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COMMERCIAL AGRICULTURE, AND IMPERIALISM OF FREE TRADE IN THE 19TH CENTURY

During the second half of Nineteenth Century fundamental and far reaching changes took place in India's economy. According to Vera Anstey the Industrial Revolution in England, followed by the improvement in transport and communication, brought about a complete revolution both in the size and nature of India's foreign trade and contributed towards a peculiar inter-dependence between India and the West; whereby India produced and exported raw material and foodstuff and imported textile and steel goods machinery and miscellaneous manufactured articles.

Before examining the components of such an economy, it is interesting to note the attitude of modern British writers towards the British imperial policy in the 19th century. It has been conventionally held that the mid-Victorian era was an anti-imperial phase, which was followed by the great imperial expansion, towards the end of the century. This view has lately been rejected by Professors Robinson and Gallagher in their essay "Imperialism of Free Trade",[1] they argue that there was a fundamental continuity of British imperial policy throughout the 19th century and in fact the imperial expansion reached its most valuable target during the mid-Victorian period. What is more important and relevant is that India's intensive development is referred as an example to support the hypothesis. It is interesting to note that the two professors have contested the view that the economic development during the era of imperialism was based on a policy of *Laissez faire*. They maintain that particularly in the case of the development of India, this was not applicable, that throughout the British Raj, India was subjected to intensive development as an economic colony along the best Mercantile lines. As a governing power, it was possible for Britain to extort taxes and monopolise such valuable primary products as opium and salt. It promoted those products required by the home industries. Besides manipulating tariffs to help British exports, railways were constructed at high and guaranteed rates of interest, so as to make the interior of the continent accessible. All these techniques of direct political control were employed which were contrary to the so called age of *Laissez faire*.

In our study of Commercial agriculture Harnetty's method has been adopted in applying the above theory of government manipulation of tariffs in the interest of Lancashire Cotton Industry between 1859-1862, to illustrate the adjustment of British free trade doctrine with the imperial interests of Britain with complete disregard to the serious condition of India's finance in the middle of the 19th century.

Commercial agriculture itself was not purely a creation of British Government, as India's economy was basically agrarian in nature. However as B. B. Chaudhry maintained, it did have a marked difference in its volume and variety and organization of the production of commercial crops.

It is understandable in the context and framework of the above discussion that the selection of crops for commercial transaction was based on industrial needs of the Western market. The economic changes in Europe in the 2nd and 3rd quarters of the 19th century were due to the use of steam power not only in the factory but also in communications, inland and overseas which opened new markets, and tapped supplies of raw material. The railways and steamship made it possible for the European power manufacturers to offer Indian farmers much better terms than the Indian village craftsman could give. According to Buchanan changes which India experienced are better described as commercial rather than Industrial revolution, as special impetus was given to commercializing such crops as indigo, opium, cotton, jute and tea etc. Control over the production of silk and sugarcane was probably not possible, due to the extensive consumption of silk and unrefined sugar within the country, rigorous control would have been required at strategic points to dislodge indigenous merchants from their business. In the same manner it was difficult to control the production of food grain.

Poppy and indigo cultivators had two marked features, firstly they both had to compete with established crops for land, poppy particularly required best cultivatable land, secondly it is important to note that the commercialization of these crops was not based on organised capitalist farming. The government continued throughout to depend on peasants with small holdings to grow poppy. Efforts to grow indigo failed and it was only later in the stage of history that planters were able to grow indigo in their own lands with hired labour.

The system of agriculture in India is characterized by the system of advancing loans to cultivators whether by merchants, capitalists or by big landed classes who thereby acquired some sort of claim to the product. In the case of poppy, the grower could obtain loans on high interest without involving any claim over the product. However other methods were adopted for securing possession of the crop. In the case of indigo the aim of advancing loan was not to get interest but to utilise peasants land, labour and other means of production itself, and often the advances were means of controlling the peasants themselves. While the government utilised its surplus revenue to give stability to the poppy product, the cultivator of the indigo depended upon a variety of local resources and the failure of the crop often involved indigo plantation in a critical situation.

The net returns for both crops were much less than other cash crops. Like potatoes and sugarcane, the price given to peasants for their produce was low. Advances and other means were adopted by the Government to coerce the cultivators to keep the system working.

Opium

The production of opium differed from other crops as it was associated with a particular cycle of trade relations between Britain, China and India. The Anglo-Chinese trade was unfavourable for Britain, it was mainly one way traffic of goods while Britain obtained silk and tea from China, it had little to offer in return. When East India Company lost its trade in cotton piece goods due to the opposition by English cotton manufactures, it concentrated more and more on importation of tea, so much that by the time the Company lost its monopoly, accordning to Greenberg, tea provided one tenth of the total England revenue and the whole profit of the East India company....“tea had become the *raison d'etre* of the company”. In exchange for tea from China it was neither profitable nor sound to rely on exporting bullion. As a result two Indian products cotton and opium were exported to China. Trade in Indian cotton did not make much headway, while trade in opium consolidated its position in the Eastern market, and helped to pay for China trade in London. In course of time trade in opium assumed great importance not only between India and China but in the whole of the financial and commercial world. The expanding opium trade led to the expansion of poppy cultivation and the importance of its economy led the company's government to take over its monopoly in Bengal in 1773. A policy was whereby adopted for the next half century, firstly, to restrict internal consumption. Secondly, to confine poppy cultivation to select regions best suited to it. Thirdly, to raise large revenue from the export trade in opium and materially increasing the supply to Calcutta.

The monopoly of Bengal opium within a couple of decade came to be threatened by rival trade from native state of Malwa, and Turkey. The increasing demand in the east had placed the superior quality and high price of Bengal opium beyond the reach of the poorer classes. Efforts made to control Malwa's opium trade failed and the Government had to abandon its policy of controlling the quality of opium in its dominion. The government accordingly changed its policy of expanding opium cultivation so that its price could compare favourably with Malwa.

The next crisis in opium production occurred in late 1830's, when the Chinese government stiffened its attitude towards opium, resulting in depressing the market in England and India. To meet the difficulties of an over stuff market, the cultivation of poppy was discouraged and the price of opium fell by four annas. Though the market recovered within a few years, the Bengal government continued its policy of restricting production, thus preferring to raise prices by restrictive cultivation.

However, it was soon found that restrictions were a hindrance to government's profit, and in 1850 its cultivation was again expanded, within a few years government again came to fear the overstocking of China market to be due to excessive prices and restriction was again imposed, and the price paid to the ryot was reduced. The Government continued to readjust its policy according to the rise and fall of the opium market. It was only at the end of the 60's that the Government adopted a policy whereby the problem of maintaining a certain level of cultivation was examined and any excess was built as reserve from Government to draw on in a lean year.

An important element of regulating products was the price paid to the peasant cultivator, if the Government was not interested in increasing cultivation, it was also reluctant to increase the price, and it was only crisis that price perforce was raised. When opium from Malwa threatened the company's trade the Government raised its price, when this subsided the opium trade was restricted, in 1839 the price again fell by four annas and this was repeated in 1850 and 1855. By the end of 1850's the Bihar cultivation fell from 450,125 to 341,502 bighas resulting in the loss of revenue. Government then increased its price by four annas and within two years by an other one rupee twelve annas, the peasants were assured of high prices for the next four years on improved cultivation.

In the early days the company's monopoly worked through a contract system whereby opium was purchased. As price offered by government was low it left little profit to the contractor, resulting in either adulteration or cut in prices paid to the peasants. Dissatisfied with this system the Government dismissed the contractors and took over the opium production through agents. Yet, the low prices continued and the peasants whenever possible disposed of small amounts secretly to pyakar, small entrepreneurs, at a price some times six times as much as the monopoly price, making them careless about fulfilling the Government demand.

The Government passed rigorous set of laws for regulating production and the sale of opium. By regulation VI, 1799, the peasant was forced to cultivate a given quantity of land for which he was given advances failing which he had to pay three times the amount of advance on each bigha. Severe measures were taken for not handing over the total produce based on the estimate of the ripe crop. By Act XIII of 1857, the peasant who cultivated crops, was exposed to summary process to repay the advances, when crops failed to reach maturity. By earlier laws he was not held responsible for failing to deliver opium according to the estimated crop, if it was not due to neglect or embezzlement.

Opium together with indigo cultivation became increasingly unpopular among the peasants. Economic changes like rising prices, improvement of communications, extension of local and foreign markets in the 2nd half of 19th century tended to weaken the basis of compulsion creating a tension which destroyed the whole system. The cultivation of opium and indigo was replaced by potatoes and sugarcane.

Indigo

By the 18th century production of indigo began to be developed as an important commercial crop. After an initial loss in production, the market recovered when the British possession in West Indies changed over from indigo to coffee.

Cultivation of indigo was favoured by two factors, the stabilization of company's political control over Bengal and the proverbial cheapness of labour in the province. The company claimed that indigo rendered the company's possession in Bengal more valuable by creating from soil, and labour of the natives an export commerce capable of being carried to a very great extent.

The new trade was looked on as a convenient mode of remitting income home for the company's servant. Moreover the company itself began to buy indigo in place of Bills of exchange as means of transmitting funds to England. Although the company had complete monopoly of trade, in order to encourage indigo production, it gave permission to any one to deal in it for three years and also offered low rates of shipment.

Indigo's position in Bengal was further consolidated by two circumstances. Firstly, the sharp decline in cotton piece goods, was followed by decline in silk trade and the directors considered indigo to be an adequate replacement. Secondly import of indigo into Bengal from other areas was discouraged so that Bengal could build up her monopoly. Experienced planters were brought from West Indies, company's own officers as well as others were encouraged to enter the interior and to develop plantations. Planters seldom came out from Europe with capital, until 1830 none did so, and capital was raised by borrowing from the company's Government in Bengal and other agency houses. Interest rates were high ranging from ten to twelve per cent. The agency houses borrowed with one hand and loaned on the other, charging 2½ per cent. Thus the agency houses became Calcutta's agents for plantation, and received commission on purchases and various other transactions including 2 per cent on sale.

In fact the entire system of indigo production was inextricably bound up with the agency houses. Any setback or reverses suffered by the houses, immediately had its impact on production of indigo. When the houses fell between 1826-27 to 1833-34, the entire system of indigo production passed through a great crisis. B.B. Chaudhry gives three causes for this. Firstly, the weak structure of capital and formation of the houses. Secondly, declining trade of the houses and the circumstances which further weakened the structure. Thirdly, a change in the attitude of the Government in regard to financial assistance to the houses in distress. In 1829, 13,00,000 acres were planted and some 9,00,000 pounds of indigo exported, the amount increased moderately. One estimate placed the value of 1829 crop at 2½ and 3 million sterlings, the largest amount ever exported in one year was worth 3½ million sterlings. While the mercantilists' were impressed with indigo bringing 30,00,000 sterling from abroad, the Lieutenant Governor of Bengal stated in 1866 that there was a loss of Rs. 20 on every acre planted where else productive resources could have been devoted more profitable to other crops. In Bengal it was generally considered a loss.

Britain was the principal market, but large amount of surplus was sent to the continent and America. The poorer quality was consumed in India or sent to Japan, China, Egypt, Turkey and Arabia.

The manufacturing factory was in close proximity to the cultivation, due to the necessity of processing the plant as soon after it was cut, and more often than not both were considered part of the same single enterprise. The cultivation was the difficult part and gave rise to much in feelings between planters and the ryot workers. There were two types of indigo cultivation, Ryoti or Asameewar and Neez or Zerat. Each had its own organization. Under ryoti the small holdings of peasants was the unit of production, except for the small capital loaned by the planter, the peasants provided the necessary means of production. Cultivation was done under a written contract and the entire cultivation was at the risk of the ryot. The ryot had to hand over the entire produce at a fixed price. The Neez cultivation was done on the planters own lands and the entire process was financed by him at his own risk. The peasant hired out his labour or his plough if he could spare them.

The Ryoti system was predominant part of the production till the 60's of the 19th century, thereafter the resistance of the indigo peasants brought about a change. In fact the system broke down in lower Bengal, and in Bihar it continued in the form of Neez system, where it was known as Assameewar.

The advances made to Ryots was commonly from 5 to 10 years, the amount being running. The Ryots sank deeper and deeper in debts, most frequently the crops failed to pay the advance or the Ryot was fined for damage done by the capital or some other failure to abide by the terms.

In 1860 serious trouble broke out in lower Bengal, when the Ryot refused to enter into new contracts and many refused to be bound by the old ones. The Indigo Commission appointed to investigate, found out that "Whether the Ryot took his original advance with reluctance or cheerfulness", he was "never afterwards a freeman". Hereditary debts continued for generations particularly in Bengal. In Bihar, Madras and U. P. annual supplements were common and Ryots were allowed half the contract price of the plant even though the crops failed utterly. The success of the debt system was based on deceit and oppression, often he was subjected to blackmail and extortion by the planters or his men, in numerous cases he was prisoner until he complied with the planter's wishes. The Indigo Commission made it clear that the agreement was not heritable and the industry shifted to Bihar where practice was more liberal. However advances were not discontinued but they were no longer considered chief instrument of guaranteeing a steady supply of produce.

In Bihar the Zamindars gave short period leases known as Thickadar. The Thickadari system gave the planters an absolute control over the peasant's means of production for the cultivation of indigo. This system could become hereditary, if loan was not paid the planter remained legal holder of the Ryot holdings.

The acreage and production of indigo fell repidly after 1890, and in 1901 it was half of what it was in 1890, due to the use of coaltar dye, indigo lost its market. The acreage and production increased during the war but it fell at the end and continued to decline thereafter.

Cotton

The most important indigenous industry effected by the 19th century trade policy was Indian textile. India ceased to export manufactured goods to Europe early in the century. Henceforth Lancashire cotton competed increasingly in the Far Eastern and Indian markets. According to Buchanan one of the principal reasons for the British assumption and retention of control over India was to provide a market over Lancashire cloth. As early as 1788 British manufacturers were urging the East India Company to supply them good cotton for their growing industry. The Company did its best to comply, but in spite of every thing Indian cotton never became very popular in England. American cotton continued to be of better quality and more important than the Indian, until the civil war Indian shipment to England remained relatively insignificant. The reason being probably that crops like indigo and opium, cotton did not receive the same amount of investment, nor did the Government go out of its way to improve the quality of cotton.

The mutiny was the turning point in Imperial history, Government took urgent steps to restore law and order in India. In 1858-59 there was a loss of Rs. 817 lakhs, and another loss of Rs. 1,300 lakhs was anticipated in 1859. While the interest repaid on loans was raised tided over Government difficulties; eight million was to be paid back in Britain and 940 lakhs in India.

From March 1859, Canning abolished all differential duties and replaced them by a general rate of 20 per cent on all luxury goods and 10 per cent on others for cotton alone it was 5 per cent. These rates were held justifiable by all parties, the British Government, British merchants community of Lancashire and India, but the Manchester merchants were perturbed, they protested against such measures and proposed that taxes be replaced by reduced public expenditure and additional taxes in form of income and property tax be imposed rather than increasing import duties.

J. Wilson the new Finance Minister found rates of which ad valorem crisis were levied, varied at every port. Thus losing a sum of 200,000 sterlings a year. He imposed a uniform tariff of 10% ad valorem on all articles except wine and tobacco increasing tariff revenue by at least £150,000 a year.

Cry of protest broke out as soon as the measure was passed and memorandums were presented to Wood, Secretary of State and Palmerstone, the Prime Minister against the obnoxious taxes, which was regarded as unsound and impolitic in principle. In the House of Commons a petition was sent asking for reduction of 5% on piece goods and 3½% on yarn, adding that India exported more than she imported, with the consequent drain of the bullion from Great Britain and Europe, and the new tariffs would increase the drain and further protect the Indian industry.

Manchester Chamber of Commerce together with the association of Bleachers and Dyers of Lancashire protested against the mode of assessment. Such constant pressure was at first resisted by the Government by the explanation of the critical condition of Indian finances but slowly the Government gave way. In 1860 the Indian Government appointed a Tariff Commission to consider the whole question of tariff. Pressure by the Manchester merchants was strenghthened by Wilson's death. Tariff Commission recommended an assessment at market rate at the time of importation rather than fixed tariff by valuation. Thus the complaint by the Manchester merchants against the mode of assessment was complied with, while the 10 per cent rate continued.

Manchester merchants pleased with such matters then began to exercise pressure on import duty, which the Indian Government and the Secretary of State were expecting. Memorandum and petition were again put forth by various mercantile groups stating that such duties discouraged export of new cotton from India, and this had become an urgent problem with the outbreak of the civil war in United States. Lord Elgin the new Governor General promised to look into the matter as early as possible. Wood soon wilted under pressure and urged upon the Indian Government to take an early action, anticipating a balance for the year 1862-63 of one million pounds. The Indian Government proposed the reduction of duties by 5 per cent. Harnetty[1] maintains that the fact that reduction was not made on other goods indicate that the lowering of cotton duty was due to Manchester pressure. As Laing the Finance member of Governor General's Council himself argued that "Same argument for reduction of piece goods does not apply to other articles of tariff which are not extensively produced in India".

As soon as 5 per cent duty was imposed, the distress of cotton industry diminished showing that Lancashire and Manchester merchants' attitude was related to the condition of the cotton industry. As Indian finances returned to normal, question of Indian import duty diminished in importance only to be raised as a major issue again after a decade. When once again Indian tariff was manipuated in the interest of Lancashire cotton industry to meet the challenge of the Indian mill industry. By 1882 an almost complete free trade tariff was introduced, but with regard to cotton 3% tariff duty continued on cotton yarn and piece goods.

NOTES

1. Harnetty Peters, "Imperialism of Free Trade: Lancashire and the Indian Cotton Duties 1859-1862," *Economic History Review*, 2nd Ser. XVIII, 1965, p. 333.

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