of which the Company considered its commercial relations with India and China indispensable, even so late as 1832. But the extended foreign trade of India in the hands of private traders and merchants was considered sufficient to provide for the Company's remittances on account of the territorial charges, in the same way as international dues were remitted by other countries.

The divesting of the Company of all share in the trade of India in 1833 marks the beginning of a new landmark in the history of Indian foreign trade, which, both the concessions granted to private traders in 1793 and the abolition of the

¹ House of Commons, 1831-1832, Paper 735-II., p. 573.

Company's monopoly in 1813, failed to accomplish. So long as the Company itself was interested in Indian trade it did not take an active interest in the removal of those impediments and restrictions which had interfered with trade from 1757. Some of these impediments and their removal have already been noticed by us. One of the main impediments, *i.e.*, internal and external tariff, has still to be considered.

In the negotiations which preceded the renewal of the Company's Charter in 1833, information was collected upon a number of subjects with the object of building up and developing Indian foreign trade. The possibilities of steam connection with India by way of the Cape, and of communication by way of the Red Sea and the Euphrates were discussed, a detailed account of which will be found in Chapter V. But already there had been a great fall in the rates for carrying ocean cargo. Steam engines were on the increase in India, though roads and canals were both few and unsatisfactory. Banking and insurance on European lines had not made much progress, although there were a few banking houses, and the Company's Bank of Bengal, started in 1809. The question of a uniform currency for the whole of British India had already attracted attention, and suggestions were made of the great benefit to trade which would result through reforms in this direction. This was carried out in 1835. And, lastly, the political peace and security attained by the country by 1833 was, in no small way, a preparation for that economic unity and freedom which are a prerequisite of all trade and commerce.

In the renewed Charter of 1833 the Company was required to surrender all its commercial rights, privileges, and property in return for an annuity of £630,000, as dividends to its shareholders, payable from the revenues of India. The annuity was payable for a term of forty years, after which it should be at the option of Parliament, on giving three years' notice, to redeem it at the rate of £100 for every £5 5s. of annuity. The Company also might, at the end of the twenty years, if deprived of the Government, demand payment of their capital at the same rate.¹ The Government

¹ Wilson. *History of British India*, Vol. III., pp. 526-527.

of India was continued in the hands of the Company for a further period of twenty years.

Section II

THE INDIAN TARIFF—INTERNAL AND EXTERNAL

In the third chapter we made a study of the English tariff with reference to the import into England of Indian manufactures in particular, and of other goods in general, which remained in force, with gradual relaxations, up to about 1846. So far, we have not taken note of the great restrictions and restraints to which Indian industry and commerce were subject, owing to its own fiscal system, both internal and external. That the hardship inflicted was real may be gathered from the following observations of the Directors in 1783, who, in referring to the internal duties on cotton manufactures in Schrool on the borders of Burdwan, said :—

“ The enormous tax of 15 per cent. upon thread alone could not fail to produce the consequences which followed, viz., that not an *anna's* worth of thread is brought to market, not a piece of cloth manufactured. This we do not wonder at when it is stated that the whole tax upon cloth amounts to upwards of 36 per cent.”¹

Again, Lord Ellenborough, President of the Board of Control, while referring to the restrictions imposed upon the industry and commerce of India by its internal and external fiscal system about 1836, said :—

“ The effect of these and similar duties is virtually to prohibit the manufacture in towns of all articles not absolutely required for their own consumption ; to confine manufactures to the place where the raw material is produced ; and by such restrictions, much more than by any tax actually levied, to depress the productive industry of the people.”²

¹ MS. Despatch to Bengal, dated January 15th, 1783, para. 41. See also paras. 42-50.

² Letter from Lord Ellenborough to the Chairman and Deputy-Chairman of the East India Company, March 18th, 1835, p. 107.

Indian fiscal history from 1757 divides itself into three well-defined periods as follows :—

- (1) 1757 to 1833.
- (2) 1834 to 1859.
- (3) 1859 to 1882 (during our period).

Previous to 1757, during the days of the Moghuls and of the independent rulers of different provinces, fiscal arrangements were divided into three parts, viz., the sea customs duties upon imports and exports; second, the inland customs charged upon the transit of goods from place to place; and, third, a great variety of local taxes called *sayer*¹ levied upon traders and manufacturers.² The first two were generally low, though the last proved to be quite oppressive in the hands of partial and extortionate agents; and all three became quite burdensome to the trade and industry of the country during the time of the break-up of the Moghul Empire.

As indicated in Chapter I, Furrukh Siyar's *farman* of 1717 exempted the English Company's trade from duties on payment of a yearly *peshcush* of Rs. 3,000. Later on, the Company's servants and other English merchants also obtained this exemption for their private trade, and when strong enough, maintained it by force of arms. The exemption from duties was inserted as an Article in the treaty between the English Company and Najam-ud-Doulah in 1765.³ When the Company became the ruler of the country it prohibited the levying of any duty on its investment, even upon its monopolized opium, ". . . lest investment should suffer."⁴ So the Company, its servants, and the other English traders having become exempted enjoyed the

¹ *Sayer*, that which moves, variable imposts, distinct from land-rent or revenue, consisting of Customs, tolls, licences, duties on merchandise, and other articles of personal movable property; as well as mixed duties and taxes on houses, shops, bazars, etc. Hoobson-Jobson, p. 799.

² Hamilton *Trade Relations*, pp. 209-210.

³ *Art. 5th*. "I do ratify and confirm to the English the privilege granted them by their *firmaun* and several *husbulhookums* of carrying on their trade by means of their own *dustucks* free from all duties, taxes, or impositions in all parts of the Country, excepting in the article of salt, on which a duty of 2½ per cent. is to be levied on the *Rowana*, or Hoogly market price." Bolts. *Considerations*, Appendix No. XV., p. 24.

⁴ MS. Despatch to Bengal, dated December 15th, 1775. paras. 39-42.

privilege of trading duty free, the first up to 1813,¹ and the last two up to 1773, when, as indicated in Chapter II, Lord Hastings made some modification.² The main burden of the fiscal system, therefore, fell upon the indigenous and foreign European traders. But the Company also suffered incidentally, as the Directors, while condemning the enormous tax of upwards of 36 per cent. in Schrool on cloth in 1783, said, ". . . the Company's investment must be very materially affected thereby."³

As different parts of the country came into the possession of the East India Company at different periods, there was no uniformity in the fiscal regulations of those parts until about the second quarter of the eighteenth century. The first period of the tariff history is, therefore, characterized by a diversity of regulation and practice in each of the three Presidencies, up to 1834, when attempts were made at the unification of the system. The internal tariff consisted of the transit and town duties which were finally abolished in Bengal in 1836, in Bombay in 1838, and in Madras in 1844. The external import and export duties were made uniform all over the country in 1844, and continue as a very legitimate source of revenue up to the present time. The Native States came in line with British India in this matter in 1850.

It may appear that there is a certain advantage in leaving out the history of Indian tariff up to the year 1813 altogether, as the major portion of the country's foreign trade, which was in the hands of the English Company, was exempt from duties. But, as explained above, the restraints and restrictions imposed upon the industry and manufactures of the country through the system of internal duties were such as affected the Company's trade also through their influence upon production, while their effect upon that part of the trade that passed through the hands of other traders was very detrimental.

However, a study of changes in tariffs makes very tedious

¹ Sections 24 and 25 of the Company's Charter as renewed in 1813, required it to pay the same duties on its trade as other private English traders paid.

² Bengal Consultations, February 16th, 1773.

³ MS. Despatch to Bengal, January 15th, 1783, para. 42.

reading. There is, therefore, a balance of advantage in giving a very brief account of the internal transit and town duties, and of only as much of the external tariff as is necessary to understand the development in the changes in the volume, character, and direction of foreign trade from 1813 to 1857.

We shall begin with the internal and town duties in Bengal, Madras and Bombay, and then pass on to the external tariff in the same order.

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In 1773 the duty was fixed at a uniform rate of $2\frac{1}{2}$ per cent. on all articles except salt, tobacco, and betel-nut, which were subject to particular imposts, and this rate was levied at the Bengal Customs houses of Calcutta, Murshidabad, Hoogly, Dacca, Chittagong and Patna.

In 1788, Lord Cornwallis abolished all restrictions on inland transit, retaining a single Customs House at Manjee, on the borders of Behar, for the collection of duty on merchandise coming from Benares, Oudh or elsewhere, beyond the then frontier of the Company. Only export and import duties were retained. In 1801 the Customs Houses, which had been abolished by Lord Cornwallis, were re-established, and duties were levied on articles passing the different *chowkies*¹ attached to them at the rate of $3\frac{1}{2}$ per cent. A provision was made that articles which had once paid inland duty should not again be leviable to it.

Regulation IX. of 1810 consolidated into one duty, separate duties which were levied according to different rates, the principle underlying it was to realize the consolidated duty, once for all, on the whole trade of the country through *chowkies*, which environed the principal marts of the country. Twenty Customs Houses were established on the banks of the rivers Jamna and Ganges, from Delhi to Calcutta. These rivers constituted the great highway of commerce in North Eastern India. That trade, therefore, which did not pass through the Customs Houses on their banks escaped taxation altogether. This led to unnecessary discrimination.

¹ A Customs or toll station.

This regulation, with slight modifications, continued in force up to 1836, and was designed to obviate the defects of the native system of transit duties, according to which the previous levying of dues was carried out.

Under the native system, transit duties were levied separately in each *pergunnah*¹ through which the goods passed. The rates of duty were seldom more than 1 or 2 per cent., payable by instalments, in proportion to the distance goods were carried. If, for instance, goods were carried into an adjoining district, the imposts were very trifling. Duties were fixed upon well-understood quantities, as an ox or a camel load. No pass was required to be taken out and no forms of any kind had to be gone through.²

The consolidated system of 1810 was an aggregate of all the instalments which used to be levied on goods proceeding to the greatest distance, applied to the whole internal trade of the country. The rates were accordingly raised to 5, 7½, or 10 per cent., with the understanding that

“Merchandise having once paid duty to be freely transported from place to place, without the harassing interruption to which the trade had before been exposed.”³

This arrangement penalised the internal trade and gave a bounty upon trade to the ports, and would have been successful to this extent if it had not been accompanied by the requirements to take out a *rawannah*⁴ or pass, and the liability to have goods searched at every Customs House. The pass specified the sort, quantity and the value of goods and the number and description of packages, and any discrepancy in any of these respects was punishable by confiscation or fine. A great deal of vexation, loss of time, and unnecessary expense were caused through the compliance with the various formalities connected with the *rawannah*

¹ A sub-division of a district. Hobson-Jobson, p. 698.

² Trevelyan. Report upon Inland Customs of the Bengal Presidency, p. 2.

³ Report of the Committee on Customs and Post Office Systems, India, Parliamentary Paper 151, 1848, p. 18.

⁴ A receipt or a permit indicating that Customs dues had been duly paid.

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system. The system of search, in practice, was such that everything was examined, including grain and other tax-free articles belonging to the inland trade.

The system of internal duties in the ceded and conquered provinces of Benares and Agra was in a state of utter chaos and confusion owing to the application to these provinces of a system which was primarily meant for Bengal.

The town duties in Bengal were simpler and less injurious than the transit duties, because they were more limited in their operation. In general, these were imposed on all staple articles of trade, such as salt, sugar, tobacco, ghee, betel-nut, etc., and varied between 5 and 10 per cent. But the town duties were extremely partial, as they were leviable in some towns and not in others, thus subjecting the merchants and traders of the former towns to great injustice and hardship. The result was that trade and commerce kept changing from towns where these duties were levied to others where they were not, or marts were established outside the jurisdiction of towns which imposed such duties. These town duties were really local consumption duties, leviable only on that portion of the export or import of a town as was consumed locally. But in order to ensure their payment, the entire trade was delayed and laid under contribution by the Customs House officials in a way which seriously impeded trade and commerce.

MADRAS

Previous to 1803 the native toll system of Bombay, which was essentially the same as in Bengal, as noticed above, prevailed in Madras. A number of regulations passed in the year 1803 abolished the anomalous duties of the native system, and substituted first, a general duty of 6 per cent. calculated on a tariff valuation on goods imported by sea or by land into the town of Madras, or produced or manufactured within its limits. Secondly, a general duty of 6 per cent. on goods exported from the subordinate ports (imports were not taxed except on foreign European bottoms).

Thirdly, a general duty of 6 per cent. on goods imported or exported across the frontiers of the Madras territories ; and fourthly, a general duty of 6 per cent. on goods imported into certain provincial towns, or produced or manufactured within their limits. Goods belonging to the Company, cotton and cotton thread, and several articles of minor importance were exempted from duty. Goods might thus be subjected successively to three distinct 6 per cent. duties, viz., a frontier, a town, and an export duty, making an aggregate of 18 per cent.¹

These duties proved to be more than the external commerce of the Presidency could bear, and fell particularly heavily upon cloth which was manufactured both for foreign and home consumption. The substitution of the *ad valorem* duties in place of the bullock-load measure, irrespective of the value of the article, raised the duty on cloth five or six times, and drove the manufacturers and traders out of towns into the neighbouring villages in order to escape the heavy town duties. The loss suffered both by the Government and the consumer was so great that the town duties were discontinued for two years, only to be revived in 1808 with some modifications. Town duties were leviable only on imports into Madras and some provincial towns, goods exported from these places or manufactured within their limits having been left free ; also goods having paid a frontier or town duty were exempted from demand of town or frontier duty.

These changes did not improve the productiveness of the inland duties. According to the rearrangements of 1808, cotton and cotton thread, the raw material of the cloth industry, were exempted from the town import duty. Cloth manufacturers, therefore, returned to towns from villages and manufactured only for the local demand, thereby escaping the tax altogether. In practice, therefore, the rules made in 1808 were departed from in order to make Customs yield something to the Treasury, and a Committee appointed in 1809, “. . . to legalise and render general,”²

¹ *Customs and Post Office Systems, India*, pp. 25 and 26.

² *Ibid.*, p. 27.

this irregular system made regulations which were passed in 1812 and continued almost intact up to 1836, except for the practice of farming out revenue collection which was introduced in the year 1821.

The principal features of the regulation made in 1812 were, that a general inland duty of 5 per cent. was leviable on every article of consumption, except such as were necessary to the lowest class of people (except grain, cotton and cotton thread), imported by land which passed through or was sold within the territories of Madras. Goods which passed by land into the settlements of foreign European nations, or *vice versâ*, were treated as if they had been exported or imported on foreign vessels, and paid 16 per cent. In the town of Madras the duty was 6 per cent. All certificates of the payment of duty were given on stamped paper, payable by the trader.

The financial results of the regulation introduced in 1812 were highly satisfactory in spite of a diminished external trade. There was a great fall in the charges of collection also. The reason was that, although the charges made under it were looked upon as transit duties, they were really excise duties on consumption extending down to the petty traffic of every village. In other words, it was a universal consumption duty, the words, "Sold within," extending the operation of the regulation to the retail transaction of the poorest native shop.¹

In Madras, unlike Bengal, from the open nature of the country it was necessary to have *chowkies* all over the country. The Board of Revenue multiplied these to such an extent that there were 30 to 231 in each district. Between 10,000 to 20,000 poorly paid persons were employed for collection. These peons oppressed the people and made unheard of exactions. To prevent their exactions and frauds the system of farming out was established in 1821. This decreased the charges by 3 lakhs, and increased the revenue by 10 lakhs, as the rents were fixed at very high rates owing to competition, which proved ruinous to many renters. The system also hit the cloth manufacture of

¹ *Customs and Post Office Systems, India*, p. 29.

Madras very hard,¹ and probably accounts for the loss of the Madras cloth market in the Eastern archipelago.

Both systems, that of collecting Customs through the agency of Government and of collecting by means of renters having proved a failure, it was felt that the remedy lay in abolishing the inland system of revenue altogether. But this could not be done, as it involved a great loss of revenue.

BOMBAY

The Presidency of Bombay was the last acquisition of the East India Company, the greater portion of which was acquired about 1817. Partly for this reason and partly because of the geographical situation of the Company's territory surrounded by Native States on three sides, the indigenous system of transit duties was least deviated from. Again, the bold and enterprising character of the *Brinjaras*—the carrying class in Bombay—who would not submit to the extortions of the Customs Houses, rendered wholesale changes as were introduced in other Presidencies impossible.

The essential feature of the native system, described in connection with Bengal, *i.e.*, levying transit duties to make the trader pay them by degrees in small sums according to the distance to which they are carried, was uniformly followed here. Duties were computed with some reference to the value of the articles liable to them, but were regulated by the weight which each vehicle could carry a certain distance.² Goods were divided into three classes according to their importance and value, the duties leviable were just a few in number, and the lowness of the duty rendered smuggling or evasion unusual.

The low transit duty, levied according to load and not according to sea customs, did not affect trade passing through the Company's territories to and from the sea coasts. Unlike the other Presidencies, even British manufactures and goods imported free from Great Britain were

¹ *Customs and Post Office Systems, India*, p. 32.

² *Ibid.*, pp. 8-9. A bullock was assessed at 6 *maunds*, a camel was charged for two bullock loads; an elephant for four; a one-yoke and a two-yoke cart for six and eight bullocks respectively.

liable to the low transit duties, in their passage through the various *pergunnahs*. But the duties, being light, were not vexatious.

The above description applies only to duties levied on transit of goods from place to place. But, under the native system the practice of imposing a general duty on inland consumption within the same *pergunnah* had gradually crept in, and this led to a host of petty exactions on the part of the numerous agents employed. Hence, in some villages a composition fee was paid to the Revenue in the form of a fixed sum annually in order to obtain freedom from the vexations of the Customs Stations near the village.

The Bombay Government submitted a regulation for the entire abolition of the transit duties in 1827, in spite of Bombay being the lightest taxed of the three Presidencies. This was sanctioned by the Home authorities, but could not be carried out owing to the financial difficulties of the Presidency, which could not enhance the sea import duties and town duties, as alternative for meeting the deficit.

Town or consumption duties were imposed on all the principal towns and most of the larger villages throughout the Presidency, the consumption duties imposed were at the rate of the transit duty, *i.e.*, according to load or quantity.

Import sea customs, paid at the sea-port towns of the Province were considered to cover the consumption duty on goods coming by way of the sea. Goods going to these towns by land paid a duty which was lighter than the sea export duty.

At Bombay a town duty at the rate of 4 per cent. on the prime cost was imposed from 1803 on the principle of the Calcutta town duty. This town duty was abrogated on April 30th, 1805, but reimposed in May, 1810. A drawback of $2\frac{1}{2}$ per cent. was allowed on exportation. In 1834 the duty was lowered to $1\frac{1}{2}$ per cent., and all drawbacks were withdrawn except on exportation to the United Kingdom, provided the total duty receivable by the Government was $2\frac{1}{2}$ per cent.

At Surat an *ad valorem* duty of 5 per cent. was levied on all goods coming in by land. But beside this, consumption

duties averaging about 5 per cent. were charged upon many articles of consumption, as in the days of the Moghuls, based upon quantity.

In Ahmadabad and the western district an *ad valorem* $2\frac{1}{2}$ per cent. duty on all imports and exports was levied. Previous to the British rule these duties were as high as 10 or 12 per cent. The low uniform duty, with about thirty-six articles which were altogether exempted, proved very beneficial to the prosperity of the towns.

At other towns in Gujrat, the Deccan, and in many of the greater villages of the Presidency, a town duty, like the transit, was levied on the load or quantity, without much precision as to value. In all cases the duties were low in amount.

SEA CUSTOMS

Bengal

Until 1809 the rates of duty which were levied in Bengal on exports and imports were, with a few exceptions, $3\frac{1}{2}$ per cent. customs and 4 per cent. town duty, levied generally *ad valorem*. There were, besides, various other payments to be made, such as stamps on *rawannahs*, commission and fees to Customs masters, etc., which were burdensome and vexatious to individuals and increased the cost of collection.

Regulation IX. of 1810 rescinded all previous laws regarding Customs, while Regulation XV. of 1825 superseded all the provisions of the first with regard to the rate of duty and the drawbacks to be allowed on goods imported or exported by sea.

The object with which Regulation IX. of 1810 was framed was to improve the revenue, and to relieve the people from the inequalities and the harassing complexity of the previous Customs laws and practice. A number of very good principles was laid down and adopted by the above regulation, according to which export and import duties were fixed at $7\frac{1}{2}$ per cent. ordinarily, in some cases at 5 and in others at 10 per cent. A few articles, such as bullion, horses, teak, timber and opium purchased at the Company's

sales were exempted from duty. The general tendency was to raise the rate of taxation. No distinction was made between British and foreign bottoms, nor were the rates of duty affected by the origin of goods.

Regulation III. of 1811 made important changes in the above, with a view to giving preference to British vessels over foreign shipping, by imposing duties on the latter there by securing the carrying trade of India to the former. The duties levied on exports and imports on foreign bottoms were raised to double the rates that were charged of trade conveyed on British bottoms. The principle of handicapping foreign traders by doubling the duty was followed in the matter of drawbacks also, which were allowed only to British vessels. Foreigners were, in practice, excluded from the Indian carrying trade by the requirement that their vessels should be cleared out from the Indian ports direct to their own countries.

Regulation IV. of 1815 affected very important alterations in the sea Customs laws of 1810. The alterations were made in order to encourage the import into India of the staples and marine stores of England. Therefore British woollens, manufactured metals, cordage, and marine stores, which had been assessed with duties of 5 and 10 per cent. till then, were exempted from duty, provided they were imported in British or Indian-built ships. All other articles imported from England were to be subject to only $2\frac{1}{2}$ per cent. if brought in British ships, and foreign European goods brought in British ships were to pay at the rate of 5 per cent. No transit or port to port duty was payable on the above goods once the specified duties had been paid. As regards exports from India: if indigo, cotton wool, hemp and sunn were exported to England in British ships, they were entitled to a drawback to the full amount of the duty paid. No other article exported to England was to pay more than $2\frac{1}{2}$ per cent.¹

The great change in the trade with Great Britain was probably due to the following requirements made of the East India Company in its Charter of 1813. Section 24 of the

¹ *Customs and Post Office System*, p. 55.

Charter subjected the commerce of the Company to the payment of the same duties and customs as were paid by private traders. Section 25 directed that no new or additional duty or tax upon the import, or export, or transit of any goods or merchandise whatsoever shall be valid in India until sanctioned by the Court of Directors, with the approbation of the Board of Commissioners, acting on behalf of the British Cabinet.

The changes effected in 1815 were a departure from the previous practice of encouraging foreign ships into Indian ports, both for the purpose of increasing the revenue and the trade of the country.¹ They also explain the great increase in the import of English manufactures, and of the export of raw material from India from 1815 onwards. Coupled with the disabilities inflicted by the system of internal transit and town duties, they had a great share in driving India out of her Asiatic markets, as well as from her own.²

Regulation XXI. of 1817 extended the exemption from duty to unwrought metals of British origin, and the privileges of export to the United Kingdom of goods from Nepal and Oudh, *i.e.*, a maximum export duty of 2½ per cent. It also conferred further important favours upon British shipping.

Regulation V. of 1823 reduced the transit and sea import

¹ "It was about that time (some years after the Peace of 1782) that the ships of several states which had no settlements in India, . . . began to resort thither, particularly to Bengal; and as they might, if refused entrance into our ports, have proceeded to those of the French, Dutch, Danes, or Portuguese, it was but an extension of the same principle of policy, which recommended our admitting the flags of these powers, to admit also the flags of other countries in amity with us; . . . Calcutta has become the seat of almost the whole export trade of Bengal." Appendix No. 47. Supplement to Fourth Report, 1812, p. 12.

² The Customs Committee, 1830, made the following remarks in this connection: "It does not belong to us to inquire into the causes which led to the alterations adverted to, nor to offer an opinion whether the loss to the revenue, and the unquestionably disadvantageous position in which the produce and manufactures of India, heavily taxed by the inland system, were placed in coming into competition with free or lightly taxed articles, produced by the most improved machinery, were counterbalanced by the impulse which may have been communicated to British commerce and industry, and by the accomplishment of objects of national policy. We shall only remark that the alterations disturbed materially the uniformity of the system, and that they caused taxation to operate with a very unequal pressure at the same time that they dried up some considerable sources of revenue." *Customs and Post Office Systems, India*, p. 50.

duty on piece-goods, the manufacture of British Indian territories, from $7\frac{1}{2}$ to $2\frac{1}{2}$ per cent. After paying the above duty, piece-goods could be exported to Europe on British ships free of further charge, but on foreign bottoms an export duty of $2\frac{1}{2}$ per cent. was chargeable. To places other than Europe they were liable to an export duty of $2\frac{1}{2}$ to $7\frac{1}{2}$ per cent., according as they were sent in British or foreign bottoms.¹

Regulation XV. of 1825 recodified the Sea Customs of Bengal, owing to the need of including some foreign countries in the trade of India. This regulation remained in force up to 1836.

Imports by sea were classed under three heads. Firstly, the produce of the United Kingdom. Of these some, such as metals, woollens, and marine stores, were exempted from duty on importation. The rest were charged a duty of only $2\frac{1}{2}$ per cent. Secondly, imports from foreign Europe and America were, with few exceptions, subject to a duty of 5 per cent. Thirdly, imports from places other than Europe and America were liable to a duty either at $7\frac{1}{2}$ or at 10 per cent. All the above rates were applicable to imports only when brought in British bottoms. On foreign bottoms double the duty was chargeable, which ranged from $2\frac{1}{2}$ per cent. to 20 per cent., according to bottom and destination. The last mentioned rate of duty acted as a prohibitory duty on trade carried on under a foreign flag between British India and places to the east of the Cape of Good Hope.

Exports were subjected to an export duty before leaving the country. The rate varied according to destination and bottom. Goods exported to Europe and America on

¹ "The object of these provisions apparently was to place the piece-goods of India on the same footing with those of Great Britain, the latter having, since Regulation IV. of 1815 was passed, been favoured by the Customs laws to a degree which might have enabled them to drive the former out of their own market, even had the influence of British machinery been less overwhelming than it was. This act of consideration for the manufacturers of Indian piece-goods came too late to do them much service . . . the no less striking injustice done to India in the heavy taxation which pressed upon her export trade to China, and the other places eastward of the Cape of Good Hope, compared with the burden imposed on her export trade to Great Britain, remained also unredressed." *Customs and Post Office Systems*, p. 57.

British bottoms paid $2\frac{1}{2}$ per cent., on a foreign bottom double the amount. Goods sent to other places on British bottoms paid 5, $7\frac{1}{2}$ or 10 per cent. according to the import or transit duty assigned to them, and double the amount if carried in foreign bottoms. Goods intended for export, which had already paid an import or transit duty equal to the export duty, were allowed to be exported free of charges. Cotton piece-goods were entitled to export regardless of destination and bottom after paying the transit or import duty. But the produce or manufacture of Great Britain re-exported after having paid $2\frac{1}{2}$ per cent. import duty was allowed a drawback of two-thirds of the duty paid, if sent to Europe or America on a British bottom.

Madras

The first well-recorded revision of the Madras Sea Customs was carried out in 1786, which imposed a duty of 5 per cent. on imports. The rate of duty was considered too high and was reduced towards the end of 1789, though the amount of reduction is not recorded anywhere.

In 1784 the Court of Directors required the Government of Madras to regulate their import and export duties according to the system in force in Bengal. This was carried out in 1795, and an import duty of $2\frac{1}{2}$ per cent., with certain discriminations for goods brought on foreign bottoms, etc., and an export duty of the same amount, without any drawbacks, was imposed on all goods with the exception of grain, copper, sugar, indigo, raw silk and some metal goods.

In 1796 a drawback of one half the duty paid on importation was allowed on re-exporting the same goods.

In 1798 an additional duty of 1 per cent., both on exports and imports, was levied to meet the increased expense of the marine establishment of Bombay.

In 1803 by Regulation IX. of that year, a general duty of 6 per cent. was established on articles imported by sea into Madras on British, Asiatic or American vessels, and of 8 per cent. on goods imported on foreign vessels or from foreign settlements. By Regulation XI. of the same year, an export

duty of 6 per cent. was imposed on goods exported from any of the subordinate ports on British, American or Asiatic vessels, and of 8 per cent. on goods exported on foreign ships or from foreign settlements. Goods imported on British, Asiatic or American vessels were re-exportable duty free, but those sent out on foreign vessels were required to pay 8 per cent. re-export duty.

Regulation XV. of 1808 abolished the exemption from duty on goods imported by sea at the subordinate ports on British, American or Asiatic vessels, and subjected them to a duty of 6 per cent.

Regulation IV. of 1812 rendered goods imported or exported on foreign bottoms liable to double the amount chargeable on British bottoms.

Regulation II. of 1816 was the first to be framed under the authority of the Court of Directors, and of the Board of Control. Its object was to encourage the exports of the staples and marine stores of Great Britain to the Madras Presidency. It provided for the import of certain articles from Great Britain duty free, or at a duty of $2\frac{1}{2}$ or 5 per cent. if the produce of foreign Europe. In this and in other respects it was similar to the regulations which were passed in the other Presidencies at about the same time.

As regards exports also, the rules established were the same as in other Presidencies. Cotton wool, hemp and sunn, if exported to the United Kingdom, were allowed a drawback equal to the full amount of the duty paid. No other article exported to the United Kingdom paid more than $2\frac{1}{2}$ per cent.

Regulation VIII. of 1819 exempted from duty all wrought and unwrought metals, the produce of the United Kingdom, as well as marine stores.

Various amendments and amplifications of the principles underlying the above regulations were made from time to time up to the year 1831, when Regulation VII. allowed all ships of European nations to be hospitably received and to trade in all British ports and places in the East Indies, without having to clear out direct for the country to which they belonged. It also reaffirmed the trade agreements of

the United States with India in accordance with the Convention of July 3rd, 1815.

Local regulations were made in 1820 for regulating the export duties on foreign vessels, and for allowing drawbacks in certain cases. The most interesting of these were the export duties on cotton piece-goods and sugar on foreign European or American bottoms. These were not to exceed 5 per cent., whereas the same exported on British or Asiatic vessels were to be subject to a maximum duty of $2\frac{1}{2}$ per cent. The intention was to reduce the duties on foreign trade in the same way as had been done in Bengal, and to assimilate the drawbacks to those in Bengal. But this was never completely carried out, and the Madras Customs Code had injurious effects upon the export trade of the Presidency.¹

Bombay

The geographical situation of the British Bombay Presidency in 1817, its proximity to several native states, and the entire freedom of the parts in Kathiawar and Kutch from the Indian Customs system, prevented any radical changes in the general administration of the system. For many years after 1817 the system followed was the same as that in 1817 when the greater part of the coast came into the possession of the British. The prosperity of the port of Bombay was due to the low duties that were charged and to the simplicity of the system followed.

As late as 1805 the general rate of duty on imports only was $2\frac{1}{2}$ per cent. *ad valorem*; all export duties had been withdrawn in 1799. In 1805, however, an addition of 1 per cent. was made in the rate of import duty, as in the case of Bengal and Madras, raising it to $3\frac{1}{2}$ per cent.

In 1813 regulations for the conduct of foreign trade were issued by the Court of Directors. The rate of duty on imports on foreign bottoms was raised from $3\frac{1}{2}$ to $7\frac{3}{16}$ per cent. The re-export duty on goods purchased at Bombay was about 7 per cent. on foreign bottoms.

In 1815 the import of certain articles from Great Britain was made free, and the duty on others was reduced to $2\frac{1}{2}$

¹ *Customs and Post Office Systems*, p. 75.

per cent. In 1817 the duty on goods from foreign Europe coming on British bottoms was reduced to $3\frac{1}{2}$ per cent., while it was 5 per cent. in other Presidencies. In 1834 the export duty on cotton (raw) was fixed at 5 per cent., all transit duties on the article being abolished.

Allowing, therefore, for the double rates on the foreign bottoms, the highest duty at Bombay was $4\frac{1}{3}$, the general rate $3\frac{1}{2}$, and the lowest, on British goods, $2\frac{1}{2}$ per cent.¹

Previous to 1815 no drawbacks were allowed, the rule being that all goods imported for re-export must pay the same duty as other goods. From 1815 onwards, the whole duty on indigo, cotton, wool, hemp and sunn exported to the United Kingdom was returned in drawback, and no article exported to the United Kingdom was to pay more than $2\frac{1}{2}$ per cent.

There were a number of subordinate ports connected with the Bombay Presidency, such as Surat, Gogo, Bulsar, Broach, etc., and some in Northern and Southern Konkan. The rates of duty charged at these ports were different from those at Bombay. But the regulating principles were the same as were observed at Bombay, and regard was had to the practice which prevailed in the neighbouring independent states.

In 1827 the Bombay Sea Customs were revised. According to this, the duties and exemptions on goods from the United Kingdom were maintained intact at Bombay, while the goods from foreign Europe, America and all other places were subjected to an import duty of 5 per cent. on British and of 7 per cent. on foreign bottoms. The import duty on a large number of commodities not from the Company's territories was raised to $7\frac{1}{2}$ per cent. At the subordinate ports, import and export duties were raised to $6\frac{1}{2}$ and 5 per cent. respectively, inclusive.

In 1827 to 1828, owing to financial difficulties, the Bombay Sea Customs were farmed out to a single individual, who established a virtual monopoly all over the Presidency, except in the town of Bombay, which was retained by the Government. The effect of this arrangement upon the

¹ *Customs and Post Office Systems*, p. 44.

revenue was exceedingly favourable, but involved the trade of the Presidency in the encroachments of the revenue farmer.

At the renewal of the Company's Charter in 1833, the power of legislation was withdrawn from each Presidency, and a central legislature was established. It is rather interesting in this connection to note that while the power of legislation in other matters was restored to each Presidency in 1861, Customs still remained outside the domain of the provincial authorities. Hence, in the matter of Customs, British India was treated as a whole from 1833 onwards.

In 1834 Lord William Bentinck appointed a Commission of Civil Servants to report upon the Customs and Post Office systems of India, the important features of whose report have already been noticed by us. Previous to this, Mr. Trevelyan (later Sir Charles Trevelyan) had been asked to make an enquiry into the inland Customs and town duties of Bengal Presidency and to report on the same. The report came out in 1835, and served as an eye-opener to the authorities.

While the Committee was busy in the investigation, Lord Ellenborough took up the report made by Mr. Trevelyan most seriously, and directed the attention of the Chairman and of the Deputy-Chairman of the East India Company to the great injury which the inland Customs and town duties of the Bengal Presidency were causing to trade and commerce. He pointed out that while the cotton manufactures of England were imported into India on payment of a duty of $2\frac{1}{2}$ per cent., those of India were subjected to an internal duty of $17\frac{1}{2}$ per cent. By the time raw hide was manufactured into boots and shoes, it paid a duty of 15 per cent., while sugar paid 15 per cent., through different stages, before it was exported.¹

¹ P. P., H. C. 202, 1840, p. 107. "While the cotton manufactures of England are imported into India on payment of a duty of two and a half per cent., the cotton manufactures of India are subjected to a duty on the raw material of Five per cent., to a further duty on yarn of Seven and a half per cent., to an additional duty upon the manufactured article of two and a half per cent., and finally to another duty of two and

Before the Committee could submit its report, the Governor of Agra, without any reference to the Supreme Government, abolished all inland duties in his Province, except those on the external frontier line, beyond the Jumna. This forced the hands of the authorities to extend this abolition to the whole of the Bengal Presidency, otherwise, two different systems would have prevailed in two Presidencies, so connected as those of Bengal and Agra.¹ This was accordingly done, and without waiting for the findings of the Committee, both the internal and town duties of Bengal were abolished from May 1st, 1836. By Act XIV. of 1836, changes were made in the external customs of the Presidency which were to make up the loss occasioned by the abolition of the internal and town duties.

The measures taken had the hearty approval of the Committee. As was expected by them, instead of a loss, Customs revenue increased, and during the first year amounted to an excess of over 14 lakhs over the average of the preceding five years.² While this showed the great capacity of the maritime commerce of Bengal, it also indicated the injury that had been done to it by the system of internal and town duties.

Revenue considerations made it difficult to apply to Madras and Bombay the reforms carried out in Bengal. The loss for the two Presidencies was estimated at about

a half per cent., if the cloth should be dyed after the *Rowannah* has been taken out for it as white cloth. Thus altogether the cotton goods of India may pay Seventeen and a half per cent."

"We have been endeavouring to improve the leather manufactures of India, but our efforts are to no inconsiderable extent counteracted by the duties which have been suffered to remain. The raw hide pays Five per cent., on being manufactured into leather it pays Five per cent. more, and when the leather is made into boots and shoes a further duty is imposed of five per cent. Thus in all there is a duty of fifteen per cent.

"We desire that, at the earliest period consistent with the safety of the West Indian Colonies, the sugar of India may be admitted on payment of the same duty which may be imposed on West Indian sugar; but in what manner do we continue to treat our own sugar? On being imported into a town it pays five per cent. in customs, and five per cent. in town duty, and when manufactured it pays on exportation from the same town, five per cent. more; in all fifteen per cent."

¹ Extract, separate letter from India, dated March 2nd, 1836.

² Letter from the Government of India to the Court of Directors, September 6th, 1837.

60 lakhs,¹ while the prospects of an expansion of their commerce were not as great as those of Bengal. It should be pointed out, however, that the trade of Bombay was expanding much more than that of Madras, which was the most heavily taxed of all the Presidencies.

In Bombay, transit duties were abolished by Act I. of 1838, though a duty of 8 *annas* per *maund* was imposed in the same year to make up for some of the loss to the revenue. The town duties were not abolished until 1844, when the salt duty was doubled in order to equalize the average prices of salt in Bombay and Madras. The results of the salt duty were very satisfactory so far as revenue was concerned.

In Madras a specific course of reform was adopted. Inland duties on salt, fish, turmeric, and garlic (all being articles of consumption with the poorest people), and on all other articles which did not yield Rs. 3,500 in the whole Presidency were first removed. This reduced the list of dutiable articles, "which formerly comprised almost every article sold in the Bazars,"² to thirty-five. The final abolition in Madras was carried out in 1844.

On the external side, Act XIV. of 1836 for the Presidency of Bengal was applied to Bombay in 1838, and to Madras in 1844. This unified the tariff system of India completely.³

¹ *Customs and Post Office System*, Report V., p. 30. Also Letter from Government of India to the Court of Directors, separate Department, October 19th (No. 6), 1836, p. 59.

² Extract, separate Letter from the Court of Directors, dated December 17th, No. 4, 1839.

³ The following principles appear to have been observed in framing the external tariffs :—

(a) A small number of articles were allowed to be exported and imported, free of charge.

(b) Low import and export duties of $3\frac{1}{2}$ and 3 per cent. respectively were charged on all unenumerated articles.

(c) Fairly low import duties were charged on such goods as marine stores, metals, woollens, cotton and silk piece-goods, particularly when they were the produce of the United Kingdom or of any British possession, and were imported on British bottoms.

(d) Double the amount of duties were charged if goods in section (c) were the produce or manufacture of any other place, and four times if they were imported on foreign bottoms. In other words, the system of preference to British manufactures started in 1811, was continued, and foreign manufactures and shipping continued to be twice as badly off as Englishmen. This preference was shown on the side of exports and re-exports also.

(e) Export duties were charged mostly for the purpose of revenue, to

The loss of revenue, owing to the abolition of the transit and town duties in Bombay and Madras, was met by an addition to the import tariff in 1845 by Act IX. of that year. This new tariff remained substantially unaltered until 1859.

The schedule of import duties under the Act is given in Table XVI. of Appendix. The principles which governed it were the same as those which were at the basis of the previous sea Customs tariff; only the general import duty was raised from $3\frac{1}{2}$ to 5 per cent.

Section III

THE CULTURE AND DEVELOPMENT OF RAW MATERIAL

Between 1813 and 1857 may be placed the period of the decay of Indian industries, and of their supersession by English manufactures. The period is also characterized by the efforts made to develop the then existing raw materials, and to grow new ones to take the place of some of the former exports. The Select Committee of the House of Lords said in 1830,

“The chief manufactures of India having been supplanted to a great extent by the manufactures of England, not only in the market of this Country, but in that of India itself, it has become an object of the deepest interest to improve the productions of the soil; the committee therefore instituted a full inquiry into the quality of the silk and of the cotton of India and into the measures which might be adopted for their improvement; they likewise made inquiries as to sugar, tobacco, and other articles of Indian produce.”¹

As raw material and food stuffs were hereafter to occupy the most important place in Indian export trade, it may be profitable to examine the conditions of their growth and development in India. We have already seen the beginning of the trade in raw silk, indigo, sugar and raw cotton, and, therefore, need not spend much time upon them. But others

make up part of the loss caused by the abolition of the transit and town duties.

¹ House of Commons, 1830, Vol. VI., Paper 646, p. 4.

came in during this period, such as tobacco, jute in increasing proportions, hides and skins, coffee and tea, and at least one of the cereals, rice.

The great emphasis laid by Parliament and the English public upon the supply of raw materials from India during the first half of the nineteenth century was due to the fact,

“ . . . that India supplied some of the essential raw materials—hides, oil-seeds, dyes, jute, and cotton required for the industrial revolution in England, and at the same time afforded a growing market for English manufactures of iron and cotton at a time when the buying power of the Continent was restricted owing to the after effects of the French wars.”¹

RAW SILK

Even after the termination of the Company's monopoly in 1813, its efforts at increasing the quantity and improving the quality of raw silk continued to be unremitting, as it was still a very profitable source of remittance of funds to England.² Besides, all through the period of the French wars, and for a long time after that, the Company wanted to make the British manufacturers independent of the capricious commercial policy of the enemy, especially after the manufacturers' distress in 1808 and 1812. With this object in view, and in order to increase the supply very greatly, the Court directed the Government of India to further erect, purchase, or hire, both private (English) and native filatures on long leases for the Company, and expressed the hope that from 1812 the provision would not eventually fall short of 8,000 bales per year. The Court further suggested the possibility of establishing mulberry plantations and rearing silk worms on account of the Company itself, so as to render

¹ Knowles. *Economic Development of the Overseas Empire, 1763-1914*, p. 305. Cf. also Directors' Despatch to Bengal, dated August 20th, 1788, para. 4, in this connection. From this despatch it appears that the emphasis upon the export of raw materials rather than of finished products commenced as early as 1788, in spite of the heavy freight charges of those days.

² Commercial Despatch to Bengal, dated June 2nd, 1812: "The fair prospects afforded, that under any unfavourable events in other channels of commerce, raw silk may constitute the medium of a certain remittance from India to a very considerable extent, . . ." para. 7.

its investment independent of other sources of supply. This suggestion was made in 1812, but was actually carried out in 1830; though the results attained were not equal to the expense incurred. By 1831 the Bombay government was also directed to undertake the cultivation of raw silk in its territories, in view of a few specimens of its raw and prepared silks being sent to England in 1827.

For several years after 1823, 7,000 bales of filature-wound silk, per year, were exported to England. This rendered the export of country-wound silk unnecessary to the Company, as its sale had become unprofitable, though the quantity of filature-wound was attained at a serious increase of cost. In fact, the price of raw silk began to rise from 1817, and continued to do so up to 1830.

What was the cause of the rise of prices is rather difficult to say, though probably it was due to the competition of the private traders. As pointed out in Section I. of this chapter, this was one of the benefits conferred by these traders upon the producers of the raw material. In the Parliamentary investigations of 1830 to 1832 it was pointed out that the prices which the Company paid for raw silk controlled the market, and these were so high that no private merchant could purchase with a prospect of profit. This is borne out by the fact that during the period 1811 to 1835, 23,735,459 lb. of raw silk was exported to England, giving an annual average of 949,418 lb., of which only 5,039,974 lb. was on account of the private traders.¹ The Company's silk fetched high prices in London, because it paid a great deal of attention to quality, whereas the natives were said to be concerned only with quantity. The secret of this, however, was that "They (the Company) do not mind submitting occasionally to a loss which a private trader could not support."²

Experiments for the improvement of the quality of raw silk continued up to 1833, though some of the witnesses in 1830 were of opinion that Indian silk was not capable of any further improvement, owing to being short stapled. Between

¹ East India Company, *op. cit.*, *Raw Silk*, Appendix (A.), p. 4.

² *Digest of Evidence*, 1830-1831, p. 456.

1834 and 1835 the Company closed down its silk works in India. It is gratifying to record that in closing down its silk works the Company showed the same regard for its silk-winders as it did for the weavers of cotton cloth in 1810.¹

What happened to the export of raw silk from India after 1835 may be stated in a few words.

Throughout the period of the French wars and up to 1823, the import duty into England on Indian raw silk was 4s. per lb. In 1824 the duty was reduced to 3s. per lb., and in 1832 to 1*d.* per lb. This ought to have stimulated the export, but it did not, for several reasons.

In the first place, the withdrawal of the Company from the manufacture and export of raw silk after a period of at least sixty-five years, upset the organization under which it had been prepared for so long a time. In the second place, the more liberal policy adopted by England in 1829 in the import of silk from every country, with preference to Indian silks, exposed it to competition from Italy, France and China.² But the third probable cause was the increasing use of raw silk at home for the export of manufactured goods to England, instead of the raw material. This was rendered possible by the removal in 1826 of the prohibition of the wearing of manufactured silks imported into England from India, and by the substitution of *ad valorem* duties in 1829 from 20 to 30 per cent. up to 1842.³

¹ East India Company, *op. cit.*, *Raw Silk*, p. xli, also see above, p. 94. Despatch to Bengal, dated March 30th, 1810, paras. 7 and 14.

² "The keener competition of Italy and France was beginning to tell on the silk production of Bengal, and many of the mulberry fields had been ploughed up for the less lucrative rice-crop." Hunter. *The Old Missionary*, p. 54.

Mr. Nathaniel Alexander, appearing before the Select Committee of the House of Commons on sugar and coffee in 1848, said, ". . . the introduction of China silk on a very increased scale has so entirely reduced the price of Bengal silk in England, that I consider it almost thrown out as a means of remittance" (Report, p. 109). A little further on he continues: "I may mention that the large importations of China silk have lowered the price of Bengal raw silk to a point which will put a stop to production," p. 172.

³ Fitzgerald, President of the Board of Trade in England, in moving the resolution for the removal of the prohibition and for substituting an *ad valorem* duty said. "As to the silks from India, there was no principle to justify us in continuing as high duties on the produce of our fellow-subjects, and on the manufactures of our dominions as on those of foreign Countries, at a time when we compelled these people to receive our manufactures

The export to England of Indian silk piece-goods between 1821 and 1825 averaged nearly 110,000 pieces per annum. These were entirely for re-export. From 1826 to 1839, the average was nearly 400,000 pieces per annum. After 1842, when the import duty was lowered to 5 per cent., while that on foreign silks continued at 20 per cent., the exports from India increased from 555,000 pieces in 1840 to 999,000 pieces in 1848.¹ Besides this, Bandannas, or Indian painted pocket handkerchiefs were imported into England in considerable quantities.² The duty on foreign silks was lowered to 15 per cent. in 1846, that on silks from British possessions continuing at 5 per cent. until 1860, when all silk goods were imported into England free.

The above shows the great vitality of the Indian silk manufactures which forced their way into the English market even after 126 years of exclusion. But after 1860, soon as the import of silks into England was made free, French silks overwhelmed not only Indian, but the English home-made silks as well.

INDIGO

About the time the Company ceased taking part in Indian trade, indigo was by far the most important of the raw materials exported. After the destruction of St. Domingo, and during the period of the French wars, Indian indigo enjoyed great and sudden prosperity, and India became the chief source of the supply of this dye to the world. Its cultivation was carried on from Dacca to Delhi, as in the sixteenth and seventeenth centuries. A small quantity was grown in Madras also, but of a very inferior quality to that of Bengal. None was grown in Bombay, although the soil and climate were suited to it. It was exported chiefly to England, America, France and the Persian Gulf. The average quantity of exportation about 1830 was nine

duty free, with all the advantages of our capital, skill, and experience against them. He would, then, admit Indian silks on paying a duty of 20 per cent." Smart. *Economic Annals*, 1820-1830, p. 485.

¹ Cf. Hamilton. *Trade Relations*, pp. 183 and 184.

² Cf. Dutt. *India in the Victorian Age*, p. 109.

million pounds (weight) ; the amount paid by British-born subjects for rent and labour was stated to be £1,680,000 ; on its arrival at Calcutta it was valued at £2,403,000, and was said to realize £3,600,000 in England.¹

The indigo crop was highly risky and uncertain, and very high rates of interest were charged from those who engaged in it with borrowed money. Very few Europeans with capital of their own undertook it. The system of leasing lands by the Europeans was also defective. From these facts arose the difficulties between European planters and Indian cultivators, the latter carrying on cultivation with advances from the former on condition that they delivered indigo of a certain quality at a certain price. There was a great difference of opinion among the witnesses at the Parliamentary investigations of 1830 to 1831 as to the condition of the *Ryots* who laboured for European planters, some suggesting it to be better and others worse than that of independent cultivators.

SUGAR

After the sudden demand that arose in England for Indian sugar died out, very inconsiderable amount of it was exported to Europe. That which the Company did export was merely as dead weight. The sugar exported had to compete with the West Indies sugar, which was imported into England at far more favourable terms than Indian sugar. Indian sugar was required to pay a duty of 120 per cent. on the gross price, and 200 per cent. after deducting freight and charges.²

The revival of the manufacture and export of sugar from India about 1836 was due to the abolition of slavery in the West Indies in 1833, when the English planters there took to the cultivation of other crops ; also to the equalization of the duty in England on East and West Indies sugar in 1836. From this period sugar began to assume a first place in the list of articles from India by which remittances were

¹ *Digest of Evidence*, 1830-1831, p. 405.

² *Ibid.*, p. 470.

made to England. From 1835-1836 to 1846-1847, a period of twelve years, the annual average of export to England was 42,657 tons, of which the average for the first five years was 19,254 tons, and that of the last seven years 59,373 tons.¹ The following is a statement of the value of the sugar exported to England from 1834-1835, the year before the duties were equalized²:—

	Rs.
1834-1835 . . .	15,796,315
1835-1836 . . .	20,000,000
1836-1837 . . .	28,379,966
1837-1838 . . .	27,192,222
1838-1839 No Returns	
1839-1840 . . .	40,966,062
1840-1841 . . .	50,752,435
1841-1842 . . .	47,469,337
1842-1843 . . .	40,464,074
1843-1844 . . .	55,968,281
1844-1845 . . .	53,709,295
1845-1846 . . .	51,635,636
1846-1847 . . .	44,594,950

This export was in addition to what was exported to countries across the land-frontiers, besides an enormous amount of consumption at home. And yet, so far as England was concerned, signs were not wanting about 1846 of a decline in the export of sugar from India. This is borne out by the statistics of the total export of sugar from India from 1849 to 1857, as well as by the evidence of Nathaniel Alexander before the Select Committee of 1848.³

RAW COTTON

After the sudden demand which arose for Indian cotton about 1810, owing to hostilities between England and

¹ House of Commons, 1848, Vol. 15, Paper 123, p. 25.

² *Ibid.*, p. 26. Lord Palmerston's Evidence before the Select Committee of the House of Commons, on Sugar and Coffee Planting.

³ *On Sugar and Coffee Planting*, p. 166. "Can you inform the Committee whether, previously to 1846, the sugar trade was a profitable trade for India?" "It was so, but not latterly. I have on hand two parcels of

America, its export to England reverted to its previous position. It was inferior to the American cotton, and besides being short-stapled, was delivered dirty and adulterated. As a consequence, between the cleaned Bombay cotton and the best cleaned American uplands, there was a difference in value from 10 to 15 per cent. The exports to England averaged 68,902 bales between 1810 and 1820, and 62,983 bales for the thirteen years 1821 to 1833,¹ a good deal of which was re-exported to the Continent, not being suitable for spinning in England.

Tinnevely, Coimbatore, and Gujrat cotton was better than that from other parts of the country. In 1829 the Court of Directors obtained from America American cotton seeds and six Whitney's saw-gins² for freeing cotton from the seed. Models of these gins were prepared in London and sent to India. But the gins did not prove successful, as the machinery ground up the seed with the cotton. Apart from the saw-gins, very little foreign machinery was used in the various processes through which the crop passed, before it assumed the form of cotton wool. A cotton mill for spinning yarn was erected in Calcutta about 1830. According to the Directors' own admission in 1829, their efforts at the growth and culture of cotton in India had not been successful up to the third decade of the nineteenth century. The Directors sent not only gins but American cotton-growers to India to improve the quality of cotton, but without their accomplishing anything.

The reason why the quality of Indian cotton did not improve, apart from the traditional charge that the Indian cultivator does not improve his methods, etc., was stated to be the exacting land revenue system, which did not give him any incentive to improve it. The Manchester Chamber of Commerce, which was greatly interested in the subject,

sugar which were valued on the 19th January last (1848). The present value . . . leaves a loss on first quality of 32½ per cent.; on the second of 34½ per cent.; and on the third quality of 43 per cent."

¹ East India Company, *op. cit.*, *Cotton-wool*, pp. xvi.-xix.

² "Whitney's saw-gin has hardly been of less importance, generally, than Arkwright's machinery. Without the first or something like it, the present supply of cotton could hardly have been obtained." *Ibid.*, p. ix.

gave vent to this feeling in its petition to the Select Committee on cotton, 1848 :—

“ Amongst the obstacles to the better cultivation of cotton, none are more obvious than the Land tax, the tenure under which land is held, and the want of roads and the means of conveyance . . . until the injustice of levying a heavier assessment upon cotton than upon other crops be abandoned, and the tenure of land be placed upon a wise and equitable basis, all hope of so improving the quality of cotton as to procure for it prices which will stimulate for the culture will be futile.”¹

On an average about 66,008,009 lb. of raw cotton was annually sent to England between 1837 and 1846. This was an increase over the amount exported in previous years, and was probably due to the removal of the export duty on raw cotton between 1836 and 1844.

TOBACCO

The export of tobacco to Europe is noticed for the first time in 1809, when it was allowed to be imported into England until March 25th, 1811. In their despatch, dated April 21st, 1809, the Directors, while asking for tobacco for England in view of the above permission, remarked :—

“ . . . but care must be taken by the merchants, that not any tobacco be shipped which has undergone a further process of manufacture than stripping the leaves from the stalks, for the purpose of economy in stowage.”²

In 1829 experiments were made in all the three Presidencies with Maryland and Virginia tobacco. The results obtained were highly satisfactory, and the samples of this tobacco sent by the Directors to dealers and manufacturers in London were valued at 6*d.* to 8*d.* a pound (weight), thus rivalling in quality some of the better preparations from America and the West Indies.³ By 1830 tobacco was met with throughout the territory of the Company, and began to be cultivated for export. In 1831 a bale of tobacco grown

¹ Cf. Dutt, *op. cit.*, pp. 129-142 (quoted).

² Despatch to Bengal, paras. 28-29.

³ Watt. *Dictionary of the Economic Products of India*, Vol. V., p. 362.

in Gujrat was sold in London at the rate of 6*d.* a lb. But in general, tobacco exported to England during the early days was not very favourably received. Manufactured tobacco in the form of cigars was exported from 1865. There were difficulties in connection with curing and shipping tobacco, it being an article peculiarly liable to deterioration during a long voyage. If the slightest particle of green vegetable material was left in it, it heated on the voyage. The Suez Canal route helped this trade greatly.

Previous to 1830 tobacco for home consumption was grown all over the country. Its growth and culture for purposes of exports distinctly dates from the 'thirties of the nineteenth century.

JUTE

In Chapter III. we saw the beginning of the export of jute from India, but up to about 1835 it did not amount to much. Up to the year 1832-1833, the annual average of jute exported was about 11,800 cwt. Since that date, the average of five years was as follows ¹ :—

Up to	Average of five years in cwt.
1832-1833	11,800
1837-1838	67,483
1842-1843	117,047
1847-1848	234,055
1852-1853	439,850
1857-1858	710,826

When first exported to England it was required for cordage for shipping. Further developments in the export of both manufactured and raw jute arose not for cordage, but for bags for moving grain crops from one country to another. As America, Australia, Egypt, and India itself began to export grain, bagging became a great problem, and the cheap and substantial material required for this purpose was supplied by jute.

Up to about 1850, the manufacture of gunny bags by

¹ Watt, *op. cit.*, Vol. II., p. 557.

means of hand labour was largely practised in India, and statistics of the value of export of jute up to that year show a greater value for manufactured jute than for the raw material. A certain quantity of raw jute was manufactured for purposes of rough clothing also, and furnished a profitable cottage industry to the people of Bengal.

Jute manufacture in Dundee commenced about 1850, and in 1854 the first Indian jute mill was started at Ishera near Serampur. From 1852 or 1853 we find that the export of raw jute began to exceed that of gunny bags. Probably the cultivators of jute discovered about this time that their time could be more profitably employed in preparing an extra quantity of the raw material than in manufacturing bags, which had to compete with machine-made bags. Another cause which gave a stimulus to the export of raw jute about this time was the Crimean War, which cut off the supplies of Russian flax and hemp.

HIDES AND SKINS

“The name hides commercially comprises the raw, dressed or tanned, skins of the cow, bullock, or buffalo, while the term skins is applied to those of goats, deer, and animals other than horned cattle.”¹

The trade in hides and skins, which commenced about the middle of the last century, increased greatly after this period, owing to the fall in freight charges. The increase in the trade in this article was and is, by no means, an indication of the prosperity of the cattle-owning classes in India. In fact, the trade was never brisker than when there was a great cattle mortality through preventable causes, such as neglect, drought, murrain, and poison by *chamars*.² The prosperity of the trade represents a loss to the country in cattle whose value far outweighs the value of the hides and skins put together.

¹ Watt, *op. cit.*, Vol. IV., p. 248.

² Only a few Mohamadans take part in this trade; the Hindus having religious scruples about touching leather, etc. If a beast owned by a Hindu dies, he generally makes a free gift of it to the *chamar*, a low-class of currier, who dresses the skin and sells it to the Mohamadan merchant. It is, therefore, to the *chamar*'s interest to poison the cattle, and thereby add to his trade.

If we consider the countries to which hides and skins are exported, we shall invariably find in the list such as have reduced their cattle mortality to the minimum, *e.g.*, Great Britain, United States, France and Germany. The only consoling feature of the trade is the dressing and tanning industries in northern India and Madras, which retain within the country some of the profits of manufacture.

COFFEE

The first mention made of coffee as an article of trade between India and England is in a Revenue letter from the Government of Bengal, dated June 29th, 1826, to the Court of Directors in connection with permission given to Europeans to hold lands on lease for growing coffee as “. . . a new article of export from the latter Country” (India). Royle, speaking about 1823, says:—

“. . . the plant has long been introduced into India, and coffee of a fine quality is cultivated on the coast of Malabar; also to a considerable extent in Coimbatore, and the cultivation might no doubt, be easily extended elsewhere. It was tried in the Calcutta Botanic Gardens, where it succeeded remarkably well under the shade of teak plantations.”¹

Later on, when coffee planting became more common, it was concentrated in the Madras Presidency, and as a European industry it may be said to date from Mr. Canon's plantations at Chikninglar in Mysore. This was established in 1830. Its cultivation was taken up in Shevaroy's in 1830; Manantoddy, 1840; Nilgiris, 1846; Darjiling, 1856; also in Chittagong and Burma. But coffee growing was practised in Ceylon for export before it was taken up in India for a commercial purpose. In 1838, 2,500 tons of coffee prepared by the people of the island themselves were exported to England. In 1847, about 12,482 tons were grown, of which more than one half was grown by European planters.

TEA

Tea is frequently mentioned in reports and returns relating to the Indian trade previous to the year 1838. But

¹ *Productive Resources of India*, quoted by Watt, *op. cit.*, Vol. II., p. 465.

such tea was altogether the product of China, and was merely re-exported from India. Its culture in India was seriously taken up only during the period of Lord William Bentinck, with a view to making England independent of the supply from China, in case of difficulties with that country. A Committee was appointed in 1836 to report on the situations best suited for the cultivation of China tea in India. But all attempts at the culture of China tea in Indian soil proved to be unsuccessful, while it was discovered that there was an indigenous tea plant in Assam which grew wild. Experiments made with the Assam tea plant proved to be more successful. In 1835 the first experimental plantation in Assam was opened by Government, and in 1838 the first commercial sample of Assam-made tea was despatched to England. It amounted to 488 lb.¹

The Government experimental farm failed, and was sold to the Assam Tea Company, the first largest tea concern, in 1840. By 1852 the Indian tea industry was so successful that its product was placed on the market in competition with tea from China. In 1851 the imports of Indian teas into England amounted to nearly a quarter million pounds weight. A few years later, in 1855, some more indigenous tea was discovered in Cachar. The success of the industry led to a great deal of speculation between 1853 and 1866, and to many failures. It is only since the latter date that it had a period of uninterrupted prosperity.²

Besides Assam and Bengal, tea is grown in several places in the United Provinces and the Punjab. Its cultivation has proved to be quite profitable in several districts in southern India also, such as the Wynaad, the Nilgiris, and in Travancore state. The production in Burma has been insignificant.

Such were then the principal articles which entered into the export trade of India from the time the East India Company ceased to trade. Table XVIII. of Appendix contains a statement of the value of the principal articles of export from India, from 1849 to 1857, for alternate years.

¹ Watt, *op. cit.*, Vol. II., pp. 79-83, and Indian Industrial Commission Report, 1918, p. 23.

² Cotton. *Handbook of Commercial Information for India*, pp. 203-214.

There is nothing very important to record regarding the import trade except that its volume and total value, helped greatly by a very low import duty on imports of English manufactures, increased very largely, though not in proportion to the volume and value of the export trade. Low and preferential export duties on raw materials sent to England on English bottoms, the removal of internal and town duties, and the fall in ocean freights, an account of which will be found in the next chapter, increased the export trade. The last factor, however, *i.e.*, the fall in ocean freights, destroyed what remaining protection the Indian weaver was enjoying in the home market, while the internal system of tariff had taken away his Asiatic markets, such as those in China, Japan, Java, Sumatra, Persia, Arabia, etc.

As regards the character of the import trade, cotton twist and yarn, cotton goods, machinery and metal manufactures, the first two of which began assuming importance about the twenties of the nineteenth century, became all important by the time the Company's rule finished. A mere glance at Table XIX. of Appendix is enough to show this.

Taking the trade as a whole, both exports and imports, and looking at the statistics pertaining to it for the period 1834 to 1858, Tables XVII. to XX. of Appendix, the following points suggest themselves:—

First.—The great increase in the value of trade during the period. Imports rose from £6,154,129 in 1835 to £31,093,065 in 1858. Exports rose from £8,188,161 in 1835 to £28,278,474 in 1858. The increase was by no means confined to the first and the last year of the period, but was continuous throughout, as may be verified from Table XVII. of Appendix. The quinquennial averages of the values of trade, both import and export, also indicate marked development (see Table XVIIA. of Appendix).

Second.—The great and growing disparity between exports and imports, the former regularly exceeding the latter. In 1835 this difference stood at £2,034,032; in 1848 at £4,267,427; and in 1855 at £5,423,328. From 1856 for a period of about seven years imports exceeded exports owing to the dislocations caused by the Indian Mutiny. But the

normal rule of the excess of exports over imports returned in 1864 and continued almost uninterruptedly (see Table XVII. of Appendix).

In Chapter II. we saw the beginning of the drain from India. In the 100 years from 1757, the situation with respect to this drain may be expressed in the words of Mr. Nathaniel Alexander, an East India merchant, who appeared before the Select Committee on sugar and coffee in 1848, and said :—

“ I may say generally, that up to 1847 the imports were about £6,000,000, and the exports about £9,500,000. The difference is the tribute which the Company receive from the country, which amounts this year to about £4,000,000.”¹

In order to realize this tribute in England in the form of goods, Indian trade was stimulated in a very unnatural way, its growth and development being treated, apparently, as an “ end ” rather than as a “ means ” of the economic welfare of the country.

Third.—The preponderance of raw materials in the export trade of India. Raw cotton increased from £1,775,309 in 1849 to £2,428,764 in 1855 ; jute from £68,717 in 1849 to £274,957 in 1857 ; grains from £858,691 in 1849 to £2,581,456 in 1857 ; hides and skins from £193,765 in 1849 to £572,530 in 1857. Silk goods, sugar and indigo had already shown signs of decline ; and before long their place was taken up by wheat, as will be seen in the next chapter (see Table XVIII. of Appendix). Nothing was done by the East India Company to revive or to improve the ancient industries of the country.²

Fourth.—From the statistics of trade of the three Presidencies we find that the trade of both Bengal and Bombay made great progress, but that of Madras continued to be poor. The total trade of Bengal for the quinquennium 1834 to 1839 was £9,344,897 ; of Bombay, £7,472,309 ;

¹ Parliamentary Paper, 123, p. 168. It must be observed that part of the Drain was the return for the economic services rendered by British shipping, banking, insurance, etc. See below, p. 193.

² Exception may be made of the action of the Directors in 1835, in sending for an Indian *Churka*, and a foot-roller to London, “. . . as some improvements on these machines might perhaps be suggested in England.” What became of it is not known. East India Company, *op. cit.*, *Cotton-wool*, p. xii.

while that of Madras was only £1,821,341. For the quinquennium 1854 to 1859 the increase was as follows:— Bengal, £26,301,731; Bombay, £21,880,468; Madras, only £4,463,608 (see Table XX. of Appendix). Bombay was making rapid progress towards the beginning of the nineteenth century, and was benefited the most by all the attempts made in the direction of shortening distance and freight between Europe and India. During the course of fifty years it became a great emporium for the trade in the direction of Persia, Arabia, Central and North-western India. The growth and development of cotton in Bombay Presidency provided it with one of the important articles of export, without which Bombay did not have much to export except for what it re-exported.

CHAPTER V

CAUSES LEADING TO THE GROWTH AND DEVELOPMENT OF INDIAN FOREIGN TRADE, 1857-1893

IN the last two chapters we followed the removal of all monopoly, privilege and restrictions, both internal and external, from the foreign trade of India. The only vestige of privilege left in 1857 was the difference in the rates of import duties on British and foreign manufactures, and this too was removed in 1859.

Marked changes in the character of Indian imports and exports took place during the latter half of the 100 years' period through which we have traced the growth of Indian foreign trade. Two of the ancient manufactures of India—cotton and silk—went down, during this period, in the face of the competition of similar goods in England. A number of varieties of agricultural produce, some new and others old, took their place in the country's export trade.

The full effect of these changes is visible in the period that we are now entering upon, *i.e.*, 1857 to 1893. At the same time, there was an industrial revival in India during this period which brought it back its cotton manufacturing industry, though in the form of a machine industry. Such rapid strides were made in this industry that only within twenty years of its introduction cries were raised of its rivalling the English cotton industry by which the previous cotton industry of India had been ousted. We also notice the coming into existence of another machine industry, jute, which made great development during this period.

So many contemporary influences were at work during this period to bring about the above changes that it is hardly possible to ascribe them to any one influence or cause. Our space also forbids us to take up all the causes, and so we restrict ourselves to an examination of the following only :—

(1) Improved means of communication and transportation, both internally and externally, and their reaction upon production in India.

(2) India's progressive movement towards a free trade tariff.

(3) The depreciation of silver, and the fall in the exchange value of the rupee.

We shall first try to form an estimate of how far the growth of Indian foreign trade in 1857 to 1893 was due to each one of these causes, and then of their combined effect upon that trade.

Section I

IMPROVED MEANS OF COMMUNICATION AND TRANSPORTATION

The story of how roads, railways, and telegraphs changed communication and transportation in India is so familiar now that much space need not be devoted to it. But the manner in which success in the attempts at establishing steam communication with India and the opening of the Suez Canal route revolutionized the Indian foreign trade has received very little attention so far. We shall therefore give a very brief account of the improvements made within the country, and spend more time on the improvements overseas, and of their effects upon the volume, character, and direction of the Indian foreign trade.

ROADS

The East India Company was too busy with other affairs to pay much attention to the construction of roads in India. Hence, very little was done in this direction during the days of its trade monopoly, and for a long time afterwards.¹

With regard to roads in Madras, the following was given

¹ "There were obvious reasons why we were backward in prosecuting public works in India. Wars, internal commotions, our political relations with Native States, the settlement of newly acquired territory, occupied and engrossed the attention of the Government and its officers." Danvers. *Journal of the Royal Society of Arts*, 1877, p. 264.

in evidence at the Parliamentary investigations of 1830 to 1832 :—

“ It may be said that there are no roads or bridges whatever in the Madras territory. None exist beyond the town of Madras.”¹

About Bengal, in 1833, Shore said :—

“ As to roads, excepting those within the limits of the civil stations, 16 miles between Calcutta and Barrackpore is all that we have to boast of. In addition to this the foundations of a road between Benares and Allahabad, and of one between Jubbulpore and Mirzapur, have been commenced, and an attempt is now making for another between Allahabad and Delhi.”²

Road-making continued to be in a backward condition up to 1854, when, under Lord Dalhousie's administration, it was placed in charge of the newly created Department of Public Works. Previous to this it was carried on by the Military Boards in each Presidency, under the control of the Government of India, “ without sufficient powers either financial or administrative.”³ The main work of the Military Board being the repairs to military buildings, road-making and repairing was carried on very indifferently.

There are two considerations, however, which indicate that the absence of good roads up to the middle of the nineteenth century was not such a calamity in a country like India as it is sometimes made out to be. In the first place, it was only during the rainy season, which does not last for more than three months in the year in any part of the country, that travelling and carting was difficult, if not altogether impossible. During the rest of the year, the whole country might be considered a road, offering very good hard soil for traffic. In the second place, the indigenous transport agencies—bullock carts of cultivators and the pack animals of the *Brinjaras*—supplied a convenient and economical way of transporting goods and merchandise. Under these circumstances,

¹ 1832, Paper 735-II., p. 472.

² *Notes on Indian Affairs*, Vol. I., quoted by *Imperial Gazetteer of India*, Vol. III., p. 404.

³ *Imperial Gazetteer*, Vol. III., p. 404.

“the worst inconvenience occasioned was the tediousness of the journey to the traveller and the costliness of transporting merchandise on an unmetalled (unmacadamised) track.”¹

The development of railways and roads affected the indigenous transporting agencies very adversely in depriving the agricultural classes of a very helpful subsidiary industry.²

Partly for this reason, and partly for financial reasons, road building in India was not pushed until the advent of railways when they were required as feeders throughout the year.³ In 1850 mail carts began to run between Calcutta and Delhi,⁴ when there were about 3,200 miles of metalled trunk roads, and 1,800 miles of canal.⁵ From then onwards, road mileage increased with that of railways, the introduction of which gave it great stimulus. Later, the activities of municipalities and of district boards, one of whose main functions was the maintenance of the roads within their jurisdiction, proved very beneficial to road-making.

In 1855, when telegraph lines were opened for paid message traffic, they extended over 3,050 miles, connecting Calcutta, Agra, Bombay, Peshawar and Madras.⁶

RAILWAYS

There were only 300 miles of railway lines in India, when the mutiny of 1857 broke out.

There were three⁷ very distinct periods in the history of railway construction and development in India :—

(1) From 1853 to 1869 a system of construction by joint stock companies, which were guaranteed a 5 per cent. interest on their capital outlay, was followed. Within this period the main system of Indian railways was nearly completed, and the progress that was made after 1869 was

¹ Chesney. *Indian Polity*, pp. 274–277.

² Connell. *Economic Revolution of India*, pp. 61–68.

³ “With the introduction of railways the circumstances altered, and there arose a demand for bridged and metalled communications which would give access to the railway line at all times of the year.” *Imperial Gazetteer*, Vol. III., p. 407.

⁴ Chesney. *Indian Polity*, p. 276.

⁵ Danvers. *J. R. S. Arts*, 1877, p. 264.

⁶ *Imperial Gazetteer*, Vol. III., p. 437.

⁷ Ackworth Commission Report, cmd., 1512 (1921), p. 00.

mostly to supplement the trunk lines. By the year 1869, 4,023 miles of railway were open for traffic, 16,063,594 passengers were conveyed, bringing an income of £1,742,761; there was a receipt of £3,797,558 from goods traffic, the two together amounting to £5,540,319.¹ But the guaranteed dividends were not earned by the companies, and had to be made up by the State.

(2) From 1869 to 1877. During this period the system of construction by guaranteed companies was given up. Government undertook both the construction and management of railways, and added about 2,493 miles up to 1880, the additions made by the guaranteed companies during the period being comparatively small.²

(3) From 1877 to 1899 and onwards. The State acquired the ownership of the lines of the guaranteed companies as their contracts terminated, but it handed back to many of the companies the direct management of the lines. Private enterprise was enlisted for constructing several lines which were needed as a protection against famine, and management by companies was resorted to.

The total mileage completed under the different systems from 1853 to 1897 stood at 21,015.

From this necessarily brief description of the history of road and railway development in India, we turn to its effect upon Indian foreign trade. As stated above, where so many contemporary influences were at work, it is very difficult to choose one, and to estimate the extent of the changes by it. But that railways had a tremendous influence upon Indian foreign trade is undeniable. Next to, or side by side with defence, the growth of foreign trade was the principal object with which roads and railways were constructed. This is why the main system of railways which was completed between 1853 and 1869 aimed at connecting the interior of the country with the seaports; and hence the growth of foreign trade can be traced almost parallel to the extension in road and railway mileage.

For instance, Table XXI. of Appendix gives statistics of

¹ Statistical Abstract, 1863-1872, p. 41.

² Cf. Jagtiani. *Rôle of the State in the Provision of Railways*, p. 115.

Indian foreign trade from 1860-1861, when the miles of railway open were 840, to 1880-1881, when the mileage was 9,325. Taking merely value into consideration, imports of merchandise increased from £23,493,716 in the former year to £50,278,875 in the latter, while exports (merchandise) rose from £32,970,605 to £74,517,957; and the total value increased from £56,464,321 to £124,796,832.¹ Again, if we take two important articles of import, piece-goods and iron and steel goods, and two of export, wheat and seeds, we find a parallelism between the growth of trade in them and in the railway mileage. In 1869-1870 railway mileage open was 4,586, in 1882-1883 it was 10,144. In the former year the number of yards of piece goods imported was 928,044,801, in the latter 1,658,394,010; the import of iron and steel rose from 90,670 tons to 179,686 between the same years. In the former year the export of wheat amounted to 78,208 cwt., in the latter to 14,193,763, while the export of seeds rose from 4,379,784 to 13,147,982 within the same years² (Table XXII. of Appendix).

Similar statistics of the growth of trade together with the development in railway mileage can be given right up to 1893, but it is not necessary to do so. Statistics already given are sufficient to bear out the point made that there was a close connection between the extension of railway mileage in India and the growth of trade.³ This is further substantiated by the accompanying diagram, which shows the increase in railway mileage, and in the value of the export and import trade of India, from 1869-1870 to 1895-1896.

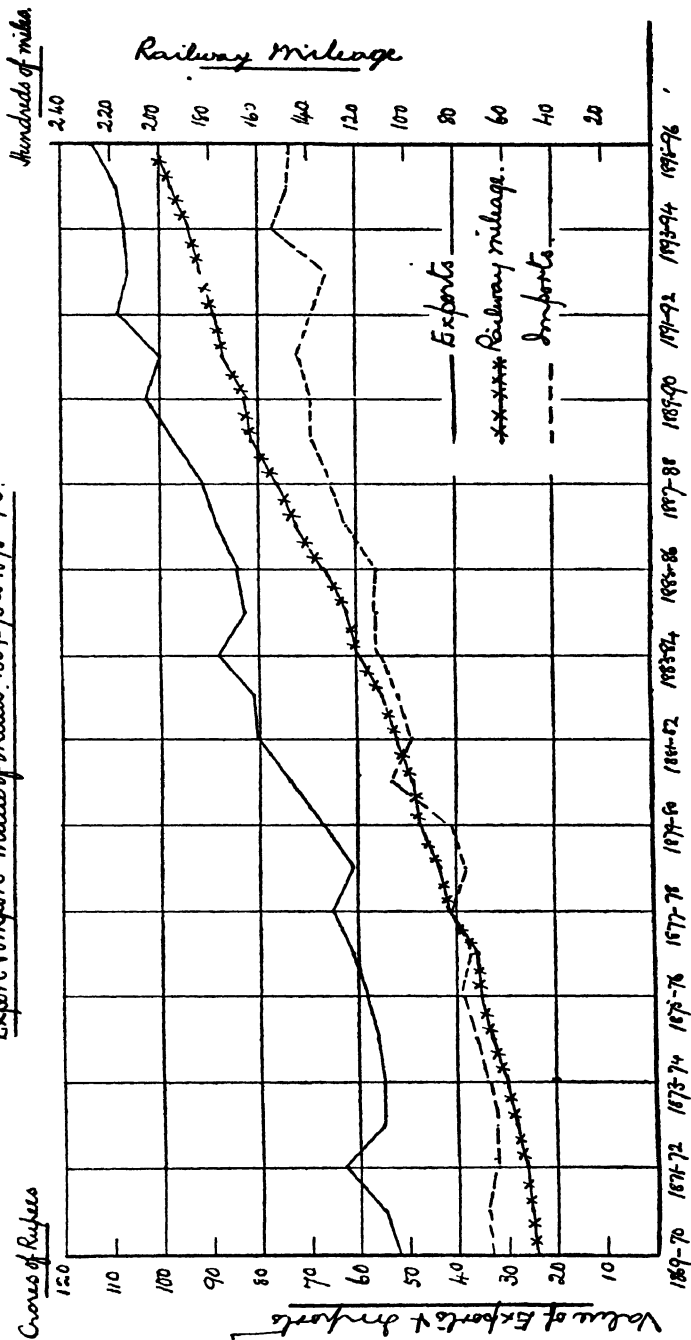
Attempts at establishing steam communication with India, both round the Cape and through the Red Sea were made previous to the year 1833. Some had advocated the cause of an overland route by way of Mesopotamia and the

¹ Report of the Secretary of State for India on Railways in India, 1880-1881, p. 59.

² Appendix No. 5 to Report from the Select Committee of East Indian Railways, 1884, p. 595.

³ With great advantage, study may be made of two papers read by Juland Danvers (later Sir) in 1877 and 1889 before the Royal Society of Arts. The first is entitled the "Indian Railways," and the second the "Progress of Railways and Trade in India," and are dated February 23rd, and April 5th, respectively. *Journal*, Vols. XXV. and XXXVII.

Diagram showing the increase in Railway mileage, and the value of Export & Import Trade of India. 1869-70 to 1995-96.



Persian Gulf. By 1833 the practicability of steam navigation between Bombay and Suez during the north-eastern monsoon had been established, the steamer *Hugh Lindsay* having made five voyages between Bombay and the Red Sea, between 1825 and 1833.

In 1834 and 1837 two committees of the House of Commons were appointed with a view to reporting on the means of promoting steam communication with India.

The committee of 1834 recommended an immediate establishment of communication by way of the Red Sea, in spite of the fact that it was more expensive than the Mesopotamian route and the Red Sea was not navigable during the south-west monsoon. The Mesopotamian route was less expensive, and the Euphrates was navigable during the very months, June to September, when the Red Sea was not. But it was insecure owing to wandering Arabs. The committee, therefore, recommended an effective trial of both lines, using the alternative route according to the season.¹

By 1834 a monthly communication between Bombay and Suez was established, and facilities for the transmission of letters to all the Presidencies had been provided.

By 1837 matters had advanced so far that the committee appointed that year observed that steam communication with all the seaports of India could be established throughout the year if vessels of adequate tonnage and power were employed. This, in their opinion, would enable not only mails and passengers, but some valuable articles of merchandise also to be conveyed to other ports than Bombay alone. They recommended a zealous attention to the subject on the part of the British Government and East India Company.

It is interesting in this connection to mention that reference to a canal to be dug across the isthmus of Suez was made as early as in the Parliamentary investigations of 1830 to 1832. But the scheme was not taken in hand on the ground that it would prove more useful to the Mediterranean ports and harmful to the English trade.²

¹ Select Committee on Steam Navigation to India, 1834, Paper 478, pp. 3-4.

² "If a ship canal were in existence from Suez to the Mediterranean, the trade between India and England might be carried on through that

Lieutenant Waghorn's name stands out very prominently in the history of the attempts made at shortening the route between India and England. This is especially so in view of the fact that it was the example of his perseverance which later inspired De Lesseps, a French engineer, to take up and complete the Suez Canal project.¹

Waghorn belonged to the Indian Navy, and between 1839 and 1845 proved by practical example that a direct route to India by the Red Sea was possible. The regular route in those days was by the Cape, which took from four to six months. By 1844, Waghorn secured an average journey of forty days between Bombay and London, which was by no means a poor accomplishment for those days. But while he was engaged in his efforts, he was considered to be a man with a craze, and he received very little support except from a committee at Bombay. He wasted all of his means, and but for the generosity of the Peninsular and Oriental Steam Navigation Company would have left his family to beggary.

Complete arrangements made by him for an overland passage with eight halting places, regular caravans, English carriages instead of camels, were in working order by 1831. Still, the route was not fully established until 1837. Waghorn was, therefore, in every respect the pioneer of the "overland route to India"; and his statue on one of the quays at Suez is a fitting monument of his heroic efforts.

Speeding up the transport of merchandise and goods was not lost sight of. The House of Commons Committee of 1837 made very specific inquiries in this connection, and about the effect of establishing steam communication on commercial intercourse. Dr. Lardner, a witness who appeared before the Committee said that the length of time taken in learning the state of the markets in India and England had clogged the spirit of enterprise.² Captain Mackenzie, another witness, expressed the opinion that it would not only increase trade, but open up Egypt and

channel, and it would be the best of all for steam navigation; but it would give an advantage to Marseilles and all French ports of the Mediterranean." P.P. 735, H.C., 1832, p. 495.

¹ Cf. Fitzgerald. *The Great Canal at Suez*, Vol. I., pp. 6-7.

² P.P. 539, House of Commons, 1837, p. 143.

Turkey and other countries for commercial intercourse with India in many articles which could not then be traded in.¹

In 1835 the Indian mails were conveyed over the isthmus of Suez and through the Red Sea for the first time. In those days the service was once a month. In 1840 an arrangement was made with the Peninsular and Oriental Steam Company for conveying the Indian mails to Alexandria. In 1842 the Company established a line of steamers between Suez, Ceylon, Madras and Calcutta ; and in view of the efforts it had made, it received a contract for five years in 1844 for the combined Indian and China services.² This contract was extended and renewed in 1853,³ when the Select Committee of the House of Commons on Steam Communication with India again stressed the matter of passenger and goods traffic.

Complaints were made of the discomfort to which passengers were subject, of the high rate of freight charged for bullion, and of the refusal of the vessels of the Indian Navy to carry merchandise. In the new contract with the Peninsular and Oriental Steam Company stipulations were made for a fortnightly service between England and India (Calcutta).

Nevertheless, from the evidence of persons connected with the trade of India, the Committee of 1851 was led to believe that since the establishment of steam communication in 1834 there had been a fairly rapid increase in the commercial and passenger intercourse of England, India, and China. It expressed the opinion that if the freight were moderate, valuable articles of merchandise such as opium,

¹ *Ibid.*, p. 156.

² *Imperial Gazetteer*, Vol. III, p. 431.

³ The following were the arrangements for the despatch of mail about the year 1851. "On the 7th of every month a mail is despatched from the Post-office for India, 'via France.' From Marseilles, passengers and mails are conveyed in vessels in Her Majesty's service to Alexandria. At Alexandria arrangements have been made with the Egyptian Government for their transmission across the Isthmus of Suez, where vessels of the Indian Navy are in readiness to start for Bombay ; from Bombay mails are despatched by Dak runners to their different destinations in India." Second Report of the Select Committee on Steam Communication with India, 1851, paper 605, p. iv.

silks and spices would repay the cost of rapid communication between England, India and China.¹

The great difficulty in shortening the route through the Red Sea lay in the passage across the isthmus of Suez. Transshipment on both ends of it involved a great deal of delay, expense and inconvenience. A railroad was planned from Cairo through the desert, and was completed in 1857 across the isthmus to solve this difficulty. But later on it was abandoned in favour of the line which follows the canal from Ismailia, then ascends the Wadi Tumilat to Zagazig, from whence it branches out to Cairo and Alexandria.² Before long, however, the foundation was laid of a scheme which was to revolutionize intercourse, both passenger and commercial, between India and Europe. This consisted of the arrangements made in 1854 by De Lesseps to have navigable communication between the Mediterranean and the Red Sea across the Isthmus of Suez.

A brief historical note on the Suez Canal may not be out of place here.

The idea of a canal connecting the Mediterranean and the Red Sea, thereby providing a complete water-way from sea to sea, did not escape the ancient Egyptians. Alexandria was connected with Cairo by the Nile, and what was needed was water communication between Cairo and the Red Sea.

According to Champollion, such a canal was constructed by Rameses II. in 1300 B.C., while, according to others, it was Necho who undertook it some 600 years later. The latter, however, being warned by the oracles that he was opening the country to invaders, stopped the scheme after wasting the lives of some 120,000 Egyptians in forced labour. It was later on taken up by the Pharaohs, and completed in a total length of 92½ miles. Herodotus, Strabo and Plutarch saw it in working order before the Christian era.

It then fell into decay until it was repaired and reopened by the Roman Emperor, Trajan, in A.D. 98. Again abandoned, it was reopened in the days of the Caliphs, probably

¹ P.P. 605, Second Report of the Select Committee, 1851, p. vii.

² *Encyclopædia Britannica*, Suez Canal.

about A.D. 600, and remained open for something like 150 years, when it was filled up as an act of hostility against the then ruling Caliph of Irak.

After remaining closed for over 1,000 years, it next attracted the attention of Napoleon when he was in Egypt in 1798. He actually went over the ground which was occupied by the canal of the Pharaohs, with a view to having a direct road to India. He appointed some engineers to examine the best means of carrying out the scheme. But before the engineers could report, Napoleon was recalled by the Directory.¹

So the scheme remained dormant, until it struck the fertile brain of the now celebrated engineer, Ferdinand de Lesseps, between 1831 and 1838, while he was in Egypt, and watched the heroic efforts of Lieutenant Waghorn. But the beginning was not made until 1854, when his old patron and friend, Mohammed Said, became the Pasha of Egypt.

The Universal Suez Maritime Canal Company which was started for the construction of the canal was not, as was popularly supposed, a French, but an Egyptian Company. It was, however, dominated by its French President, De Lesseps. The capital was £8,000,000 in 400,000 shares of £20 each, and was subscribed for within twenty-five days² of the opening. Interest at the rate of 5 per cent. per annum was payable from the day the first payment was made, according to the French practice of those days. The total capital expenditure up to 1869, the year in which the canal was opened for traffic, amounted to £18,000,000. The recurring annual expenditure, including repairs, improvements, and supervision averaged less than 1¼ per cent. on the first cost.

Construction work was commenced on March 9th, 1859, and during the last two months of 1869 ten ships crossed the canal from one end to the other. The total length of the line from Port Said to Suez is 100 miles, of which only thirty-nine miles are in cutting through land, the other

¹ Cf. Fitzgerald, *op. cit.*, Vol. I., pp. 143-148, and *Encyclopædia Britannica*, Suez Canal.

² *I.e.*, between November 5th and 30th, 1858.

sixty-one miles running through a succession of lakes. The northern half of the canal, as far as Lake Timsah, had to be excavated by manual labour ; the portion south of the lake was excavated entirely by dredgers. A fresh water canal had to be provided from the River Nile, at a point below Cairo, to Lake Timsah. From Timsah there were two branches running parallel to the navigation canal, one to Suez and the other to Pelusium.

It was originally intended to construct the canal with a surface width of 325 feet, a bottom width of 144 feet, and a minimum depth of 26 feet throughout. But up to 1884 these intentions were not fully carried out, involving as they did a large outlay. When the canal was built, it was thought that the total tonnage which would pass through it would hardly reach 6,000,000 tons, and that the time each ship would take to clear the canal would be about eighteen hours. Facts, however, showed that the expected tonnage was exceeded in 1882 by more than 1,000,000 tons, and stood at 9,496,167 tons in 1883, of which British tonnage constituted 77 per cent.

Not only the tonnage using the canal increased, but the size and nature of the shipping which passed through it also increased tremendously. There was a steady substitution of steam for sailing vessels. Between 1873 and 1882, 8,000 sailing vessels of 1,000,000 tonnage disappeared from the canal, and their place was taken by 2,000 steamers of a tonnage of about 3,000,000. The increase in steam tonnage was therefore exactly three times as great as the decrease in sailing vessels, in spite of the fewer number of the steamers. A steamer made, on an average, about three voyages to every one made by a sailing ship.¹

The result of the increased use made of the canal, of the greater tonnage of the vessels, and of the change from sailing vessels to steamers was that the insufficient dimensions of the canal subjected the traffic to a great deal of inconvenience and delay. Vessels could pass each other only at a few crossing places, called "gares" or stations, which were made at intervals of five miles, at a very low speed. No

¹ Hull. *England and the Suez Canal*, pp. 28-29.

vessel was allowed to proceed from one station to another until the line was signalled clear, the result being that it took a vessel an average of two days and five and three-quarter hours to pass through, and more if it grounded in the canal.

All this increase took place in spite of the fact that the charges made for the passage through the canal—10 francs per ton of capacity, according to the terms of the charter—were quite heavy. As if these charges were not enough, in 1870, owing to the doubtful prospects of the Company, the Directors were led to put a new interpretation on the term "ton of capacity." Previously, net tonnage was chargeable, *i.e.*, after deducting the space occupied by the engines, fuel, etc. Thereafter, everything was included and charged for, and consequently raised the dues payable by every ship which passed through the canal by about 30 per cent. This led to protests by shipowners who were required to pay more.

An International Conference examined the whole question of charges in 1873. It fixed the dues at 10 francs per net registered ton, with a surtax of 4 francs per ton. The surtax was to be gradually reduced, according to a sliding-scale scheme, in proportion to the increase in the traffic, and was to completely disappear after the net tonnage reached 2,600,000 tons. By further negotiations it was arranged that the last 50 centimes of the surtax would be removed in January, 1884, after which the maximum charge was to be 10 francs per net ton.

Both for political and commercial reasons the Government of England, though not the people, was opposed to the opening of the canal from the very beginning. It sounds strange in view of the fact that England and India proved to be the principal beneficiaries from it. Out of the ten ships which cleared the canal during the first two months of the opening, as many as nine were English, and this preponderance was uniformly maintained.

In 1876 the shares of the Egyptian Government, 17,602 in number, were purchased by the British Government for a sum of £4,000,000, making 44 per cent. of the total shares of the Company. As English shipping made the largest use of the canal, by 1883 it contributed about 81 per cent. of the

total tolls realized by the Canal Company. In spite of this, England had only ten votes at the general meetings which regulated the proceedings and policy of the Company ; while France and the Continent, holding 56 per cent. of the shares and contributing only 19 per cent. of the earnings, had 8,400 votes at the same meetings.¹ This, along with the inconveniences, delay, and expense mentioned above, led to a serious discontent among the English shipping concerns about 1882. Some suggested that the only way out of the difficulty was the starting of another canal to be opened and managed by England.

An arrangement was therefore made in 1883, according to which the charges were to be reduced to 9½ francs per ton from January, 1885. After this, the charges were to be steadily reduced as the dividends increased up to 25 per cent., after which all surplus profits were to be utilized for bringing down the charges to 5 francs per ton. In 1906 the charges were 7¾ francs, reduced rates being chargeable from ships in ballast. For passengers, the dues have always been 10 francs per head.²

In 1885 the Company took a loan of 100,000,000 francs, and carried out extensive improvements both in the depth and width of the canal, which enabled vessels to pass one another at any point over the greater part. Electric search-lights were provided in March, 1887, which permitted navigation by night also. The average time of transit which became about thirty-six hours in 1886, has been since reduced to about half.

The general effect of the cutting of the canal, measured in mere distance, was to shorten the voyage to the Indian ports by 4,000 miles, more or less, or over a fortnight's steaming for the fastest vessels of those days.³ The substitution of steam vessels for sailing, referred to above, was so rapid, soon after the opening of the canal, that in 1876,

“ . . . all the old machinery—warehouses, sailing vessels, capital, six months' bills, and the British merchant whose occu-

¹ Mongredien. *Suez Canal Question*, p. 27.

² *Encyclopædia Britannica*, Suez Canal.

³ Sargent. *Seaways of the Empire*, p. 49.

pation is gone—still exist alongside of the new era. The consumer deals direct with the producer, and until trade accommodates itself to the change, the result cannot fail to be unsatisfactory.”¹

The above refers to some of the immediate effects of the canal, and to the doubts and fears that were entertained in England regarding the future of the Eastern commerce as a whole.

So much for the canal, and the general effects it had upon commerce between the East and West.

When we turn to the specific question of its effect upon the foreign trade of India, we find that the canal completely revolutionized Indian trade with the Western countries. We shall study this under the following heads :—

(a) Diversion of traffic.

(b) New markets opened up to India.

(c) New commodities which entered into Indian trade relations with the West.

(a) Tables XXIII. and XXIV. of Appendix show the value of private merchandise and treasure imported into and exported from British India *via* the Suez Canal from 1875-1876² onwards. From these it appears that on the side of imports into India in 1875-1876, which was the sixth year of the opening of the canal, as much as 69·02 per cent. of the total imports came through the canal, leaving only 30·98 per cent. for all other routes. This percentage, with slight fluctuations, increased as follows :—

¹ *J. R. Soc. of Arts*, Vol. 24, February 25th, 1876, p. 256, Paper by Magniac. *The Commercial Aspects of Suez Canal*. This paper is an illuminating description of the situation created by the opening of the canal on trade and commerce with the East.

² Statistics of Indian foreign trade which passed through the Suez Canal are not stated in the statistical Abstract of British India, previous to the year 1876. Reference to the Canal is, however, made in the *Moral and Material Progress of India* for 1871-1872, where it is said : “ The chief present interest in the seaborne traffic of India lies in the development of the transport of merchandize by the Suez Canal. . . . Bombay is ten days nearer to Europe by the Suez route than Calcutta ; and much of the import trade of Karachi has already been diverted to Bombay since the opening of the railway lines and the Suez Canal. During the year 1871-1872 there were 88 arrivals, and 90 departures of the Suez Canal steamers at and from Bombay, against 75 and 76 in the year before,” p. 93. In the first decennial report (*Moral and Material*, 1872-1873) it is said that of the total trade of India with Europe and America, about 40 millions or 60 per cent. passes annually through the Suez Canal, p. 112.

1880-1881 . . .	76.80
1886-1887 . . .	79.13
1893-1894 . . .	80.55

By 1894 to 1895 it came up to 87.55 per cent.

On the side of exports, beginning with a percentage of 36.88 in 1875-1876, the progress was as follows :—

1880-1881 . . .	43.99.
1886-1887 . . .	55.24
1893-1894 . . .	63.18

As regards the aggregate trade of India, the percentage 50.17 which passed through the canal in 1875-1876 became 58.37 in 1880-1881, 65.66 in 1886-1887, and 71.08 in 1893-1894.

Here it may be pointed out that in the statement regarding the imports into India the percentage carried through the canal is much greater than that of the exports, and, therefore, the percentage of the whole trade carried through the canal is less than that of the imports alone. The reason is that Indian exports of opium and of other goods to China, Japan, Ceylon, the Straits, Australia and other countries lying eastward of the canal constituted an appreciable proportion of the total Indian trade. Her imports from Europe, particularly of cotton goods from England, constituted the principal part of her imports.

The above figures and statements convey some idea of the extent of the diversion of trade brought about by the new canal route.¹

(b) Coming next to the new markets opened up to Indian trade, it may be said that with some of them India had both direct and indirect trade relations through London long

¹ " By helping to reduce the voyage to a fortnight instead of the three months taken by the old sailing ships in going round by the Cape, the combination of the steamship and the canal made for a reduction of freights, which became especially marked in the 'eighties and continued throughout the 'nineties, and this encouraged the use of the canal by all kinds of freight, not merely expensive goods that would stand high dues and charges." Knowles. *Economic Development*, p. 316. For reduction of freights between 1873 and 1897, see below, p. 174 (footnote).

before the opening of the Suez Canal. Such were France and Germany, and the canal, by shortening both time and distance, and by bringing the producers and consumers nearer, enabled trade with these countries to increase. Others, particularly those on the Mediterranean Sea, such as Italy, Austria, Turkey and Russia, which were not even mentioned in the trade returns or reviews of India previous to the year 1869, were brought nearer than London by five or six days to the shipping ports of India. Again, some of the old markets of India, such as Persia, Egypt, and the seaport towns on the Red Sea and the Persian Gulf, the trade with which had become disorganized, partly through internal disorders and partly through the preponderance of the Cape route, were again opened up to India because of the new route. The town of Suez became an emporium for the distribution of Indian goods to the southern countries of Europe, and Aden for Africa and Persia. Syria and Sicily are noticeable in the list of India's customers. The trade with America also began to increase.

We noticed above the dissatisfaction of the English shipowners with the high charges made for the passage through the canal, and with other inconveniences, some of which were remedied by 1886. Associated with these grievances was the old fear expressed by English traders and merchants in the Parliamentary investigations of 1830-1832 that a canal through the isthmus of Suez would prove harmful to English trade and commerce. These fears proved to be partly justified as soon as the canal was in working order, and were given expression to in contemporary literature.¹ Among these is a very interesting and instructing paper read by Mr. Charles Magniac before the Royal Society of Arts in 1876, on the "Commercial Aspects of the Suez Canal," in which, on the whole, the author draws a very pessimistic and depressing picture of the prospects of the British trade with India. But that he was not the only one to hold such views at the time is shown by the decennial report on the *Moral and Material Progress of India*, 1874 to

¹ See Haughton. *Block on the Suez Canal*. Mongredien. *Suez Canal Question*. Hull. *England and the Suez Canal*.

1883, wherein it is stated that the trade of India with other countries of Asia and Africa did not show many important variations, while there was a satisfactory increase in that with the United States and Australia. As for Europe, there was the tendency for the Continent to gain at the expense of England, and the reason assigned for the diversion was the Suez Canal.¹ But it must be pointed out that the fall in Indian trade with the United Kingdom was not absolute, but only in proportion to the total trade. In 1873-1874 the aggregate value of such trade amounted to about £57,000,000, or 61·25 of the total foreign trade of India ; in 1882-1883 the trade with the United Kingdom rose to about £82,000,000, an increase of 147 per cent., though the proportion to the total fell to 55·31 per cent. Moreover, it was a diversion of the re-export trade only. During the same period of ten years the exports to other European countries increased as follows ² :—

	1873-1874.	1882-1883.	Increase in Proportion to Total Export Trade of India.
	£	£	
France (direct)	3,134,078	7,221,869	From 5·51 to 8·56
Italy	1,319,579	3,383,507	From 2·32 to 4·01
Austria (Trieste).	939,053	2,602,556	From 1·65 to 3·08
Belgium	Pract. nil	2,151,728	2·55
Egypt	55,788	2,113,512	From ·10 to 2·50

¹ " The main cause of this relative decline in the trade of India with the United Kingdom is the opening of the Suez Canal, which has tended to diminish the importance of London as a central mart of Eastern produce. The ports in the Mediterranean first felt the advantage of the new route, but no European Country has advanced so rapidly as regards Indian trade in the last few years as Belgium. Egypt, Malta, and Gibraltar have also grown into importance in the returns of Indian exports, as places of call for which steamers clear, to be subsequently ordered to any European port where their cargoes may be wanted " (Report, 1882-1883, p. 221).

" Both Suez and Egypt acted as half-way station " for wheat and rice exported from India, " rest(ing) by the side of the canal," for orders from European countries. In 1881, out of the total quantity of wheat exported, 5½ per cent. was so treated, and the proportion rose to 15½ per cent. by 1881. Of rice, 10 and 28½ per cent. respectively stopped in Egypt in 1881 and 1891. *Moral and Material Progress*, third decennial report, 1891-1892, p. 320.

² *Moral and Material Progress*, 1882-1883, p. 221.

There was no increase in the imports from foreign European countries during this period, except in treasure, which came in large amounts from Italy and Austria.

(c) And finally, as regards the new commodities which entered into Indian trade because of the new route.

Some of these, like raw cotton, rice, jute, tea and coffee, were exported round the Cape before the opening of the new route, and, except for tea and coffee, continued to take that route for some time even after the opening of the route. This was due to the high steamship freights and canal dues during the 'seventies. But with the fall of freights and, to a certain extent, of the canal dues also in the 'eighties and 'nineties, the canal route was adopted more and more even for less valuable and bulkier goods. This stimulated both their production and exportation from India in larger quantities and values. Table XXV. of Appendix contains a statement of the export of the quantity and of the value of coffee, raw cotton, hides and skins, jute both raw and manufactured, oil seeds, tea, wheat, and rice for 1869, 1873-1874, 1882-1883 and 1891-1892. It gives a very good idea of the increase that took place in the total exports in the above-mentioned articles, although it does not state what proportion of these exports passed through the Suez Canal. But as the major portion of these articles was exported to Western countries, the increase in quantity and value, with the qualifications mentioned above, gives some idea of the increase due to the new route. Others, like the export of wheat and of larger quantities of seeds, were altogether created by the canal. The export of wheat from India was unknown, commercially, previous to the year 1869. The liability of heat during the long voyages round the Cape, when it had to go through the tropics twice, and the length of time required to communicate with the places of production far in the interior, rendered the venture too risky. The railways, by opening up the wheat fields of the United Provinces, the Punjab, and of the Central Provinces, the telegraph, and the Suez Canal enabled orders to be executed for delivery in London within a month.¹ In 1875

¹ *Journal of Royal Society of Arts*, Vol. XXIV., p. 259.

only 1,750,000 cwt. of wheat were shipped from India. In 1880 to 1887, 7,500,000 cwt. were exported, of which about 5,000,000 cwt. went to England, 1,333,333 cwt. to France, and the remaining to the rest of Europe. By 1891-1892 wheat took the first place in the list of exports from India, as much as about 30,000,000 cwt. being exported in that year, which went to European countries in the following proportions:—England, 41½ per cent.; France, 20¼ per cent.; Belgium, 14¾ per cent.; and Italy, 3½ per cent., the remaining rested by the canal, “awaiting the development of the commercial situation in European markets.”¹ Speed, time, and interest saved on invested capital, quicker turnover, gain in safety and insurance over the old Cape route with its dangers and delays, owing to monsoons and storms, all worked in favour of wheat taking the canal route from the very beginning.²

In 1869 the value of oil seeds exported from India was about £2,000,000. By 1882-1883 the quantity increased by 230 per cent., and the value by 261 per cent.; and the proportion of oil seeds exported to the total exports within ten years previous to 1882-1883 rose from 4 to 9 per cent. In 1882-1883 as much as 70 per cent. was sent to England, the remainder going to France, Holland and Belgium. By 1891-1892 the quantity exported was 19,000,000 cwt., and the value realized was over Rs. 12,000,000, *i.e.*, doubled

¹ *Moral and Material Progress, 1891-1892*, p. 320.

² Knowles. *Economic Development*, p. 317. The following fall in steamer freight, Calcutta to London, took place between 1873 and 1897. Fowler. *Report on Indian Currency*, C.-9390, p. 189.

Freight by Steamer, Calcutta to London, per ton, May to August.

	Wheat.		Inseed.	
	£ s. d. From	£ s. d. to	£ s. d. From	£ s. d. to
1873	2 7 6	3 0 0	3 5 0	3 17 6
1880	2 12 6	3 5 0	2 15 0	3 7 6
1884	1 5 0	1 7 6	1 8 9	1 12 6
1890	1 0 0	1 7 6	1 3 9	1 7 6
1893	0 17 6	1 0 0	1 0 0	1 5 0
1896	0 7 6	0 12 6	0 7 6	0 15 0
1897	say 10 0	0 15 0	0 11 3	0 15 0

over the exports of the previous ten years. There was a change in distribution also, France receiving about $36\frac{3}{4}$ per cent. ; England, 31 per cent. ; Belgium, $11\frac{3}{4}$ per cent. ; Holland and Germany, about $5\frac{1}{2}$ per cent. ; and Italy $4\frac{3}{4}$ per cent.¹ The oil seed works of Marseilles and other French towns, as of some other European countries, came into existence only since the opening of the canal.

The phenomenal increase in the production and export of tea, mostly to England, was considerably aided by the shorter route.

As most of the imports into India were partly or completely manufactured goods, and, therefore, less bulky, their adoption of the canal route in preference to the Cape route was easier from the very beginning.

Section II

THE INDIAN TARIFF, 1859-1894

In the previous chapter we made a study of the Indian tariff during the rule of the East India Company. Measures were being taken to carry out all the instructions of the Directors as contained in their despatch dated April 22nd, 1846, when the mutiny broke out. Before the outbreak, Lord Canning had proposed to reform the Customs duties in India along the following lines² :—

First, the equalization of the duties on British and foreign manufactures, and the assimilation of the duties on manufactured and unmanufactured goods.

Second, the exemption from duty of all articles producing an inconsiderable amount of revenue.

Third, the abolition of export duties.

Fourth, the augmentation of import duties.

The increase in expenditure, owing to the mutiny, modified the carrying out of these measures to a certain extent. The Secretary of State, Lord Stanley, to whom the proposals were made, accepted them, with the following important

¹ *Moral and Material Progress, 1891-1892*, p. 320.

² Letter No. 5, dated February 23rd, 1857.

exception to the latter part of the first proposal: that as raw material such as unwrought metals and cotton twist and yarn formed the raw material of Indian industries, which had already been sufficiently handicapped, a differentiation was necessary in assimilating the duties on manufactured and unmanufactured goods. He sanctioned the following tariff of import duties, as the general principle:—

(1) Articles wholly or partially manufactured, $7\frac{1}{2}$ per cent. *ad valorem*.

(2) Manufactured articles, whatever their origin, which are habitually consumed by the general mass of the community, 10 per cent. *ad valorem*.

(3) Luxuries used by the richer class, 20 per cent. *ad valorem*.

His instructions were, however, anticipated by Lord Canning, who, by Act VII. of 1859, made the following changes in the tariff, which corresponded with the views of the Secretary of State in many important points: A 5 per cent., and not a $7\frac{1}{2}$ per cent., *ad valorem* import duty was levied on cotton thread, twist, and yarn; 20 per cent. *ad valorem* on articles of luxury such as tea, coffee, tobacco, etc., special rates on wines; and 10 per cent. *ad valorem* on all articles not included in the above enumeration. Exports were chargeable as follows: Grain and pulse of all sorts, 2 annas a *maund*; indigo, Rs. 3 a *maund*; lac dye and shell lac, 4 per cent. *ad valorem*; and all articles not enumerated, 3 per cent. *ad valorem*.

There are two noteworthy things about this tariff Act, which was the first to be passed after India was transferred to the Crown. In the first place, there is no discrimination between British and foreign manufactures. In the second place, although the high rates of import duties were imposed to meet the post-mutiny financial difficulties, a certain regard was shown for the welfare of Indian industries.¹

¹ Lord Stanley said: "Articles in a raw state, or in a partially manufactured condition, such as metals reduced from the ore, or cotton twist and yarn, are imported (into India) for the purpose of being subjected to further processes, and it seems undesirable that, by our fiscal arrangements, we should throw impediments in the way of native industry, which has already, to a large extent, been interfered with by the introduction of such fabrics as the machinery at the command of the British mill-owners

But this very fact made it unpalatable to certain interested parties, like the Bombay Chamber of Commerce, which memorialized to the Secretary of State against it.¹ Their protest was taken into consideration in the next fiscal year, 1860-1861, when the import duty on cotton yarn and twist was raised from 5 per cent. to 10 per cent., *i.e.*, the same as on imported cotton manufactures, thus depriving the Indian handloom weaver, who mainly used imported yarn, of a slight assistance. Ten per cent. *ad valorem* was, at the same time, made the general import duty, the previous specific duties being charged on wines, etc. The export of wool, hides, hemp, jute, flax and tea was made completely free, saltpetre being subject to an export duty of Rs. 2 a *maund*.² This commenced the process of exempting raw material from the export duty, which was almost completed by 1875.

In the following year the import duty on twist and yarn was reduced from 10 per cent. to 5 per cent., as the former rate was one " . . . which might stimulate the growth of a protected interest,"³ thus laying the foundation of departing from the policy of not obstructing native industry by means of fiscal arrangements, laid down by Lord Stanley in 1859.

In the budget estimate for 1862 to 1863, the import duties on cotton goods and yarns were reduced to the pre-mutiny rates of 5 and 3½ per cent. respectively, though the general import duty continued to be 10 per cent.⁴ This was followed by a reduction of the import duty on iron from 10 per cent. to a registration fee of 1 per cent. in 1863-1864, as the import of iron was considered very essential to the development of great works in India.

In 1864-1865 the general import duty was reduced from 10 per cent. to 7½ per cent. in order to enable Indian imports to meet the vast quantity of exportable produce, which the country was capable of sending forth. The annual average enables them to supply, at prices with which it is impossible for the native manufacturer, able only to work with hand labour, successfully to compete." Separate Revenue Despatch to India, No. 4, dated April 7th, 1859.

¹ Parliamentary Paper, No. 81, 1859, pp. 10-12.

² Financial Statement, 1860-1861, p. 119.

³ *Ibid.*, 1861-1862, p. 351.

⁴ *Ibid.*, 1862-1863, pp. 130-132.

of exports of merchandise from British India which was £13,610,842 for the three years 1840 to 1843, was £19,502,645 for the three years 1850 to 1853, and stood at £38,750,577 for the three years 1860 to 1863.¹ A revaluation of cotton goods owing to their high prices was to balance the loss arising from the reduction of import duties.

In 1865 recourse was had, quite legitimately, to a small duty on some articles of export for the purpose of revenue. The Finance Member, Sir Charles Trevelyan, characterized this kind of taxation, when imposed with proper reserve, a valuable resource of Indian finance, and justified his action by reference to the practice of the East India Company in this respect.² Referring to the price of agricultural produce and to the prosperity of those who were connected with the growth and export of jute, wool, tea, and coffee, he proposed an export duty of 3 per cent. on them. Hides, sugar, and silk were subjected to an export duty of 2 per cent., while the export duty on rice and other grains was raised from 2 to 3 annas a *maund*, though the duty on saltpetre was reduced from Rs. 2 to R. 1. But this Act was soon cancelled, the duties reverting to the former rates, except in the case of saltpetre.

In 1866, the export duty on saltpetre was reduced from R. 1 a *maund* to 3 per cent. *ad valorem*, but still it could not compete with manufactured saltpetre in Europe.

In 1867 a Committee was appointed to revise the Customs tariffs with a view to a better classification of goods and a better readjustment of valuation and charges. In accordance with the English plan, it enumerated such articles as were to pay duty, leaving all unenumerated articles free. This simplified the tariff very greatly, though involving a loss of £140,000 a year. It was also recommended that the loss

¹ Financial Statement, 1864-1865, Appendix, p. ii.

² "The old policy of the East India Company was to levy low rates of duty both upon exports and imports. However contrary this practice may have been to some received maxims of political economy, it was suited to the circumstances of the Country for, owing partly to the abundance and richness of the productions of India, and partly to the simple habits of the people, the exports of merchandise have always greatly exceeded the imports, and our Indian exports have in general such a hold upon foreign markets that they can bear some duty without being seriously checked." Financial Statement, 1865-1866, p. 166.

might be balanced by raising the export duty on grain, every anna of additional duty on which would yield £160,000 a year.¹

Machinery, and the component parts of machinery, were placed on the free list.

No important change in the tariff took place between this date and the year 1874 except for a reduction of 15 per cent. in the valuation of cotton goods and of the principal metals in 1869.

Having made a study of Indian tariff legislation from 1859 to 1874, we have next to find out its effect upon the following :—

- (1) Foreign trade of India.
- (2) Indian revenue and receipts from tariff.
- (3) Indian industrial development.

(1) The following quinquennial averages of Indian imports and exports for the period 1854 to 1874 show the condition of trade during the period under review :²—

Years.	Imports.	Exports.
	£	£
1854-1855 to 1858-1859	26,852,542	25,847,471
1859-1860 to 1863-1864	41,062,967	43,169,286
1864-1865 to 1868-1869	49,314,735	57,664,702
1869-1870 to 1873-1874	40,520,380	57,825,736

From the above statement it will appear that imports increased by about 50 per cent., while exports were more than doubled. The American Civil War, 1861 to 1865, and the Franco-German War affected the import trade during the period, and the reduction in the tariff values in 1867 and 1869 shows the value of imports less, in spite of an increase

¹ Financial Statement, 1867, p 148. " This measure is urged by the Committee, not only as a legitimate mode of improving the revenue, but also on the ground of its tendency to check the exportation of a staple article of food at a time when a large portion of the population have perished by famine, and while the survivors are still on the brink of starvation."

² *Moral and Material Progress of India, 1873-1874*, Appendix, p. 48.

in quantities. Again, the American Civil War gave a great stimulus to Indian exports, particularly of raw cotton.

Special circumstances connected with trade in particular branches have to be allowed for. But an examination of the import and export of some of the principal articles, side by side with the steady reduction of tariff of this period, shows a great increase both in the quantity and value of these.

Leaving aside the import of cotton piece goods on which the effect of tariff changes was quite pronounced, we may notice the effect on the import of woollen goods and metals. During the five years preceding the mutiny, trade in woollen goods was slack, averaging only £150,000, on which a duty of less than £10,000 was realized. In the next three years the imports were doubled, those in 1859-1860 being nearly £360,000. This was probably due to the presence of a large British army in India. In the same year the duty was raised from 5 to 10 per cent., and the imports of 1860-1861, and 1861-1862, were less than £235,000, with a duty of £23,500. Next year the rate of duty was reduced to 5 per cent., and the imports rose to £611,000 in 1863-1864, and to £868,000 in 1864-1865, the duty realized being £31,000 and £43,000 respectively.¹

The import of manufactured metals averaged £430,000 from 1856-1857 to 1863-1864; in 1863-1864 the duty on iron was reduced from 10 to 1 per cent., and in the following year that on other metals from 10 to 7½ per cent. The importation in 1863-1864 and the two next years averaged £640,000, but in 1867-1868 and in 1868-1869 it exceeded £1,100,000!²

One illustration on the side of exports also may explain the point. From 1856-1857 to 1859-1860 there was a 3 per cent. export duty on coffee, and the receipts in these four years averaged less than £1,500. The quantity of exports was steadily increasing from 5,250,000 lb. in 1856-1857 to 14,250,000 lb. in 1859-1860. Being declared free in 1859, the exports rose to £19,000,000 in 1860-1861, to

¹ Waterfield. *Memorandum on Recent Fiscal Legislation in India*, p. 34 (*Moral and Material Progress of India, 1873-1874*).

² *Ibid.*

26,750,000 in 1863-1864, and to 34,750,000 in 1865-1866. In that year a tax of 3 per cent. was reimposed, though it was removed only after three months. The exports, however, fell to 17,500,000 in 1866-1867, but rose to 33,000,000 the next year, and to 47,750,000 in 1868-1869.¹

From the above illustrations, and they might be greatly multiplied, it is clear that a steady reduction of tariff was, in no small way, responsible for the growth of Indian foreign trade during this period.

(2) With regard to the effect of tariff changes on the revenues of India, in 1856-1857 gross revenue was 30·82 million pounds, of which sea customs brought 0·98 million pounds. In 1873-1874 the two were 49·50 and 2·39 million pounds respectively.

“ Under the revised tariff of 1859 they (receipts from customs) rose in 1859-60 to about £2,640,000 and in 1860-61 to upwards of £3,000,000. The effect of the exemptions under Act X of 1860 was not at once apparent. . . . The fall was, however, rapid in the ensuing years; the receipts in 1861-62 were less than 2½ millions, in 1862-63 about £2,150,000; from which point they gradually dropped, till in 1866-67 they were about £1,840,000. The revision of 1867 led to an immediate rise to about £2,350,000 in 1867-68, since which date they have varied between £2,230,000 and £2,500,000.”²

(3) We must now consider the effect of the tariff on the industrial development of the country. In the previous section we referred to the growth and development of cotton and jute manufacturing industries during this period. Of these, the cotton industry developed not because of, but in spite of, the tariff policy, though the manufacture of jute must have been helped by a free export from India.

This period, undoubtedly, witnessed the arrest of the process of ruralization and decay which had set in towards the end of the eighteenth century, as well as the small beginnings of numerous industries both for domestic and foreign purposes.³ How far this industrial revival and the

¹ *Ibid.* p. 37.

² *Ibid.* p. 33.

³ *Cf.* an illuminating article on the subject by Justice Ranade. *Essays*, pp. 98-100.

entry of manufactured goods into Indian export trade was due to tariff changes is very difficult to say ; some being of opinion that it hit the revival soon after its birth.¹ This much at least is certain that the manufacturing, planting and mineral industries, which sprang up in this period, would have been impossible in the absence of the free import of metals and machinery. The free export of some of India's raw produce like jute, tea, etc., was unwarranted by revenue considerations at least.

In 1874 the Manchester Chamber of Commerce demanded of the Secretary of State for India “. . . the total and immediate repeal of the duties themselves (cotton import).”²

The Government of India appointed a tariff committee to revise valuations and to express its opinion on the injurious effect of the import duties on cotton goods and yarns. The committee recommended a revaluation of cotton cloths and yarns which gave them relief to the extent of Rs. 642,000. As to the injurious effect of the import duties, it pointed out that the total duty on goods which were the subject of competition between Manchester and India was about 4 lakhs of rupees for the whole country, while the remaining duty on cotton goods which did not compete was 77 lakhs. It characterized the demand of Manchester that 77 lakhs of duty, which was not affected by competition at all, should be given up for the sake of 4 lakhs which met with a local competition as “unreasonable.” Besides, the finances of the country could not afford it.

The recommendations of the committee, with additions and modifications, were embodied in Act XVI. of 1875. According to this, the general rate of import duty was reduced from 7½ per cent. to 5 per cent. ; only six commodities paid special rates, of which cotton twist and yarn continued to pay 3½ per cent., and iron 1 per cent. Cotton piece goods paid the general rate of 5 per cent. All export

¹ “The triumph of free trade was never more complete . . . the few manufacturing industries which had just then begun their precarious life were ‘free’ to compete with the advanced industries of England and the protected industries of the rest of the world.” Shah. *Trade Tariffs and Transport in India*, p. 266.

² Parliamentary Paper, No. 56, 1876, p. 38.

duties were removed, except those on indigo, rice and lac. An import duty of 5 per cent. on Egyptian and American cotton was imposed, but disallowed by the Secretary of State.

The net revenue received from sea Customs in 1874-1875 was £2,451,852, of which £1,773,723 was from imports and £678,129 from exports. Half the revenue from imports was derived from cotton yarn and piece goods, which together brought in £882,712. The greater part of the revenue upon exports was derived from rice, which realized about £450,000.

The economic aspects of the "cotton controversy" which arose between the Secretary of State, Lord Salisbury, and Lord Northbrook over the Act of 1875 are as follows:—

Lord Salisbury urged, very strongly, the entire removal of the cotton duties within a period of three years without the imposition of any new tax. He pointed out that remissions made in other import duties had impaired the validity of the Viceroy's argument that the cotton duties must be maintained owing to financial exigencies. While admitting that the protective effect of the 5 per cent. duty was ". . . probably insignificant," he thought *political reasons* furnished the weightiest arguments in favour of the course he had recommended.¹ Disregarding the statement supplied by the Viceroy concerning the progress made in the import of cotton twist and piece goods during the period 1859 to 1875, he concluded that a serious decline had taken place in the import of coarse cloth and yarn. This conclusion was based upon statistics and information which had been supplied to the Tariff Committee of 1874 by the Bombay Chamber of Commerce. He summed up by saying,

"Whether, then, the question be regarded as it affects the consumer, the producer, or the revenue, I am of opinion that the interests of India imperatively require the timely removal of a tax which is at once wrong in principle, injurious in its practical effects, and self-destructive in its operation."²

The Government of India considered the possibility of

¹ Letter from the Secretary of State to the Governor-General of India, dated May 31st, 1876, p. 33.

² *Ibid.*, p. 39.

meeting the loss due to the proposed remission of cotton duties by restoring the general rate of import duty to $7\frac{1}{2}$ per cent., or by excising the Indian cloth manufacture. The former would have brought in from £100,000 to £120,000, while the latter had administrative difficulties. The remission of other import duties had meant a loss of only £170,000, while that of cotton duties involved a sacrifice of £800,000, besides not being felt by the people of India. The loss by exchange, owing to the fall in the value of silver, which was £1,616,000 for 1875-1876, and £2,561,000 for 1876-1877 was another serious consideration; while facts and figures according to the Government of India showed that the import of cotton goods had made steady progress from 1859 to 1875. As to the protective nature of the duties, the Viceroy and the Tariff Commission of 1874 were of opinion that the duties might have been protective in theory, but not in practice, “. . . except to a very limited extent; and they are, therefore, not injurious to India, nor contrary to Imperial policy.”

It is undeniable that the product of the Indian mills had replaced the import of rough cloth and yarns to a considerable degree by 1874, but the import of fine cloth from Manchester had also increased very greatly from 1858 to 1874. It is equally true that the finances of the country could ill afford a loss of £800,000 in the 'seventies. This is how Sir John Strachey explained the normal condition of Indian finance of those years:—

“A careful examination of the accounts of the seven years ending on the 31st March, 1876, a period long enough to illustrate fairly the state of our finances, made it plain not only that we had, when I spoke, made no proper provision for the cost of famines, but that we possessed no true surplus of revenue over expenditure to cover the many contingencies to which a great country is exposed.”¹

We are, therefore, constrained to say that the demand of the Secretary of State was neither strictly in accordance with the theoretic advantages of the new principles of trade

¹ Quoted by Professor Fawcett. *Indian Finance*, p. 26. Sir John Strachey was the Finance Member of the Government of India.

adopted by Great Britain, nor with revenue considerations in India.¹

On July 11th, 1877, the House of Commons adopted a resolution that the duties levied upon cotton manufactures imported into India were protective in their nature, and ought to be repealed without delay. The new principles of trade which the Secretary of State laid down for the Government of India to carry out were, in general, as follows : As regards imports, there was to be no duty which afforded protection to native industry, raw materials should be exempt from Customs, and purely fiscal duties should be levied only where the revenue yielded was sufficient to justify interference with trade. As regards exports, duties were to be levied only on such articles as were practically a monopoly.²

In the following year, in spite of a great financial stringency, the above policy was carried out to this extent, that the number of imported articles taxed was reduced from sixty-two to thirty-five, involving a loss of £77,000.³ The reduction affected chiefly railway material, cotton piece goods not containing finer yarn than 30's, and yarns of mule twists 32's, and water twists 20's.

But the changes failed to satisfy all interests, and the need of amplifying the definition of the class of cotton manufactures to be admitted duty free, as well as of revising valuations was felt before long. All goods containing no yarn of a higher count than 30's were exempted, and valuations were reduced, the two involving a loss of from £150,000 to £200,000. Serious opposition was made to the measures both in the Council of the Viceroy and of the Secretary of State, as, owing to the combined effects of the Afghan war, famine, and loss through exchange, the finances of the

¹ This is how a foreign writer interprets the matter. "India is the only British Colony of any great importance in which the Mother Country has applied, and carried out her own trade policy. But this was not done by any means altogether smoothly and without friction; neither was it from pure doctrinaire or theoretic considerations; nor even in the interests of India, but rather in those of home industry. It is 'king cotton'—the industry of Lancashire—whose interests have been most to the front." Fuchs. *Trade Policy of Great Britain*, p. 272.

² Financial Statement, 1878-1879, p. 10.

³ Financial Statement, 1879-1880, pp. 29-30

Government of India were in a hopeless condition. But in both Councils it was carried through by the authority of the Viceroy, and the casting vote of the Secretary of State respectively.

The exemptions made revealed a great many administrative inconveniences in actual working. And so in 1882, when the finances of the Government of India showed a little improvement, it was decided to abolish the whole of the cotton duties as well as the general import duty. Only the special duties on wines, spirits, liquors, arms, and ammunition, salt and opium were retained. The net loss of revenue involved in the abolition amounted to £1,108,000. Export duties on paddy and rice, for purely revenue purposes, continued, and brought in considerable sums.

Sir E. Baring, Finance Member, regarded the measure as most beneficial to India, and said :

“As an incident of her connection with England, India has a right to profit from English experience and English economic history. That experience and that history show that by the adoption of free trade a country benefits, indeed all the world, but more especially benefits itself.”¹

As contrasted with this opinion may be quoted that of Dr. Cunningham, who said,

“Ireland and India have been forced, under compulsion, to submit to free trade without being consulted, and for the sake of English interests ; in both these cases, economic dissatisfaction is associated with political unrest.”²

So ended the effect of changes in tariff on Indian foreign trade during the remainder of the period we are studying. From 1882 to 1894 India was on a complete free trade basis, except for a small import duty on petroleum.

¹ Financial Statement, 1882-1883, p. 48.

² *The Case Against Free Trade*, p. 87.

*Section III*THE FALL IN THE EXCHANGE VALUE OF THE RUPEE,
1873-1893

When we consider the effect of the depreciation of silver and of the fall in the exchange value of the rupee during 1873-1893 on Indian industrial development and foreign trade, we enter upon an intensely complicated subject.

To begin with, we must get an idea of what happened to the rupee during the above period. Reference was made in Chapter IV. to the uniformity of currency carried out in India in 1835. By Act XVII. of that year the silver rupee of 180 troy grains, eleven-twelfths fine, was made the standard coin throughout British India. Nothing of importance affecting the foreign trade of India happened to the rupee during 1835-1872. Up to 1872 the rate of exchange between England and India was fairly stable, and varied round 2s., equal to a rupee, usually a little under. But for all ordinary purposes of calculation the ratio 2s. = 1 Re. answered very well up to the year 1872.¹ When a given quantity of gold was equal to a certain quantity of silver, for international trade and other transactions it mattered little whether a country had gold or silver for its standard money.

From 1873 onwards, however, owing to many causes, there was a divergence between the relations of gold and silver. Chief among these causes was the redundant silver coinage which was thrown on the market by Germany and Holland which adopted the gold standard, and the Latin Union which restricted the free coinage of silver. There was also an increased production of silver in the world, and a decreased production of gold, coupled with an increased demand for the latter by such countries as had adopted the gold standard.

These three causes combined to bring about a steady fall in the gold value of silver which, commencing from 1873 continued for twenty years, so far as India was concerned, till the fall amounted to 40 per cent. in 1893. How the rate

¹ Cf. Strachey. *Finance and Public Works of India*, pp. 387-391.

of exchange between England and India was affected by every fall in the value of silver may be judged from the following statement :—

Year.	Price of Silver in Pence per Ounce.	Average Rate of Exchange.
1863-1864	61 $\frac{3}{8}$ d.	23·875d.
1871-1872	60 $\frac{3}{8}$ d.	23·126d.
1875-1876	56 $\frac{3}{8}$ d.	21·626d.
1879-1880	51 $\frac{1}{8}$ d.	19·961d.
1883-1884	50 $\frac{1}{8}$ d.	19·536d.
1887-1888	44 $\frac{3}{8}$ d.	16·898d.
1888-1889	42 $\frac{3}{8}$ d.	16·379d.
1890-1891	47 $\frac{11}{16}$ d.	18·090d.
1891-1892	45d.	16·733d.
1892-1893	39d.	15·000d.

Leaving aside the effect of this fall and fluctuation in the gold value of silver upon many interests both in India and England, we confine ourselves to its effects upon Indian foreign trade and industrial development only.

The statistics of trade (Table XXVI. of Appendix) show that both exports and imports, which had been steadily increasing from the time of the American Civil War, continued to grow at a very rapid pace throughout the period of the falling exchange, and were about doubled during the period of twenty years from 1873. Not a matter of surprise, therefore, that the falling rate of exchange was and is considered to have been responsible for this increase.

Not only did the foreign trade of India increase by leaps and bounds during this period, but the nature of her industries, and consequently of her export trade also underwent a great change.

In the course of this study we have seen how during a period of 100 years, *i.e.*, 1757 to 1857, India, from being both an agricultural and industrial country, came to be mainly an agricultural country. Her exports which were mainly manufactured goods during the earlier part of the above

period, turned into mostly agricultural and raw produce during the later half of the same period. This tendency continued up to about 1872. But from there onwards, and almost synchronizing with the fall in the gold value of silver, a movement in the direction of industrial development started, and continued at a rapid pace throughout this period. Two industries in particular, cotton and jute, received a stimulus during this period, and showed a rapid growth and development, both on the side of manufacture and trade. The following tables show the progress made by the two industries :—

*The Development of the Indian Cotton Trade
and Industry*

	Growth of Trade (Average Annual Quantities in each Quinquennium).				
	1870-71 to 1874-75.	1875-76 to 1879-80.	1880-81 to 1884-85.	1885-86 to 1889-90.	1890-91 to 1894-95.
Imports of raw cotton (thousands of cwt.)	23	52	51	74	89
Exports of raw cotton (thousands of cwt.)	5,236	3,988	5,477	5,330	4,660
Imports of twist and yarn	33·55	33·55	44·34	49·09	44·79
Number of mills	48	58	81	114	143
Number of spindles— 000 omitted	1,000	1,471	2,037	2,935	3,712
Number of looms— 000 omitted	10	13	16	22	34
Number of persons employed	—	39,537	61,836	99,224	—

Growth of industry at the end of each fifth year.
Ambedkar. *Problem of the Rupee*, p. 102.

There were strong forces already at work before this period to bring about changes in Indian agricultural conditions. But this period of industrial revival coincided with one of marked growth and increase in agricultural produce also, particularly of such as are called commercial crops.

The Development of Jute Industry and Trade

	Growth of Trade (Average Annual of each Quinquennium).				
	1870-71 to 1874-75.	1875-76 to 1879-80.	1880-81 to 1884-85.	1885-86 to 1889-90.	1890-91 to 1894-95.
<i>Exports—</i>					
Raw, million cwt. .	5·72	5·58	7·81	9·31	10·54
Gunny bags, mil- lions.	6·44	35·96	60·32	70·98	120·74
Cloth, million yards	—	4·71	6·44	19·79	54·20
<i>Growth of Industry—</i>					
Number of mills .	—	21	21	24	26
Looms—000 omit.	—	5·5	5·5	7	8·3
Spindles—000 omit.	—	88	88	138·4	172·4
Persons employed in thousands .	—	38·8	38·8	52·7	64·3

Ambedkar. *Problem of the Rupee*, p. 103.

The Indian agriculturist, who up to this time was raising crops only for home consumption, began to suit his agricultural operations to the requirements of the world markets and prices.

All this brought about changes in the industrial pursuits of the country also, and was mainly attributed to the fall in the exchange value of the rupee. This was the strong conviction of the producers, and of many exporters and importers of goods in India,¹ who attributed their gains to the fall in exchange, and also of manufacturers and industrialists in England, who attributed their alleged losses to the same cause, *i.e.*, the fall in the exchange value of the rupee.

¹ An export and import merchant Mr. Stephen A. Ralli, of the firm of Messrs. Ralli Bros., who appeared before the Herschell Committee in 1893 in answer to the question, "Do you think that the decline in silver has increased production in India?" replied as follows: "I do not think there can be two opinions upon that point; that is an evident thing. No man who has any practical experience of India and of the export trade, of the business in the interior, can have any doubt whatever that the decline in silver and the decline in exchange have materially conduced to the great development of the export trade." Herschell Committee on Indian Currency, 1893. (C.-7060), evidence, p. 59. Question (1499).

The theoretical reasoning underlying this conviction, partly supported by practical experiences both in India during 1873-1893, and in some other countries under similar circumstances, is that a falling rate of exchange is a bounty on exports, and acts as a great stimulus in increasing them ; conversely, that such a rate of exchange is a penalty on imports and checks them. The first part of the proposition could be put forward, and was drawn upon both by theoretical reasoners and practical business men to explain the great development of Indian exports from 1873 to 1893. The same was said to be the experience of at least two other countries, Japan and Mexico, under similar circumstances.¹ No wonder, therefore, that the Indian producer and exporter attributed their prosperity to the fall in the exchange value of the rupee, and were opposed to any change being made in it.

The second part of the proposition proved to be untrue. Imports did not fall as is required by the theoretical reasoning. On the contrary, proportionally, imports increased more than the exports as is shown by index numbers with the period 1867-1872 as the base.² Between 1873-1874 and 1894-1895, imports increased from Rs. 33,819,828 to Rs. 73,528,993 or by 117 per cent., while exports rose from Rs. 54,996,010 to Rs. 108,913,778, or by 98 per cent. only.

As a matter of fact, the period of the falling rupee was marked by a simultaneous rise in exports and imports, and

¹ Cf. Kemmeyer. *Modern Currency Reforms*, p. 26, footnote ; also see Professor Lexis. *The Agio on Gold and International Trade. Economic Journal*, Vol. V., 1895, pp. 532-549.

		Exchange.	Imports.	Exports.
² Base	1867-1868 to 1871-1872	100	100	100
Five years' average	1872-1873 to 1876-1877	92	104	104
" " "	1877-1878 to 1881-1882	84	130	127
" " "	1882-1883 to 1886-1887	79	164	155
" " "	1887-1888 to 1891-1892	70	202	182
" " "	1892-1893 to 1896-1897	59	213	196

See also Table XXVI. of Appendix ; and cf. Fowler Committee—Evidence, question 9222, p 79

the rise in imports was greater than that in exports, proportionally.

To a certain extent this was recognized at the time. Mr. William Fowler, an import merchant in India, when asked if the difference of standard between India and the gold standard countries was not interfering with its trade, and if a uniform standard would not be to the advantage of India, replied as follows :—

“ Nobody has ever proved that the trade of India is injured materially by this, that I have seen. The exports have gone on increasing, and it is said, and I think with some justice, that the low exchange helps the export ; but it is a very remarkable thing that though the low exchange is, on the other hand, adverse to the operation of importing goods from England to India, the proportionate increase of the imports from England to India is greater than from India to England, . . . the trade that is not prosperous and is troubled, is the trade of England ; but, even as regards the trade of England, the amount that we send to India has increased very largely.”¹

Further down, he confessed he could not give the reason why India was importing such large quantities of goods, but that England could send out these at such extraordinarily cheap rates, that the Indian people would have them. He thought that lessened the profits of the English manufacturers, no doubt, but that any interference with the Indian rupee would check her exports, and consequently her imports.

Business people and economic thinkers welcomed the falling exchange as an assistance to Indian foreign trade ; and Indian feeling, as represented by the mercantile class, was strongly opposed to any change in the standard money of the country.² The feeling was particularly strong on the part of the export traders.

As regards the uncertainties brought about by the

¹ Herschell Commission Report, pp. 64-65, question 1596 (C.-7060).

² “ There is hardly room to doubt that the foreign trade of India has been stimulated by the increase in the value of gold, which has almost certainly accompanied the depreciation of silver where that metal has ceased to be coined . . . there is no evidence from the returns of any special improvement of the exports as compared to the imports, and it is therefore probable that the import and export trades are to so great an extent interdependent that the advantage is distributed between them.” Strachey. *Finances and Public Works of India*, pp. 396-397.

fluctuations of exchange, it was stated that these could be largely eliminated by various banking devices, such as purchase or sale of silver on the London market, so that a loss of exchange would be compensated by a profit on the silver transaction, and *vice versa*.

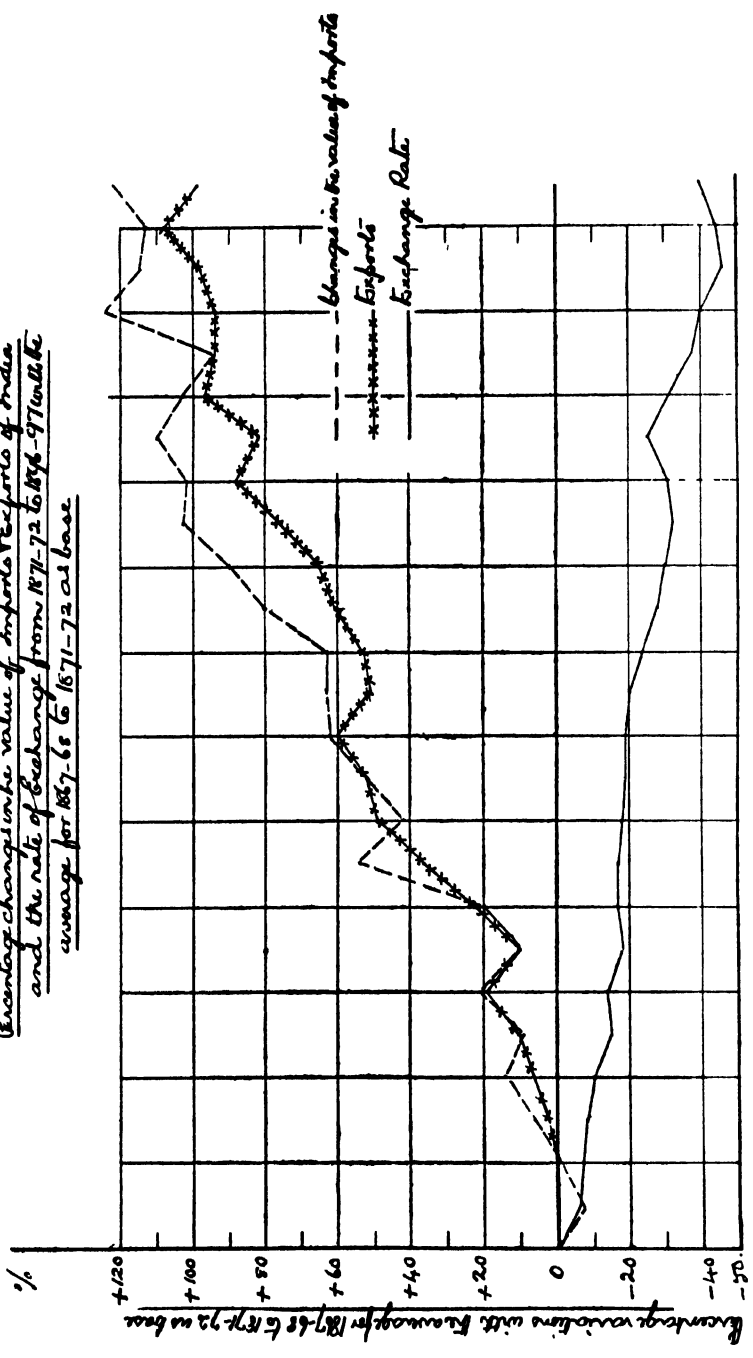
In spite of the above views and opinions, the increase in the volume and value of Indian foreign trade during 1873–1893 must be attributed almost entirely to the development of internal and external transport, and only to a very small extent to the depreciation of the rupee. For similar reasons, the rapid development of some of the Indian industries and agricultural products could not have been due to the depreciation of the rupee.¹ For if such were really the case, nothing would be easier for a country than to depreciate its currency in order to increase its industrial development and foreign trade. At the best, the stimulus given to Indian foreign trade and industries was a very temporary phase, due to certain maladjustments, which tended to disappear as soon as proper economic adjustments had taken place.

According to the principles of international trade, imports pay for exports in the last resort. In the case of India, exports of merchandise pay for imports of merchandise, net imports of treasure, and the home charges represented by the sale of council bills almost exactly in an average of years, other invisible exports and imports not being important.² The terms according to which exchange between different countries takes place are determined by the law of comparative costs. No country can go on increasing its exports over a period of twenty years without an increase in its imports also. As a matter of fact, the very statistics of Indian trade which are appealed to, to prove that the falling exchange was a bounty on exports and a penalty on imports, do not support any such conclusion. This may be verified from the following diagram and table :—

¹ The profits made on the export of raw cotton during the American Civil War were invested in cotton manufacturing industries, which were greatly developed by the reduction and removal of import duties on iron and machinery.

² Cf., in this connection, Sir Richard Temple's explanation of the excess of Indian exports over imports and how they are balanced. *Moral and Material Progress*, 1872–1873, pp. 107–108.

Percentage change in the value of Imports & Exports of India
and the rate of exchange from 1971-72 to 1996-97 on the
average for 1957-68 to 1971-72 as base



Years.	Imports.	Exports.	Gold Value of the Rupee.	Percentage Rise or Fall in the Gold Value of the Rupee	Exports Increase or Decrease.	Imports Increase or Decrease.
1871-1872	Rs. 32,091,850	Rs. 63,209,282	23,126 <i>d.</i>	Fall 11½%	Decrease	Increase 17%
1876-1877	37,440,630	61,013,891	20,508 <i>d.</i>			
1878-1879	37,800,594	60,937,513	19,961 <i>d.</i>	Average variation 3½%	Increase 36½%	Increase 47%
1884-1885	55,703,072	83,255,292	19,308 <i>d.</i>			
1884-1885	55,703,072	83,255,292	19,308 <i>d.</i>	Fall over 15%	Increase 16½%	Increase 25%
1888-1889	69,440,467	97,049,332	16,379 <i>d.</i>			
1889-1890	69,197,489	103,460,398	Slight improvement in exchange.		Increase 6½%	Rather less than in previous year.

Prepared from Herschell Committee Report, p. 12.

Contrary, therefore, to the arguments given above and the convictions of the mercantile community, we are compelled to agree to the pronouncement of the Herschell Committee, which said :—

“ Upon the whole we cannot see any evidence that the effect of a falling exchange on the country at large, in influencing either exports or imports, has over a series of years been very considerable.”¹

We may take note of the following phenomena in this connection :—

(1) From 1873 to 1893 there was an appreciation in the purchasing power of gold in commodities generally as well as silver. This appeared in a great fall in the gold prices of many of the chief commodities which India was importing between 1873–1893, unaccompanied by any or very little increase in rupee prices.² This fact was, to a very large extent, responsible for the apparent slump in English exports during the above period, which led to the successful English agitation for removing all tariff restrictions from Indian trade, as noticed in the previous section.

In spite of the removal of all restrictions in 1882,

“ . . . the Lancashire cotton-spinner, the Dundee jute manufacturer, and the English wheat-grower complained that they could not compete with their rivals in India.”³

The misfortune of the farmers in England was due to the agricultural crisis in England of 1879, when, owing to an exceedingly bad harvest, low prices, and foreign competition, they were very hard hit.⁴

(2) When allowance is made for the change in the purchas-

¹ Report, p. 12.

² “ For example, prominent among India’s nine chief classes of imports in 1892–93 were the following articles : cotton manufactures, sugar, iron, mineral oils, and copper. While the sterling exchange value of the rupee fell 34 per cent., from 1872–73 to 1892–93, the gold prices of cotton manufactures (yarn, thread, and piece goods plain and printed) on the average fell 31 per cent. ; from 1873 to 1893 the gold price of sugar (Java) fell 38 per cent. ; that of iron bar fell 60 per cent. ; that of petroleum fell 74 per cent. ; and that of copper fell 53 per cent.” Kemmerer. *Modern Currency Reforms*, pp. 27–28.

³ Ambedkar. *Problem of the Rupee*, p. 104.

⁴ Slater. *Making of Modern England*, pp. 199–200.

ing power of sterling, it is found that English exports continued after 1873 to increase in much the same manner as before.¹ Prices had fallen in England and other gold standard countries, but money wages had not fallen to the same extent ; real wages had, therefore, risen. This made the English employers think they suffered.

(3) Rupee prices in India remained very steady, and rupee wages also, leading to a great deal of hardship to the wage-earner and to other people with fixed incomes. Measured in sterling, they dropped approximately in the same proportion as the rupee exchange ; and, consequently, the difference in the average wage-level between India and gold-using countries was aggravated. This gave a bounty to exporting merchants and employers of labour, in the advantages of which the mass of the people did not share.

(4) As that part of the home charges due to interest on the sterling debt, and also interest on many private investments in India was fixed in sterling value, the appreciation of gold increased the quantity of commodities which India was required to export to meet these charges. India being a debtor country, whose foreign debts were in sterling, suffered an increase in the burden of interest. The producer, the exporter, and the importer all equally lost as taxpayers whatever they might have gained in their other capacity.²

(5) It is also to be noticed that during the period of the fall in the gold prices of agricultural produce, Indian exports of such goods were greater than her import of manufactured goods, comparatively speaking. India, therefore, carried on her external trade under less profitable conditions.

Having examined the main causes which influenced the

¹ " If we allow for the variations in the real meaning of the pound sterling, we find that, estimated in real values British exports as well as imports have continued to expand since 1872, though with considerable fluctuations, and at a diminished rate compared with the preceding period."

Loc. cit. See also Diagram, Appendix III., " True course of British Foreign Trade." Slater. *Making of Modern England.*

² Strachey. *Finances and Public Works of India*, p. 397 : " If this view be correct, the trade of India at the present time may be regarded as being carried on with the stimulus of a bounty of some £3,000,000 yearly, or about 2½ per cent. on its total value, supplied by general taxation, and rendered necessary by the currency of India being based on a silver instead of a gold standard."

course of Indian foreign trade from 1859 to 1893, we may appreciate their combined effect upon the value, character, and direction of that trade.

If the average of the period 1835-1840 be taken as 100, then the growth in the value of imports and exports was as follows :—¹

Head.		1841-42	1851-52.	1861 62.	1871-72.	1881-82.	1891-92.
Imports	{ Merchandise	157	246	449	646	988	1,397
	{ Treasure .	78	215	638	494	483	628
	{ Total. .	132	236	509	597	826	1,150
Exports	{ Merchandise	125	179	328	571	740	977
	{ Treasure .	205	366	272	588	438	1,309
	{ Total. .	127	184	327	571	734	984
Total Trade	{ Merchandise	135	200	241	594	817	1,107
	{ Treasure .	91	230	602	503	479	694
	{ Total. .	129	204	399	582	770	1,050

The import trade, as compared with that of the period taken as a standard, increased elevenfold, while the exports were just under tenfold. If we were to consider the growth only for fifty years, where 100 rupees' worth was imported in 1841-1842, 874 rupees' worth was brought into the country in 1891-1892. For exports the proportion was as 100 : 777 in 1841-1842 and 1891-1892 respectively.²

The above, however, is only a statement of the proportional growth, though absolutely, exports were in excess of the imports by over £15,000,000 annually during the 'nineties.

As regards the character of the trade, the following comparative statement of the value of some of the principal articles of import and export for three years 1881-1882, 1886-1887 and 1891-1892 will show the relative importance and changes in these articles. These dates have been selected for two reasons. In the first place, they show the full effect of the three causes discussed above which were changing the Indian foreign trade during the period under

¹ *Moral and Material Progress*, 1891-1892, p. 315.

² *Ibid.*, pp. 314-315.

review. In the second place, much as it is desirable to show the changes from the very beginning, the practice of stating all sums of money in rupees instead of the pound, introduced in the 'eighties owing to exchange fluctuations, vitiates comparisons made with the previous years.

Value of Chief Articles of Merchandise

	1881-82.	1886-87	1891-92.	As compared with 1881-82 = 100	
				1886-87	1891-92
	IMPORTS. (In Mill Rupees)				
Total Imports	58.3	69.7	81.3	119	139
Cotton piece goods	20.4	25.3	24.5	124	120
Cotton twist and yarn	3.2	3.3	3.5	103	109
Iron	1.4	1.7	2.3	126	164
Copper	1.4	1.9	2.0	158	156
Refined sugar	1.2	2.0	2.5	165	203
Woollen piece goods	1.1	1.5	1.7	136	157
Silk piece goods	1.1	1.1	1.4	105	131
Coal	0.9	1.2	1.2	127	124
Hardware	0.6	0.8	1.2	138	198
Raw silk	0.7	0.7	1.2	105	168
Mineral oil	0.4	1.2	2.2	277	501
	EXPORTS. (In Mill Rupees)				
Total exports	82.9	90.1	111.1	109	134
Raw cotton	14.9	13.4	10.7	90	72
Opium	12.4	11.0	9.5	89	77
Wheat	8.6	8.6	14.3	100	167
Husked rice	8.2	8.7	13.2	106	161
Oilseeds	6.0	9.1	12.2	152	202
Raw jute	5.0	4.8	6.8	97	136
Tea	3.6	4.7	5.9	131	165
Hides	2.0	2.8	2.3	138	117
Cotton piece goods	0.5	0.8	1.1	158	204
Cotton twist and yarn	1.3	3.3	5.7	244	422
Manufactured jute	1.0	1.1	2.5	105	229

On the side of imports, apart from the increase in cotton piece goods, twist and yarn, which constituted about 43 per cent. of the total import of merchandise, there is a note-

worthy increase under the heads of metals—iron, copper and tin—refined sugar, woollen and silk piece goods, raw silk, and mineral oils. Part of the imported metals, copper and brass, was used for domestic purposes, in making cooking and drinking utensils instead of the earthenware ; while the mineral oil was largely used as a substitute for vegetable oils for purposes of lighting. This, along with the increased import of refined sugar and of woollen and silk piece goods was taken as an index of increased purchasing power or of a higher standard of living.¹

The increased import of hardware, coal, and raw silk was indicative of the industrial revival which set in during the 'seventies, and necessitated the import of machinery, factory equipment, and of some raw material. The same tendency is found at work in the exports from India also.

Of the exports from India, wheat, which was not even commercially known previous to the opening of the Suez Canal, occupied the first place in the list towards the end of our period, followed very closely or alternating with rice. To what extent this was a matter of gratification, and how far the export of foodstuffs represented a surplus that could be dispensed with are questions that space forbids us to enter into. Here is what Sir William Hunter, writing on the subject in 1889, said, “. . . if all the poorer classes in India ate two full meals every day, the surplus for export would be much less than at present.”²

Oil seeds, which, like wheat, became important only since the opening of the canal, were exported in remarkably large quantities by the end of our period. The increase in the export of jute, both raw and manufactured, hides and skins, and tea was quite steady, the export of three—oil seeds, jute and tea—having more than doubled in the ten years 1881-1892.

On the other hand, the fall in the export of raw cotton, and a little increase in that of cotton piece goods, twist and yarns, show the progress of industrial development in India since the beginning of the 'sixties. England finding

¹ *Ibid.*, p. 317.

² *England's Work in India*, p. 76.

better supplies of raw cotton in the United States and Egypt, part of the Indian cotton began to go to Japan, while larger quantities began to be consumed at home. The export of wheat-flour is also noticeable for the first time.

In the earlier part of this chapter we noticed the countries in the Western Hemisphere whose trade with India either increased or commenced with the opening of the Suez Canal. Here it may be pointed out that by the end of our period a keen competition set in among these countries for the export to India of such commodities as hardware, woollen goods, metals, refined sugar and mineral oil. Refined sugar, two-thirds of which came from Mauritius and the remainder from Hong-Kong, Java, the Straits, and Germany, became the second largest import by 1891-1892 into the greatest sugar-producing country of the world. Mineral oil came exclusively from the United States and Russia. The above diversion of trade affected England's relative proportion of trade with India, though the total trade continued to increase.

Indian trade relations with Eastern countries increased during this period through the export of raw and manufactured cotton goods and yarns to China, Japan, and Africa, of opium to China and the Straits, of manufactured jute and tea to Australia, and by the import of sugar and silks.

The trans-frontier trade continued to be very much smaller, varying, and uncertain as compared with the sea-borne trade. Its progress was greatly impeded by the undeveloped condition of the Indian borderland, and the absence of means of communication. Kabul, Kandhar, Nipal, Tibet, Kashmir, and the countries round Burma were the principal countries with which India had trade relations. The trade, however, was of a "peddling" or adventurous nature, and a systematic registration and recording of this trade was carried out only within a few years of the expiry of our period.

Wool and woollen goods, fruits, and timber were the principal articles of import from the trans-frontier countries, while indigo, piece goods, tea, sugar, and salt constituted the

chief exports. The average annual value of the trade, both imports and exports, for the period 1881-1892 amounted to over 9 lakhs of rupees.

CONCLUSION

The political revolution brought about by the Battle of Plassey ended in the second decade of the nineteenth century, but the economic revolution which was the outcome of that battle persisted for fully 100 years. After India passed under the control of the Crown of England, the economic revolution assumed another form.

Nowhere were the effects of these revolutions felt more than in Indian foreign trade, which became the centre of gravity of all state activity throughout the period we have reviewed. India has had foreign trade relations from time immemorial, but that trade never had the importance in its economic life which it came to have during the second half of our period. It seems almost needless to say that neither in volume nor in variety was the Indian foreign trade ever what it was towards the end of our period.

One obvious reason for the great emphasis laid upon this trade, to the neglect even, at times, of the internal trade was the new political relation between India and England which necessitated the transfer of a certain amount of wealth from the former to the latter. This transfer could not be made in bullion, which always flowed in the other direction, and the stoppage of which for about forty years after 1757 caused a great deal of difficulty in the internal currency of the country. Goods and commodities had, therefore, to be discovered which would enable the transference to be made most economically and profitably. A part of the great development of the Indian foreign trade from 1757 to 1893 can be explained in terms of the above conclusion.

Another equally certain conclusion is this: that the monopoly of the East India Company which was claimed to be necessary for the above purpose, and the privileges, restrictions, and discriminations that were built around it prevented a full development of Indian foreign trade, until

these were completely removed. To the same causes may be partly ascribed the premature passage of Indian cotton and silk manufacturing industries, as is attested to by the evidence produced in the course of this work.

There is a school of thought which is of opinion that the high English import duties on Indian manufactures towards the end of the eighteenth and the beginning of the nineteenth centuries had nothing to do with the decline and decay of the Indian manufactures referred to above.¹ We ourselves have not ignored the other, and perhaps, more potent influences which were working against Indian hand manufactures during the above period. The Directors of the Company, however, who had a very vital commercial interest in these manufactures, said in 1810 as follows :—

“ As far as the use of those fabrics is superseded in these kingdoms by the cotton manufactures of this country, aided by high protecting Duties, there seems little prospect of recovery.”²

In this respect, India's own tariff arrangements, both internal and external, were not a little responsible for her being driven away both from her Asiatic and the home market.

The *laissez-faire* attitude adopted by the Indian Government towards the industrial development of the country until comparatively recent times³ is said to have been the outcome of an “ intellectual conviction ” and practical politics. We are of opinion that this conviction was based upon the special economic conditions which prevailed only in England during the greater part of the nineteenth century, that its reaction in India outside the domain of industries was not consistent, and that in India it was persisted in much longer than in England.

However, it should not be forgotten, as is generally done, that an industrial revival began in India about the 'seventies, and has continued, in some cases quite vigorously, up to the present times. This was brought about mainly by the

¹ Cf. Hamilton. *Trade Relations*. Preface. And Knowles *Economic Development*, p. 310.

² Parliamentary Paper, H.L. 139, 1810, Vol. III., p. 19.

³ Indian Industrial Commission, 1916-1918, pp. 63-74.

favourable conditions that were created primarily for the expansion of the trade in raw materials. The Crimean and the American Civil War practically created the two leading manufacturing industries of India, while a noteworthy advance was made in many other directions.

It is easy to be wise after the event. Still, it is our conviction that greater strides in the direction of industrialization could have been made if the tariff regulation of India and the active support of the Government had been directed towards it. In a country where the pressure of the population upon the soil is, and has been, what it is in India, the need of greater industrialization cannot be over-emphasized.

This brings us to the consideration of the three main causes or influences which developed the Indian foreign trade from 1857 to 1893, *i.e.*, transport, tariff, and exchange. It has been shown that the fall in the exchange value of the rupee had a very temporary effect, which would have disappeared by the play of economic forces even without legislative interference. But the remaining two influences revolutionized the foreign trade and intensified the economic revolution within the country. Mere transport facilities, however, would have failed to bring about the results, if India had not developed in the nineteenth century a vast amount of exportable wealth in return for which she was able to secure her imports.

APPENDIX

TABLE I.—(Referred to in p. 25)

*An Account of the Number of Ships and the Invoice-Values of
Cargoes returned by the Dutch East India Company to Holland
from 1707 to 1719.*

STAVORINUS. *Voyages to the East*, Vol. III., pp. 530–531.

Years.	Number of Ships.	Value of Cargoes in Florins.
1707	15	4,248,531
1708	18	5,219,728
1709	18	5,477,439
Totals in 3 years		14,945,698
1710	21	5,732,997
1711	20	5,311,869
1712	21	6,111,822
1713	17	4,684,643
1714	21	5,260,127
1715	27	7,730,000
1716	28	6,825,290
1717	28	7,299,511
1718	24	7,175,000
1719	30	8,352,000
Totals in 10 years : 237		64,473,259

11.5 Florins = £1. (Lawrie, *Universal Exchange Tables*.)

TABLE II.—(Referred to in p. 25)

An Account of the Number of Ships sent out by the East India Company of Holland, the number of men, and the amount of Specie they carried, the number of Ships returned, the Proceeds of Sales, and the Dividends on the Stock, from 1720 to 1729.

STAVORINUS. *Voyages to the East*, Vol. III., p. 532.

Years.	Ships Sent Out.	Crews.	Specie Carried Out.		Ships Returned.	Proceeds of Sales.			Dividends per cent.
			Fl.	s.		Fl.	s.	p.	
1720 .	36	8,205	4,125,000	0	26	19,597,874	12	0	40
1721 .	40	8,000	6,825,000	0	34	14,985,072	13	0	33½
1722 .	41	7,400	7,075,000	0	26	19,494,365	19	0	30
1723 .	38	7,785	6,887,000	0	29	16,247,505	17	0	12½
1724 .	38	6,425	7,419,000	0	31	20,577,447	9	0	15
1725 .	35	6,250	7,412,500	0	36	19,385,441	10	0	20
1726 .	38	6,850	7,675,000	0	32	21,312,626	8	0	25
1727 .	40	6,400	8,091,994	0	36	18,564,986	17	0	20
1728 .	34	5,800	5,558,100	0	28	20,322,402	0	0	15
1729 .	34	6,390	4,525,000	0	25	18,100,116	12	9	25
Total in 10 years	374	69,505	65,593,594	0	303	188,587,839	17	9	236
Average for Output	37 to 38	6,950	6,559,359	8	30 to 31	18,858,783	19	9	23½

TABLE III.—(Referred to in p. 25)

Invoice-Prices and the net Sale Proceeds of the Dutch East India Company from 1750 to 1759.

STAVORINUS. *Voyages to the East*, Vol. III., pp. 419-420.

Year.	Ships.	Invoices.		Sales.	
		Fl.		Fl.	
1750	22	7,372,177		19,024,209	
1751	24	9,630,682		16,670,614	
1752	20	7,883,361		23,133,580	
1753	22	10,259,866		17,317,037	
1754	22	8,859,297		19,840,766	
1755	22	9,652,485		19,806,077	
1756	25	8,421,419		19,890,066	
1757	26	8,935,720		14,829,367	
1758	22	6,506,717		18,934,386	
1759	28	8,437,469		18,817,328	
Total :	233	85,959,193		188,264,430	
Average of 10 years :	23	8,595,919		18,826,443	

TABLE IV.—(Referred to in p. 26)

Returns relating to the French East India Company. (Based on Abbé Raynal's Chart IV., No. 2 Atlas.)

Years.	Vessels Returned from India	Purchase Price in India.	Sale Price in France.
		Livres.	Livres.
1725-36	221	86,274,958	162,816,767
1737-46	159	94,851,921	179,731,336
1747-56	108	81,505,103	154,656,696
1757-66	59	39,660,087	64,887,906
1767-71	38	41,740,249	73,870,825
Total :	585	344,032,318	635,963,530

TABLE V.—(Referred to in p. 26)

Returns relating to the French East India Company (continued). (Based on Abbé Raynal's Chart IV., No. 2 Atlas.)

Years.	Vessels Sent Out.	Yearly Average of such Vessels.	Value of Merchandise sent to India.
			Livres.
1725-36	252	21	24,313,790
1737-46	206	20½	28,919,349
1747-56	180	18	41,891,214
1757-66	96	9½	22,807,246
1767-71	28	7	13,699,694
Total :	762		131,631,293

TABLE VI.—(Referred to in p. 27)
*Decennial Summary of Imports into and Exports from India to England, during the period of Fifty Years,
 1708-9 to 1757-8.*¹

Periods.	Imports into India from England.			Percentage Progress.	Sale Proceeds. Exports from India to England.	Percentage Progress.	Excess of Exports over Imports.
	Merchandise.	Bullion.	Total.				
1708- 9 to 1717-18	£ 1,177,126	£ 3,815,556	£ 4,992,682	100	£ 9,785,911	100	£ 4,793,229
1718-19 ,, 1727-28	1,119,912	5,663,167	6,783,079	136	14,669,093	150	7,886,014
1728-29 ,, 1737-38	1,389,789	5,135,197	6,524,986	130	16,026,383	163	9,501,397
1738-39 ,, 1747-48	1,895,659	5,228,338	7,123,997	143	18,062,970	185	10,938,973
1748-49 ,, 1757-58	2,767,309	7,668,610	10,435,919	220	21,452,595	219	11,016,574
Totals :	8,349,795	27,510,868	35,860,663		79,996,952		44,136,289

¹ Compiled from the figures of Mulburn, *Oriental Commerce*, Vol. I., pp. xlviii and liii.

TABLE VII.—(Referred to in p. 33)

*Decennial Totals, etc., of the Value of Goods sold at the East India Company's Sales, exclusive of Tea, 1708-1810.*¹

(Compiled from Macgregor's *Commercial Tariffs*, pp. 122-124.)

Year.	Total Sales.	Average Sales per Annum.	Value of Private Goods Sold at Company's Sales.
	£	£	£
1708 to 1720	10,810,949	831,619	
1721 „ 1730	12,515,231	1,251,523	
1731 „ 1740	13,758,774	1,375,877	
1741 „ 1750	15,333,444	1,533,344	
1751 „ 1760	13,657,786	1,365,778	
1761 „ 1770	16,876,931	1,687,693	
1771 „ 1780	25,144,681	2,514,468	1,755,279
1781 „ 1790	27,358,906	2,735,890	5,702,607
1791 „ 1800	49,535,993	4,953,599	15,854,883
1801 „ 1810	46,792,429	4,679,242	28,989,336

¹ The above includes the sales of all imports, both from India and China, with the exception of tea.

TABLE VIII.—(Referred to in pp. 33-34)

*Decennial Totals of Exports by the East India Company of Bullion and Merchandise to India, 1708-1810.*¹

(Compiled from Macgregor's *Commercial Tariffs*, pp. 119-121.)

Year.	Bullion.	Average per Annum.	Merchandise.	Average per Annum.
	£	£	£	£
1708 to 1720	4,683,557	360,273	1,283,732	128,373
1721 „ 1730	4,200,021	420,092	1,002,855	100,285
1731 „ 1740	3,851,393	385,139	1,447,973	144,797
1741 „ 1750	5,404,475	540,447	1,888,505	188,850
1751 „ 1760	3,771,831	377,183	2,885,119	288,511
1761 „ 1770	159,155	15,915	3,892,046	389,204
1771 „ 1780	138,611	13,861	3,761,057	376,105
1781 „ 1790	720,164	72,016	3,492,988	349,298
1791 „ 1800	1,853,226	185,322	6,640,576	664,057
1801 „ 1810	4,796,877	479,687	8,177,919	817,791

¹ The above figures refer to the exports to India only, and do not include those to China.

TABLE IX.—(Referred to in p. 91)

*Sale Account of Cotton Piece Goods, in the Years 1772-1796 inclusive, on the Average of Five Years.*¹

Year.	Quantity Sold.	Sale Amount.	Average per Annum.	Medium Price per Piece.
Inclusive.	Pieces.	£	£	£ s. d.
1772 to 1776	3,129,514	5,416,371	625,903	1 14 7
1777 „ 1781	2,575,127	4,400,862	515,025	1 14 4
1782 „ 1786	2,932,779	5,875,819	586,556	2 0 0
1787 „ 1791	3,546,128	6,067,044	709,255	1 14 2
1791 „ 1796	3,946,087	6,251,928	789,217	1 11 8
Total in 25 years :	16,129,635	28,012,024	643,993	1 14 8

¹ Appendix No. 47. Supplement to Fourth Report, 1812, p. 209.

TABLE X.—(Referred to in p. 91)
*Piece Goods imported from India to England and sold at Company's Sales, 1771 to 1792.*¹

Year.	Bengal Piece Goods.		Madras Piece Goods.		Surat Piece Goods.		Total.	
	Pieces.	Value. £	Pieces.	Value. £	Pieces.	Value. £	* Pieces.	Value. £
1771	604,757	1,073,841	114,710	261,893	131,198	91,300	850,665	1,427,034
1772	626,160	1,035,686	273,766	523,094	147,029	87,176	1,046,955	1,645,956
1773	761,489	1,224,467	134,789	505,533	58,138	65,231	954,416	1,795,231
1774	616,226	1,105,230	207,086	644,503	38,366	54,798	861,678	1,804,591
1775	517,761	960,244	181,950	583,793	47,405	62,355	747,116	1,666,364
1776	607,878	1,090,744	209,538	515,557	18,822	13,308	836,238	1,619,609
1777	655,332	1,114,734	224,183	492,926	83,024	48,468	962,539	1,656,128
1778	805,010	1,194,613	296,182	422,213	61,285	32,207	1,162,477	1,649,033
1779	338,465	524,630	74,676	203,186	31,525	13,230	444,666	741,052
1780	474,703	984,763	107,130	257,626	18,605	11,349	600,438	1,253,738
1781	301,617	582,116	95,868	233,643	33,144	23,129	430,629	838,888
1782	446,488	1,033,557	72,188	204,163	36,597	29,403	555,273	1,267,123
1783	437,802	1,049,224	—	—	82,966	79,944	520,768	1,129,168
1784	516,088	908,370	44,810	116,883	31,130	22,607	592,028	1,047,860
1785	768,228	1,426,252	45,352	115,632	26,767	18,963	840,347	1,560,847
1786	764,173	1,458,416	48,240	97,511	—	—	807,413	1,555,927
1787	745,449	1,317,934	38,641	84,598	41,882	28,560	825,972	1,431,992
1788	594,728	978,507	96,455	191,826	41,866	29,937	732,989	1,200,270
1789	614,839	943,096	112,216	225,169	44,715	33,357	771,770	1,201,622
1790	866,282	1,485,080	126,221	253,625	33,131	9,639	1,025,634	1,748,344
1791	709,540	1,131,717	144,906	475,590	57,080	44,380	911,616	1,651,687
1792	607,239	1,194,875	240,108	577,400	25,910	21,050	873,347	1,793,325

¹ Milburn. *Oriental Commerce*, Vol. II., p. 234.

TABLE XI.—(Referred to in p. 95)
*Value of Piece Goods sold at Company's Sales for the Company and Private Traders, 1793-94 to 1809-10.*¹

Year.	Company's Goods.		Privilege and Private Trade Goods.	Neutral and Prize Goods.	Total.
	Bengal	Madras and Surat.			
1793 to 1794	£ 1,216,801	£ 399,825	£ 180,729	£ —	£ 1,797,355
1794 " 1795	1,249,704	572,029	460,264	—	2,281,997
1795 " 1796	1,353,599	715,777	261,863	37,860	2,369,099
1796 " 1797	1,323,594	1,031,109	365,020	56,959	2,776,682
1797 " 1798	651,926	459,548	197,602	—	1,309,076
1798 " 1799	1,228,308	1,773,577	243,837	23	3,215,745
1799 " 1800	1,056,840	871,097	340,567	4,888	2,273,392
1800 " 1801	1,406,876	1,169,155	285,813	—	2,861,847
1801 " 1802	1,131,531	817,955	431,788	—	2,381,274
1802 " 1803	664,317	700,477	1,070,242	—	2,435,036
1803 " 1804	672,079	516,928	1,060,612	4,643	2,254,262
1804 " 1805	444,114	164,411	853,904	—	1,762,429
1805 " 1806	621,862	614,317	772,517	—	2,008,696
1806 " 1807	498,233	278,977	201,107	—	978,317
1807 " 1808	260,307	172,574	111,543	—	544,424
1808 " 1809	376,516	353,121	65,533	4,477	799,647
1809 " 1810	333,768	769,870	77,564	71	1,181,273

¹ Milburn. *Oriental Commerce*, Vol. II., p. 235.

TABLE XII.—(Referred to in p. 95)

Sale Account of Privilege and Private Trade Goods, sold at the East India Company's Sales, 1793-4 to 1809-10 (India).¹

Years.	Privilege Trade.	Private Trade.	Total.
	£	£	£
1793 to 1794	181,710	411,929	623,639
1794 „ 1795	469,879	373,868	843,747
1795 „ 1796	409,787	458,541	868,328
1796 „ 1797	678,749	274,812	953,561
1797 „ 1798	646,747	293,160	939,907
1798 „ 1799	881,662	448,061	1,329,723
1799 „ 1800	1,747,139	370,808	2,117,947
1800 „ 1801	1,566,972	546,419	2,113,391
1801 „ 1802	1,724,217	268,427	1,992,644
1802 „ 1803	2,586,581	456,052	3,042,633
1803 „ 1804	1,860,734	315,303	2,176,037
1804 „ 1805	1,853,050	570,986	2,424,036
1805 „ 1806	1,722,972	728,110	2,451,082
1806 „ 1807	1,028,762	424,846	1,453,608
1807 „ 1808	1,931,685	617,876	2,549,561
1808 „ 1809	797,229	520,603	1,317,832
1809 „ 1810	1,129,408	433,275	1,562,683
Total :	21,217,283	7,543,076	28,760,359

¹ Appendix No. 45 to the Fourth Report from the Select Committee on the Affairs of the East India Company, 1812, p. 514.

TABLE XIII.—(Referred to in p. 110)

Years.	Company's Goods (Cottons).	Licensed Private Trade Goods.	Total Cottons Sold.	Value of Exports of British Cotton Manufacturers to Places East of Cape Good Hope except China.
	£	£	£	£
1815 to 1816	980,920	504,029	1,484,949	142,410
1816 „ 1817	647,739	269,905	917,644	160,534
1817 „ 1818	797,689	262,941	1,060,630	422,814
1818 „ 1819	723,283	250,836	974,119	700,892
1819 „ 1820	587,029	139,846	726,875	461,268
1820 „ 1821	628,491	172,826	801,317	834,118
1821 „ 1822	597,570	101,372	699,242	1,084,440
1822 „ 1823	547,166	202,146	749,312	1,145,057
1823 „ 1824	395,468	239,576	635,044	1,128,468
1824 „ 1825	379,423	296,200	675,623	1,113,477
1825 „ 1826	198,660	407,602	606,262	1,036,871
1826 „ 1827	195,771	391,664	587,435	994,019
1827 „ 1828	170,100	229,298	399,398	1,614,517
1828 „ 1829	144,810	111,491	256,301	1,621,560
1829 „ 1830	186,196	113,926	300,122	1,453,404
1830 „ 1831	186,375	150,832	337,207	1,760,552
1831 „ 1832	152,312	160,532	312,844	1,419,995
1832 „ 1833	155,075	273,812	428,887	1,531,393
1833 „ 1834	167,562	226,035	393,597	1,173,639

Macgregor. *Commercial Tariffs*, Digest, Vol. IV., pp. 412, 434-440.

TABLE XIV.—(Referred to in p. 111)

No. 9.—BRITISH CALICOES, ETC.

Prices in October, 1813 and in October, 1828.

6/4 Cambrics, 12 yds.	.	.	Per Piece.	20/-	8/6
Do.	Do.	.	.	27/-	11/9
Do.	Do.	.	.	32/-	14/-
Do.	Do.	.	.	39/-	16/6
			Per Yard.		
9/8 Shirting	Do.	.	.	14½d.	6d.
Do.	Do.	.	.	23d.	10d.
Do.	Do.	.	.	2/-	12d.
Do.	Do.	.	.	2/4	14d.
			Per Doz.		
9/8 Cambric Handkerchiefs	.	.	.	12/9	6/-

Those goods made in 1828, although of the same fineness in the loom and the material, are at least 10 per cent. better, the material being better and better made.

No. 10

Statement of the Relative Prices of the following marks of Cotton Piece Goods at the Company's Sales, in the years 1813 and 1828.

COMPANY'S COAST WHITE PIECE GOODS

Yards.	Average Sale Price per Piece in 1813.	Average Sale Price per Piece in 1828
Longcloth V ₂ —37½ yds. .	44/8	14/2
Do. I ₃ —37 „ .	44/6	14/4

(Papers relative to the Trade with India and China ; June 4th, 1829.) H.C. Paper, 1829, No. 285.

TABLE XV.—(Referred to in p. 112)

An Account of Imports and Exports between Great Britain and all Places to the Eastward of the Cape of Good Hope (excepting China), distinguishing Private Trade from that of the East India Company, from 1813 to 1828.¹

	Value of Imports into Great Britain, according to Prices at the Company's Sales.			Value of Exports from Great Britain.		
	East India Company.	Private Trade	Total Imports	East India Company.	Private Trade	Total Exports.
1814	£ 4,208,079	£ 4,435,196	£ 8,643,275	£ 826,558	£ 1,048,132	£ 1,874,690
1815	3,016,550	5,119,611	8,136,167	996,248	1,560,513	2,556,761
1816	2,027,703	4,402,082	6,429,785	633,546	1,955,909	2,589,455
1817	2,323,630	4,541,956	6,865,586	638,382	2,750,333	3,388,715
1818	2,305,003	6,901,144	9,206,147	553,385	3,018,779	3,572,164
1819	1,932,401	4,683,307	6,615,708	760,508	1,586,575	2,347,083
1820	1,757,137	4,201,389	5,958,526	971,096	2,066,815	3,037,911
1821	1,743,733	3,931,413	4,775,146	887,610	2,656,776	3,544,395
1822	1,092,329	2,621,334	3,713,663	600,080	2,838,354	3,444,443
1823	1,587,078	4,344,973	5,932,051	458,550	2,957,705	3,416,255
1824	1,194,753	4,410,347	5,605,100	654,783	2,841,795	3,496,578
1825	1,462,692	4,716,083	6,178,775	598,553	2,574,660	3,173,213
1826	1,520,060	5,210,860	6,730,920	990,964	2,480,588	3,471,552
1827	1,612,480	4,068,537	5,681,017	805,610	3,830,580	4,636,190
1828	1,930,107	5,135,073	7,065,180	488,601	3,979,072	4,467,673

¹ H.C., 1830, Vol. 28, Paper 22, p. 83.

TABLE XVI.—(Referred to in p. 175)

Act IX. of 1845

Rates of Duty to be charged on the following Goods imported by Sea into any Port of the Presidencies of Fort William in Bengal, Bombay, or Fort St. George.

Enumeration of Goods.	When Imported on British Bottoms.	When Imported on Foreign Bottoms.
(1) Marine Stores, the produce or manufacture of United Kingdom or of any British Possession	5 per cent.	10 per cent.
(2) Marine Stores—the produce of any other place	10 „	20 „
(3) Metals, wrought or unwrought—United Kingdom or any British Possession	5 „	10 „
(4) Metals—any other place	10 „	20 „
(5) Woollens—United Kingdom or any British Possession	5 „	10 „
(6) Woollens—any other place	10 „	20 „
(7) Cotton and Silk piece goods, and all manufactures of Cotton or Silk, except thread, twist and yarn, or of Cotton, or Silk mixed with any other material, produce of United Kingdom or any British Possession	5 „	10 „
(8) Ditto—the produce of any other place	10 „	20 „
(9) Cotton thread, twist and yarn, produce of United Kingdom or any British Possession	3½ „	7 „
(10) Ditto—the produce of any other place	7 „	14 „
(11) Porter, ale, beer, cyder, etc.	5 „	10 „
(12) Wines and Liqueurs—per gall.	1 Rupee	2 Rupees
(13) Spirits Imp. „	1 „ and 8 annas	3 Rupees
(14) All manufactured articles, not included in the above enumeration	5 per cent.	10 per cent.

TABLE XVII.—(Referred to in pp. 151-152)

Total Value of the Imports and Exports of British India, by Sea, from and to Foreign Countries, in each of the Years 1835-1858.

Years.	Imports.	Exports.	Excess of Exports over Imports.
	£	£	£
1835 . .	6,154,129	8,188,161	2,034,032
1836 . .	6,928,312	11,214,604	5,714,292
1837 . .	7,573,157	13,504,117	5,930,960
1838 . .	7,672,572	11,583,436	3,910,864
1839 . .	8,251,596	12,122,675	3,871,079
1840 . .	7,776,501	11,333,268	3,556,767
1841 . .	10,202,193	13,822,070	3,599,877
1842 . .	9,629,901	14,340,294	4,710,393
1843 . .	11,046,894	13,767,621	2,720,727
1844 . .	13,612,476	17,999,554	4,387,078
1845 . .	14,506,537	17,697,052	3,190,515
1846 . .	11,583,438	17,844,702	6,261,264
1847 . .	11,830,587	16,069,307	4,232,721
1848 . .	10,571,008	14,738,435	4,267,427
1849 . .	12,549,307	18,628,244	6,078,937
1850 . .	13,696,696	18,283,543	4,586,847
1851 . .	15,370,598	18,705,439	3,334,839
1852 . .	17,292,549	20,798,342	3,505,793
1853 . .	16,902,240	21,519,863	4,617,623
1854 . .	15,994,613	20,778,435	4,783,822
1855 . .	14,770,927	20,194,255	5,423,328
			Excess of Imports.
1856 . .	25,244,782	23,639,435	1,605,347
1857 . .	28,608,284	26,591,877	2,016,407
1858 . .	31,093,065	28,278,474	2,814,591

Statistical Abstract relating to British India, 1840-1865.

TABLE XVIIA.—(Referred to in p. 151)

Quinquennial Averages of the Values of Imports into and Exports from India, during the Period 1834-1859.

IMPORTS.

Average of Five Years.	Merchandise.	Treasure.	Total.
	£	£	£
1834 to 1839 .	4,970,000	2,345,000	7,315,000
1839 „ 1844 .	7,691,428	2,762,164	10,353,592
1844 „ 1849 .	9,131,612	3,073,249	12,204,861
1849 „ 1854 .	10,756,134	4,474,107	15,230,241
1854 „ 1859 .	15,365,934	11,223,107	26,589,041

EXPORTS.

Average of Five Years.	Merchandise.	Treasure.	Total.
	£	£	£
1834 to 1839 .	11,071,529	251,069	11,322,598
1839 „ 1844 .	13,789,769	462,795	14,252,564
1844 „ 1849 .	15,675,044	1,320,503	16,995,547
1849 „ 1854 .	14,899,594	646,469	15,546,063
1854 „ 1859 .	22,187,736	850,605	23,038,341

Financial Statement, 1860, p. 107.

TABLE XVIII.—(Referred to in p. 152)

Value of the Principal Articles of Export from India from 1849 to 1857.

Principal Articles.	1849.	1851.	1853.	1855.	1857.
	£	£	£	£	£
Coffee	75,723	100,509	97,490	82,804	132,819
Cotton (raw)	1,775,309	3,474,789	3,629,494	2,428,764	1,437,949
Cotton goods (including twist and yarn)	690,585	673,549	930,877	817,103	882,241
Grain (rice, wheat, etc)	858,691	752,295	889,160	1,742,530	2,581,456
Hides and skins	193,765	324,444	337,849	402,392	572,530
Indigo	2,093,474	1,980,896	1,809,685	1,701,825	1,937,907
Jute	68,717	196,936	112,617	229,241	274,957
Opium	5,772,526	5,459,135	7,034,075	6,231,278	7,056,630
Seeds of all sorts	71,092	341,514	448,770	812,799	1,118,654
Silk (raw)	713,632	619,319	667,545	500,105	782,140
Silk goods	302,322	355,223	315,305	263,453	281,450
Sugar	1,814,404	1,823,789	1,729,762	1,135,699	1,786,077
Tea	35,525	33,979	58,113	40,504	121,061

Statistical Abstract relating to British India, 1840–1865, pp. 52–53

TABLE XIX.—(Referred to in p. 152)

Value of the Principal Articles Imported into India from 1849 to 1857.

Principal Articles.	1849.	1851.	1853.	1855.	1857.
	£	£	£	£	£
Cotton, twist and yarn	909,016	1,039,329	1,300,500	1,274,098	1,191,974
Cotton goods	2,222,089	3,642,361	3,667,433	5,403,244	4,941,353
Machinery of all kinds	18,064	20,666	26,457	126,303	244,433
Metal manufactures	203,997	245,393	217,187	312,304	558,329
Silk goods	123,505	111,554	110,546	197,510	106,333
Woollen goods	111,815	218,848	142,027	171,065	143,797
Sugar, candy and loaf	220,327	439,187	292,941	263,760	111,343

Statistical Abstract relating to British India, 1840–1865, pp. 46 and 47.

TABLE XX.—(Referred to in p. 153)
Quinquennial Averages of the Values of the Import into and Export from Bengal, Madras, and Bombay, of Merchandise and Treasure from 1834-35 to 1854-55.

IMPORTS.

Years.	Merchandise and Treasure.			Total.
	Bengal.	Madras.	Bombay.	
	£	£	£	£
1834 to 1839 .	3,252,455	685,096	3,378,400	7,315,951
1839 „ 1844 .	5,424,242	761,355	4,267,993	10,453,590
1844 „ 1849 .	6,515,571	1,092,151	4,801,651	12,409,373
1849 „ 1854 .	7,868,722	1,278,092	6,714,524	15,851,338
1854 „ 1859 .	13,174,514	2,183,132	11,440,894	26,798,540

EXPORTS.

Years.	Merchandise and Treasure.			Total.
	Bengal.	Madras.	Bombay.	
	£	£	£	£
1834 to 1839 .	6,092,442	1,136,245	4,093,909	11,322,598
1839 „ 1844 .	8,189,305	1,294,001	4,769,253	14,252,559
1844 „ 1849 .	9,705,592	1,641,136	5,048,818	16,995,546
1849 „ 1854 .	10,647,361	1,825,577	7,544,225	20,017,162
1854 „ 1859 .	13,127,217	2,280,476	10,439,574	25,847,267

Compiled from House of Commons, 1852, Appendix 3, and Statistical Abstract relating to British India, 1840-1865.

TABLE XXI.—(Referred to in p. 159)
Statement showing the Values of Imports and Exports of India (exclusive of Treasure), and the number of Miles of Railways at the End of each Year.
Report to the Secretary of State for India, on Railways in India, 1880-81, p. 59.

Year.	Value of Imports of Merchandise.	Value of Exports of Merchandise.	Total Value.	Miles of Railway Open.
	£	£	£	
1860 to 1861 .	23,493,716	32,970,605	56,464,321	840
1865 „ 1866 .	29,599,228	65,491,123	95,090,351	3,373
1870 „ 1871 .	34,469,119	55,336,186	89,805,305	4,775
1875 „ 1876 .	38,891,656	58,091,495	96,983,151	6,519
1880 „ 1881 .	50,278,875	74,517,957	124,796,832	9,325

TABLE XXII.—(Referred to in p. 159)
Statistics of Indian Imports and Exports, as the various districts were brought into communication with the Seaboard. Appendix No. 50. To Report from the Select Committee of East Indian Railways, 1884, p. 595.

	1869-70.	1874-75.	1879-80.	1880-81	1881-82.	1882-83.
Railway Mileage open . . .	4,586	6,332	8,775	9,510	9,906	10,144
Import of Piece Goods, yards .	928,044,801	1,052,703,546	1,500,773,081	1,802,506,892	1,646,455,585	1,658,394,010
Import of Iron & Steel, tons .	90,670	78,427	110,356	137,432	131,366	179,686
Total Imports : Value, £	32,927,520	36,222,113	41,166,003	53,116,770	49,113,374	52,095,710
Exports of Wheat, cwt. .	78,208	1,073,655	2,201,515	7,444,375	19,901,005	14,193,763
Exports of Seeds.	4,379,784	6,074,756	7,246,182	10,303,776	10,482,512	13,147,982
Total Exports : Value, £	52,471,376	56,359,240	67,212,363	74,580,602	81,968,451	83,485,122
State Revenue, £	50,900,000	58,920,000	68,140,000	72,150,000	73,690,000	70,195,000

TABLE XXIII.—(Referred to in pp. 169-170)

Value of Private Merchandise and Treasure Imported into British India, via the Suez Canal, in Tens of Rupees.

	1875-76.	1880-81.	1886-87.	1893-94.	1894-95.
Total merchandise from all parts and by all routes .	37·11	50·31	58·66	73·96	70·17
Proportion by <i>Suez Canal</i> .	26·82	40·27	48·73	60·31	58·64
„ by <i>other routes</i> .	10·29	10·04	9·93	13·65	11·53
Percentage by <i>Suez Canal</i> .	72·25	80·04	83·11	81·55	83·57
„ by <i>other routes</i> .	27·75	19·96	16·99	18·45	16·43
Total treasure or bullion from all parts and by all routes .	5·30	8·99	11·05	18·42	9·56
Proportion by <i>Suez Canal</i> .	2·45	5·28	6·44	14·09	7·38
„ by <i>other routes</i> .	2·85	3·72	4·61	4·33	2·18
Percentage by <i>Suez Canal</i> .	46·20	58·68	58·23	76·50	77·22
„ by <i>other routes</i> .	53·80	41·32	41·77	23·50	22·78
Total merchandise and bullion from all parts and by all routes	42·41	59·31	69·71	92·38	79·73
Proportion by <i>Suez Canal</i> .	29·27	45·55	55·16	74·40	69·79
„ by <i>other routes</i> .	13·14	13·76	14·55	17·98	9·94
Percentage total import trade by <i>Suez Canal</i>	69·02	76·80	79·13	80·55	87·55
Percentage total import trade by <i>other routes</i>	30·98	23·20	20·87	19·45	12·45

Prepared from *Statistical Abstract relating to British India.*

TABLE XXIV.—(Referred to in pp. 169-170)

*Value of Private Merchandise and Treasure Exported from India,
via the Suez Canal, in Tens of Rupees.*

	1875-76.	1880-81.	1886-87.	1893-94.	1894-95.
Total merchandise to all parts and by all routes . . .	58·05	74·53	88·43	106·44	108·81
Proportion by <i>Suez Canal</i> . . .	21·81	33·22	48·94	67·19	65·57
„ by <i>other routes</i> . . .	36·24	41·31	39·49	39·25	43·24
Percentage by <i>Suez Canal</i> . . .	37·57	44·58	55·34	63·41	60·27
„ by <i>other routes</i> . . .	62·43	55·42	44·66	36·59	39·73
Total Treasure or bullion to all parts and by all routes . . .	2·11	1·41	1·68	4·02	8·16
Proportion by <i>Suez Canal</i> . . .	0·37	1·18	0·84	2·60	6·78
„ by <i>other routes</i> . . .	1·74	1·23	0·84	1·42	1·38
Percentage by <i>Suez Canal</i> . . .	17·73	12·58	49·81	64·60	16·91
„ by <i>other routes</i> . . .	82·27	87·49	50·19	35·40	83·09
Total trade, merchandise and bullion to all parts and by all routes	60·16	75·94	90·11	110·47	116·97
Proportion by <i>Suez Canal</i> . . .	22·19	33·40	49·77	69·79	72·35
„ by <i>other routes</i> . . .	37·78	42·54	40·34	40·68	44·62
Percentage by <i>Suez Canal</i> . . .	36·88	43·99	55·24	63·18	61·86
„ by <i>other routes</i> . . .	63·12	56·01	44·76	36·82	38·14

Prepared from *Statistical Abstract relating to British India.*

TABLE XXV.—(Referred to in p. 173)
Value and Quantity of the following Articles exported from India.

	1899.		1873-74.		1882-83.		1891-92.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Coffee . . .	lb.	£	cwt.	£	cwt.	£	cwt.	Rupees.
Cotton (raw) . . .	47,788,773	1,121,032	—	—	364,008	1,419,131	316,197	2,023,740
	697,630,796	20,149,825	4,499,698	13,212,241	6,108,278	16,049,017	4,429,679	10,763,559
	No.				No.		No.	
Hides and skins . . .	11,104,039	1,252,898	—	—	26,539,888	4,444,946	35,867,427	5,186,738
	cwt.		cwt.		cwt.		cwt.	
Jute (raw) . . .	3,363,648		6,127,279	3,436,015	10,348,909	5,846,926	8,532,430	6,848,493
	No.				Bags.		Bags.	
Jute manufactured . . .	5,630,219	2,077,203	6,594,694	201,669	66,737,651	1,487,831	106,250,612	2,513,194
	Pieces						Cloth yards.	
	238,366						37,289,300	
	cwt.						cwt.	
Oil seeds . . .	3,984,541	1,994,888		2,361,451		7,205,924	19,165,688	12,210,542
	lb		cwt.		lb.		lb.	
Tea . . .	11,480,213	983,757	19,324,235	1,742,926	57,766,225	3,699,496	123,518,069	6,283,870
Tobacco.		47,358				117,157		141,403
	cwt.		cwt.				cwt.	
Wheat	275,481	—	1,755,954	827,606	14,193,763	6,088,814	30,307,000	14,380,462
Rice	15,051,211	—	20,245,385	5,549,798	31,258,288	8,476,327	32,740,000	13,296,792

Compiled from *Statistical Abstract and Moral and Material Progress of India.*

TABLE XXVI.—(Referred to in p. 188)

Quinquennial Averages and Index Numbers of Indian Foreign Trade, from 1867 to 1897.

Official Years.	Imports.	Exports.	Index Numbers. With 1867-68 to 1871-72, as Base.		
	In Crores and Lakhs of Rupees. Five Years' Average.		Exchange (Rupee Sterling).	Imports.	Exports.
1867-68 to 1871-72 .	34.24	54.99	100	100	100
1872-73 to 1876-77 .	35.65	57.14	92	104	104
1877-78 to 1881-82 .	44.53	69.98	84	130	127
1882-83 to 1886-87 .	56.10	85.45	79	164	155
1887-88 to 1891-92 .	69.01	99.89	70	202	182
1892-93 to 1896-97 .	73.17	108.06	59	213	196

Prepared from *Fowler Commission Report*, 1899, Index and Appendices (c-9376), p. 80.

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