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FEDERATION OF INDIAN CHAMBERS OF
COMMERCE AND INDUSTRY.

MONOGRAPH
ON
COMMON SALT.

1930.

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FOREWORD.

The question of salt duty has, during the last ten years, been a hardy annual with the Central Legislature. In the year 1928, the Committee of the Federation directed their attention to this matter and found that there was no one compilation from which the history of the salt industry in India, the effect of the duty, etc., could be traced. They, therefore, decided to make an attempt at collecting relevant facts bearing on this problem from old historical records from the days of the advent of the British power in Bengal with a view to find out the state of things that existed at different periods. The work of collection of this material was entrusted to Mr. F. P. Antia, M. Com., in May 1928. Mr. Antia collected the material but before he had time to put it all in shape he had to leave India for further studies in England in October 1928.

Prof. V. G. Kale of Poona kindly undertook to revise this Manuscript. Mr. Fakirjee Cowasjee of Karachi, a member of the Committee of the Federation, was good enough to interest himself in preparing the final copy for the approval of the Committee of the Federation. Mr. Fakirjee Cowasjee was ably assisted in his work by Mr. M. C. Pithawalla.

The Committee of the Federation take this opportunity of expressing their cordial thanks to all of these who so willingly and ungrudgingly assisted them in the compilation of this monograph in its present form.

The Committee have ordered publication of this in the earnest hope that it may be useful to the public at large when the question of making India self-contained regarding her salt supply is engaging the attention of the Tariff Board.

By order of the Committee of the Federation,

M. P. GANDHI,
Secretary.

4th October, 1929.

135, CANNING STREET, CALCUTTA.

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Federation of Indian Chambers of Commerce and Industry.

MONOGRAPH ON COMMON SALT.

CHAPTER I.

Introductory.

1. The present monograph deals with one of the most pressing problems in India to-day, *viz.*, the salt industry. It aims at elucidating some of its important aspects, *viz.*, the history of common salt, its manufacture, its supply and revenue system in the different provinces of Bengal, Madras, Bombay, etc., and the great possibility of making India self-contained in her supply of salt.

2. That the country of India has, from the earliest British period, been suffering on account of the peculiar Government policy of dealing with this important commodity, is a matter of common knowledge. How, for instance, the supply of salt was monopolised at one time, how it was made open to British manufacturers and traders from abroad at another time, how the private manufacturer was unable to compete against the foreign importer, how the consumption of salt fluctuated with the increase or decrease in the salt duty from year to year and from decade to decade, how the Government of India on one occasion abolished the local cess of the Custom line and increased the salt duty, how on another occasion they favoured excise and how ultimately, the rulers as well as the ruled suffered on account of the illicit traffic, smuggling, unstable duty, etc., this has been shown in the following chapters in full details. There is not the least doubt that, though the incidence of taxation on salt is at present 3 annas 3 pies per head per annum, the very system of salt duty, prevailing in the country, has been resented by the whole nation. And what is still more intolerable is the import of foreign salt to the extent of one-third of the total consumption in India, especially 90% of the salt consumed in Bengal proper.

3. India, with its 5,000 miles and more of ideal sea-board, its time-old practice of salt manufacture in almost all its provinces, its inexhaustible store of crystalline salt in the Punjab, Rajputana and Sind, its cheap labour and favourable climate, and lastly, the prospects of Karachi (Maurypur in this particular industry, can not only be self-supporting, but it can also export a large surplus, under suitable circumstances, to other countries where it is needed, and thereby make an immense saving of Indian wealth annually. It is not only undignifying to the country, but also to its Government, that nearly one crore of rupees should be allowed, every year, to be drained out of it, on account of foreign import of salt, when it is as clear as broad day-light that India can be easily made self-sufficing in this respect.

4. It cannot be denied that common salt is, next to air and water, the most essential and indispensable for human existence, especially in a tropical country like India, where not only human beings but also lower animals, cattle, etc., and even the agricultural soil need it badly. Nature, itself, has impregnated every article of food in a larger or smaller proportion with this salt. The primitive savage had an uncanny sense of food balance, and his diet, varying between raw meat and fruits, was the most perfect combination that could be devised. With the advance of civilisation man took to a more 'civilised' dietary and an increasingly unbalanced one. The distribution of salt as between one article of food and another, not being on anything like an even basis, the need arose for an artificial supply of the commodity to make up the deficit, so much so that the more civilized man became, the greater became the need of supplying salt to him.

5. Meat contains in its raw state, 4·4 parts of salt per mille; when dried, the proportion amounts to 19·4 per mille, and ashes of burnt meat are known to have as high a percentage, as 46, of chlorides of sodium and potassium. As against meats, green foods are particularly poor in salt contents. Cereals, which constitute the food stuff of the civilised man, are especially deficient in their contents of sodium chloride; barley, oats, wheat, maize and rice stand in the order of progressive deficiency. Hence the irresistible urge in herbivorous animals to go in search of salt. So simple a

process of civilised man's food, as the boiling of meat, is known to deprive it of 70 per cent. of its salt contents. It might, therefore, be generally laid down, that the more a living organism depends for its food upon raw meat—as carnivorous animals do,—the less its diet needs to be supplemented by extraneous salt. The converse proposition is quite as dependable; from this arises the fact that trade in salt has existed from the most remote times “and moreover this trade is supposed to have been the earliest form of commercial enterprise.”

6. It may be of interest to learn how exactly salt consumed in either form natural or artificial, functions in the human body. Ratton, an authority on Common Salt, says:—“In the mouth, salt acts as a stimulus to the gustatory nerves, and causes an increased flow of saliva, which flow has an important action in promoting the digestion of food. It also prevents foul breath, by preserving the food, engaged in the teeth, from decomposition. In the stomach, a portion of the salt is decomposed into hydrochloric acid and some soluble sodium salt. The former is set free to perform the important office of stomach digestion, while the latter is absorbed to preserve the alkalinity of the blood. The remainder of salt indigested continues as sodium chloride. A part of it, unchanged, accompanies the food throughout its passage, and is found with the excretions. It is probably the office of this part to prevent putrefactive decomposition and the evolution of noxious gases in the intestine. Another part is absorbed, it appears, as sodium chloride in the blood and various secretions of the body. Acting either through the blood or directly on the food in the intestine, or in both ways, salt is essential to the hystorogenic changes, which the organic constituent of the food undergo.....”¹

“The most important function of salt seems to be the formation of hydrochloric acid, the acid of the gastric juice. The gastric juice consists of:—

Water ...	...	...	994.40 parts.
Sodium chloride ...	...	...	1.46 ”
Acid hydrochloride ...	...	...	0.20 ”
Calcium and potash chloride ...	...	...	0.61 ”
Phosphates ...	...	...	0.12 ”
and Pepsine ferments ...	...	...	3.19 ”

¹ Ratton : Hand-Book of Common Salt, Chap. I.

Of 2.39 parts of total inorganic constituents the chlorides form 2.17 parts. When we consider that about 15 pints of this secretion are formed in the body daily, the importance of a due supply of sodium chloride will be evident.¹

7. On the top of all this, salt controls the density of the blood, maintaining it in a condition conducive to health. It induces the formation of cells and increases bodily weight. It has, in general, been found so indispensable to the health of a living organism that Holland's old penal code prescribed an exclusive diet of unsalted bread, as the severest punishment that could be inflicted. In consequence of such treatment, the poor convict was devoured by worms, engendered in his own stomach.²

8. There is a close analogy between the increasing necessity of external and artificial salt with a change from raw meat to man-made foods and the change from the diet of temperate regions to that of the tropics, as it at present obtains. Without an exception, the communities inhabiting the temperate region are meat-eating and even wheat-eating, except for the few small and poor ones in East Europe. So also the tropical people are mostly vegetarians and rice-eating. The necessary consumption of salt per head for maintaining a decent standard of health and hygiene, should, therefore, be greater in the case of India and China than in that of Europe and North America.

9. This practically means that in the existing economic conditions, a poor country needs more salt per head than a rich one. And on the same analogy, it may be said that a poor man needs more salt for maintaining his health than a rich man. This is so in consequence of the fact that the poorer the resources of an individual, the more does he care for the quantitative rather than the qualitative aspect of his diet. Naturally, he has to fall back upon starchy and heat-producing foods, rather than proteid and muscle-building ones. Amongst the former, so far as India is concerned, rice stands predominant. In the latter group, occur meat and milk and milk-products. The poor

1 Ratton: Hand-Book of Common Salt, Chap. I, p. 119.

2 Address by Lord Somerville to Board of Agriculture quoted by Ratton, p. 121.

ryot, therefore, needs a greater quantity of salt than his middle or upper class brethren.

10. It is not difficult to perceive how this factor operates in association with the taxation aspect of salt. The poor man either purchases a greater quantity of salt and pays more per head in the way of duty than the better class man, or suffers in health. In so far as he adopts the former course, the salt duty perpetrates a grave violation of the principle of equity of taxation, by forcing the poor man to pay the duty not in accord with his ability to pay, but irrespective of and beyond his ability to pay. In a corresponding degree, the better-placed man is given an undeserved relief from taxation.

11. It may be argued that such a pronounced inequity will not result in India, in-as-much as the people's dietary does not vary so substantially as between one class and another as to necessitate a difference in the minimum consumption of salt. Granting for a moment that this is the case, the existence of the inequity is in no measure disproved in so far as the duty will press with equal severity upon persons with unequal abilities to pay it, so that the poor man suffers all the same.

12. The policy of salt taxation is therefore to be condemned as much on general principle as on the ground of its relation to the special conditions in India. Indeed in no civilised administration in the world, whose Finance Minister keeps, as he should, as eager an eye upon the common weal as on his exchequer, would such a duty be tolerated for a moment. And, again, the untenable contention that the Salt duty is the only levy upon the poor classes of India is open to the telling retort of the late Dr. Dadabhai Naoroji, *viz.*, ".....what a humiliating confession to say that after the length of the British rule, the people are in such wretched plight, that they have nothing that the Government can tax, and that Government must therefore tax an absolute necessity of life to an inordinate extent....., and how can anything be a greater condemnation of the results of British lines of policy than that the people have nothing to spend and enjoy and pay tax on, but that they must be pinched and starved in a necessary of life."¹

¹ Poverty and un-British Rule in India, pp. 215-216.

CHAPTER II.

Salt Revenue in Bengal.

13. The following observation, extracted from "Indian Administration during the past thirty years" (issued in 1889), represents the traditional argument for the existence of the Salt Revenue :—

Salt duty unimportant in pre-British times.

"From time immemorial a tax on salt has been a source of revenue in India, and it has been held that, at the present time, it is the only impost which falls upon an Indian of moderate means, who neither holds land, nor goes to law, nor consumes liquor or opium."¹

14. This, however, is only a half-truth. And an appeal to history, which may be trusted to throw light upon the darkness which obscured the past, fully demonstrates this. For it is forgotten that though the existence of a salt-duty in pre-British times, may, with some reservations, be admitted, the impost was on nothing like the scale it was made to assume under the British rule. J. Grant in his analysis of the finances of Bengal observes :—

"In Bengal it will be proper after the year 1780; to distinguish from the head of variable imposts under which it was comprised, a large improved branch of the revenue according from the sale of salt, manufactured in the country, *hitherto of little consideration to the state*, through the ignorance, impolicy or depravity of the native Government, though now become of the utmost financial importance to the actual sovereign as forming an object of nearly half-a million sterling yearly profit, capable on any extraordinary emergency of being doubled with the greatest facility....."²

15. Further evidence of the very unimportant position, occupied by the Salt-duty in the pre-British period, is unconsciously

¹ Page 12.

² Appendix to 5th Report from Select Committee on affairs of East India Company. Ordered 2nd July 1812.

furnished by the anonymous writer of the "Observations on the Law and Constitution of India," (London 1825)¹ who says :—

"The public revenue, by the Mōhomedan Law, is drawn from the following sources :—The Ooshr or tithes from the produce of the soil; the Khuranj, from the produce of the soil or from the land, if fixed on the latter; the tribute of tributary states, the customs; the Zukaut on pasture, cattle; Zukaut on gold and silver coin and bullion.....; offerings at the eeds...; the capitation tax on non-Moslems; the fifth of prize or plunder, of produce of mines...; escheats. The Sovereign has the power also of raising a war-tax from the people in case of war....."

All these taxes are explained in the body of the treatise in elaborate detail, whereas the salt duty comes in only for a passing reference, without any further remark as to its incidence or character.

16. The English came on the scene, in India, in Bengal especially, contemporaneously with the decline of the Moghul power. Their importance in the economic organization had been rapidly growing, though their means of attaining it were far from being creditable. Harry Verelst, some time Governor of Bengal, referring to the period after Mir Jaffar's deposition, thus describes the activities of the English traders of that period in Bengal :—

"The influence of individuals grew with the national power producing numberless disorders throughout the provinces. A trade was carried on without payment of duties, in the prosecution of which infinite oppressions were committed; English Agents or Gomashtas not content with injuring the people, trampled on the authority of the Government, binding and punishing the Nabob's officers, whenever they presumed to intervene. Gray, resident at Maulda, wrote to the President in January 1764 :—

Since my arrival here, I have had an opportunity of seeing the villainous practices used by the Calcutta Gomashtas

in carrying on their business. The Government have certainly too much reason to complain of their want of influence in their country, which is torn to pieces by a set of rascals who in Calcutta walk in rags, but when they are sent out on gomashtaships, lord it over the country, imprisoning the ryots and merchants, and writing and talking in the most insolent domineering manner to the fouzders and officers.¹ Nor was the mischief confined to a particular spot only, for Mr. Senior, Chief at Cossimbazar, wrote in the March following to the Governor: "It would amaze you, the number of complaints that daily come before me of the extravagancies committed by our agents and gomashtas all over the country."²

17. It was while the English were thus living off the government and the people of Bengal, that a still more substantial reward came their way, in the shape of the Diwany. "In Bengal Nudjmuḍ Dowlah, after paying the sums stipulated by the treaty in February 1765, nominally possessed a revenue of two millions. His authority in the country was insufficient even for the collection of the revenues, without our assistance. The actual administration of Government had therefore been given to a minister named by the Governor and Council, and the Nabob became dependent for his daily subsistence on the bounty of his masters. In this situation he relinquished an unascertained demand upon a treasury under the management of others; for a liquidated sum of fifty-three lacs, eighty-six thousand one hundred and thirty-one Sicca Rupees were settled, fully sufficient for all purposes of personal dignity and the parade of grandeur. This agreement was confirmed by the King, who subject to the several payments to Nudjmuḍ Dowlah himself, granted the Diwany of Bengal, Behar and Orissa, to the English East India Company....."³

18. Justifying, or rather excusing themselves for the acceptance of the Diwany, Verelst says:—"Impelled by the necessity, we

¹ Verelat; A view of the rise, progress and present state of the English Government in Bengal including a reply to misrepresentations of Mr. Bolts and other writers (London 1772), p. 49.

² Ditto

do.

do.

³ Verelat, p. 55.

proceeded to dominion before the Council at Calcutta seemed to have understood the situation to which they had advanced."¹

19. How effectively this measure crippled the power of the Bengal rulers, can be gathered from the despatch of the Select Committee in India to the Court of Directors, wherein they observe :—

“By this acquisition of the Diwany, your possessions and influence are rendered permanent and secure, since no future Nabob will either have power or riches sufficient to attempt your overthrow, by means either of force or of corruption. All revolutions must henceforward be at an end and there will be no fund for secret services, for donations or for restitutions. The Nabob cannot answer the expectations of the vental and mercenary, nor will the Company comply with demands injurious to themselves out of their own revenues.”²

20. Long, however, before the company dreamt of a political dominion over Bengal, it had established its economic prestige, by fair means or foul, so far as to receive at the hands of the rulers, special concessions, such as exemption from the payment of the duties upon all merchandise the agents might bring or carry, by land or by water in the “ports, quarters and borders of the provinces.” The concession was limited to exports and imports only; constitutionally it was also limited to the traffic of goods on the Company’s account only. The private traders in the Company’s service exercised it “rather from connivance than of right.”³ On Clive’s return to India as Governor General, however, “the exemption from duties had thrown the whole trade of the country into the hands of the English.....The Country Government was destroyed.....and in the general confusion, all who were disposed to plunder, assumed the authority of our name, usurped the seats of justice, and carried on what they called a trade by violence and oppression. Every illiterate mariner who could escape from a ship, erected our flag, and acted as Lord of the district around him.”⁴ These “free merchants”

1 Verelst, p. 55.

2 Ibid p. 56.

3 Verelst, p. 105.

4 Ibid p. 106.

as they styled themselves, were in spite of repeated orders from the Council and the Select Committee, very reluctant to leave their stations. And one of the first acts, in which Clive exercised his authority of Governor General, after his return, was their recall from the interior.

21. This somewhat detailed account of the state of the country's trade is given with a view to show how absolute, though unconstitutional, was the dominance of the 18th century English trader in Bengal, in whichever commercial activity he elected to indulge himself. By the time of Mir Jaffer's accession, he had already captured the inland trade in salt, claiming, as was usual with him, exemption from duties.

22. Immediately on his assumption of the Governor-Generalship, Clive recommended the entire abolition of the inland trade in salt, betel-nut and tobacco, which he considered—and rightly—the *piece de resistance* between the English and the native rulers. "As a means to alleviate in some measure the dissatisfaction, which such restrictions on the commercial advantages of your servants may occasion in them,"¹ he adds, "it is my full intention not to engage in any trade myself." The proprietors at home, however, thought otherwise, and urged the continuance of the concession to the servants, "who would otherwise be deprived of a decent subsistence abroad; much less could they ever hope to revisit their native country with such independent fortunes as reason and justice equally authorised them to expect." The Committee of Directors was thereupon instructed to recommend Clive to regulate the trade, instead of discontinuing it, and to transmit to the Court of Directors such regulations for their approval "as shall prove most advantageous to this Company, without prejudicing the just rights of the Nabobs of the provinces....."

23. In the then state of transport, however, a couple of years would easily elapse before the Court of Directors could communicate their approval to Clive. The former recommendation was therefore

¹ Quoted by Verelst Ibid p. 107.

withdrawn, and the Court of Directors was called upon "to give such directions for regulating the same (the trade in salt, betel-nut and tobacco) agreeably to the interest of the Company and the Subah, as would appear to them most prudent, either by settling here at home the restriction under which the trade ought to be carried on, or by referring to the Government and Council of Fort William to regulate this important point in such a manner as may prevent all future disputes between the Subah and the Company." The Directors, however, found it convenient to shift the burden on to Clive's shoulders. Clive solved the problem in his minute of 3rd September 1765 in the Select Committee, recommending the formation of a Society of Trade. He records:—

"From my observations, when I was last up the country and from the heavy complaints against the Europeans of the monopoly of trade in general, I find that the industrious native is still deprived of that share, to which he had an undoubted and more natural right."

The Society of Trade, first legalised monopoly.

24. He suggests, therefore, with regard to the proposed Society:—

(i) "That all salt provided by the society shall be sold at Calcutta, and at the other places where it is made, and nowhere-else."

Terms and conditions.

(ii) "That the price of the salt shall not exceed two rupees per maund or two hundred rupees per hundred maunds.

(iii) "That the salt shall be sold to natives only who are to transport it to every part of Bengal, Behar and Orissa, and to have the whole profits arising from the sale thereof, and that no Company's servant, free merchant or European, shall be concerned in that article directly or indirectly, after the sale of it at the above places.

(iv) "That every endeavour be made use of to encourage the substantial merchants of the country, either to come down in person to the place where the salt is provided or to send their agents in order to purchase and transport the salt to the different places of sale."

(vi) "That a certain price be fixed for the sale of every maund of salt, at every town, market or village, where it is sold according to the distance and former custom.

(x) "That a duty of 50% be paid to the Company upon all salt provided in their own lands and 50% to the Government upon all salt provided in the lands of the Government and 15% upon betel, which duties in fact will be brought to the Company's credit, which according to the present state of salt trade, will produce the Company from 12 to 13 lacs.

Clive's reason for his action.

In support of his action he states :—

"The prohibition of a free inland trade, however disagreeable to individuals, must now take place. The Company have declared that the trade carried on for these four years past is an usurpation not only of their prerogative, but of the privileges of the natives, and repugnant to the express and repeated orders of the Court of Directors. The indulgence, however, in the trade of salt, upon the footing, I hope, it will not be established, should, in my opinion, obviate all complaints. Considering that the late great advantages of unlimited inland trade are cut off, I cannot imagine that the Court of Directors will deny their servants this share of benefits, as a recompense for their attention and assistance in the management of the important concerns of these provinces; on the other hand, I would have the servants look on these emoluments as a gift from the hand of their employers, offered to them annually in reward of their fidelity, and which will certainly be withheld from them, if ever their authority should be resisted, and discontent and rapacity take place of gratitude and moderation."¹

25. The Select Committee in their proceedings of the same date unanimously approved of Clive's Minute and decided upon the formation of the Constitution of the Society, and decided upon the formation of the society as under :—²

Resolved that the above concern (Society) shall consist of 60 shares and that the proprietors shall stand enrolled with the several

¹ Vereist Appendix p. 253, copy Clive's minute.

² Ibid Appendix p. 253, copy of Select Committee's proceedings.

proportions affixed to their names in the manner ascertained in the following statement:—

Class 1. Councillors, and Colonels Smith and Sir Robert Barker	...	...	32	shares.
„ 2. Clergymen, etc.	...	...	14 $\frac{2}{3}$	„
„ 3. Factors, Majors and Surgeons	...	...	9	„
			<hr/>	
			55 $\frac{2}{3}$	„
Subsequently allotted to Bolts	...	...	4 $\frac{1}{2}$	„
			<hr/>	
Total	...	...	60	„

26. The Society, however, found itself materially handicapped in entering into contracts for salt. "It becomes a necessary consideration with us" wrote Sumner,¹ Verelst, Lycester and Gray to Clive on 16th September 1765, "on behalf of the body for whom we act, to have them secured against any innovations during the continuance of their present engagements.....We therefore request that your Lordship and Council will furnish us with such a deed in writing as you shall think sufficient to secure to the society, the free and sole purchase of the articles of salt, betel-nut, and tobacco from the 1st September 1765 to 31st August 1766, allowing sufficient time to dispose of such purchase for the season."²

27. Clive's despatch to the Court of Directors, January 31st 1766, thus justifies the establishment of the Society of Trade:—"We found that to remove the inconvenience of a free trade, prevent the oppression daily committed, save this valuable article of commerce (salt) from ruin, and diffuse the benefits resulting indiscriminately among all your servants entitled to dustucks, it was necessary to invest the whole in an exclusive company composed of the three first classes of your convened servants",³ and the grant of the deed of concession to the Society is made in his despatch of February 1776 thus:—"Further to assist this valuable branch of commerce and promote the credit of the infant society, the Government and Council

1 Members of Council.
2 Verelst Appendix p. 249, copy of letter.
3 Verelst Appendix p. 12, copy of despatch.

have at the request of the Committee of Trade, signed and executed a deed..."¹

28. To mitigate hardship upon the consumer, consequent upon
The necessary safe-guards. what was the first germ of a rigorous monopoly, prices were fixed at Rs. 200/- per hundred maunds at Calcutta. To safeguard the buyer in the interior against extortionate demands at the hands of the native merchants, all other impositions in the shape of town and transit duties were proposed to be abolished, the supply of salt at a definite price being thus ensured in each market.

29. The solution, Clive had sought in his historic minute, however, failed to meet with the approval of the Court of Directors, though no opportunity was missed to bring home to them the motive underlying, *viz.*, "liberal recompense to the Company's servants, acknowledged on both sides of the ocean as but a natural and legitimate aspiration of the trader who ventured forth to India."
The Directors disapprove of Clive's plan.

30. In his Minute of 19th September 1766, Clive took a very momentous step, in dissociating himself from the salt Society, by relinquishing his share in it; firstly, in order to be a disinterested tribunal in all the affairs of the Society of Trade; secondly, to enable his whole time and attention being given to public affairs, and generally, to acquire a "State of independency and honour", proposing that every Governor to succeed him should act likewise. The *quid pro quo* was 1/8% of the revenues which, while not enabling a Governor, as was to be expected, in those days, to amass a fortune of a million or half a million, in the space of two or three years, "will yet enable him to acquire a very handsome independency."²
Clive severs connection with the Society.

31. It is difficult to place one's finger on the cause that went farthest in urging the Directors towards the abolition of the Society. Verelst, however, finds its rationale in the insistence of Governor Spencer and
Violation of regulations.

1 Verelst Appendix p. 12, copy of despatch.

2 Verelst p. 122, copy of Clive's minute.

his Council on enforcing their own interpretation of the Phirmaund (the concession granted by native rulers for exemption from duty), claiming exemption from all dues except $2\frac{1}{2}\%$ on salt, and the irritation caused to the Directors on that score. Also "European largely engaged under the names of their black agents" in the inland trade, thus rendering inoperative the terms under which the Society was founded.

32. In their despatch of 17th May 1766, the Court of Directors desired the abolition of the Society.
Court of Directors demand abolition of Society. They addressed the Officers in India:—

"We consider it too disgraceful and below the dignity of our present situation to allow of such a monopoly..... At the same time we do not mean that the ancient duties upon those commodities which constitute part of the revenue of Bengal be abolished."¹ This drew, from the Governor General on 24th January 1767, an elaborate apology for the Society of Trade. Referring to its regulations, para. 23, he denies its monopolistic character, saying, "since we are rather the agents for manufacturing the salt, than the proprietors of the trade." It further urges the Court of Directors to consider "whether it may not be necessary to strengthen the ties of that duty expected from your servants, by the lighter bonds of gratitude for the affluence which they enjoy during the time of their servitude and the independency they ought to secure before the close of their labours."²

33. The final abolition of the society was not accomplished till October 1768, for the deed of concession had made provision against any precipitous termination of the contract.³
Society abolished.

34. In October 1768, the Company had substituted an excise for its monopoly of trade subject to the conditions that:—
Substitution of excise.

(i) No one (manufacturer) was to manufacture more than 50,000 maunds.

1 Flowden's report on salt, p. 117.

2 Verelst, Appendix O-45, copy of despatch.

3 Vide deed of concession quoted by Verelst, Appendix p. 249. Also vide 5th Report from Select Committee on affairs of East India Company—28th July 1812, p. 20 et. seq.

(ii) All salt to be brought to one or two specified places to be excised at 30 Sicca rupees per hundred maunds.

35. The step proved hardly beneficial to the revenue, for it decreased at an alarming pace:—

Unfavourable to Revenue..

			£
1766-67	...	...	118,926
1769-70	...	...	16,907
1770-71	...	...	70,914
1771-72	...	...	61,663
1772-73	...	...	45,027

“The decrease of revenue must be attributed to the malservations of the exclusive company, which long after its authority to manufacture had ceased, on pretence of selling off its old stock, interfered with the business of the honest private trader; and in which in six years from its constitution in 1765, smuggled salt to such an extent as to defraud the Government of duty to an aggregate amount estimated by the Committee of Secrecy in 1773 at upwards of 40 lacs of rupees.”¹

36. The serious deficit in Revenue drove Hastings to adopt the remedy of tightening up the reins of salt administration. It was resolved:—

Hastings adopts monopoly of manufacture..

(i) That salt in every part of the province should be on the same footing.

(ii) That salt should be made for the Company.

(iii) That the collieries or manufactories in such district should be let in farm for five years.

37. The farmer bound himself to deliver stipulated quantities of salt to Government at fixed prices, Government was, then, to sell it to such of the natives—also at fixed prices—as “had agreed beforehand to aid the farmers by advance of money for payment of labourers or lower class of manufacturers”² the difference between the two prices, constituting governmental revenues on salt.

1 Plowden: Report on Salt, p. 117, para. 718.

2 5th Report from Select Committee on affairs of the East India Company; 28th July 1812, p. 20 et seq.

38. The revenue showed no stable tendency under this plan either. The figures were as follows:—

But revenue does not improve.

			£
1773-74	...	...	229,192
1774-75	...	...	130,206
1775-76 loss of	...	...	1,473

In July 1777 this was sought to be remedied by leaving the disposal of the salt in the hands of the farmer. Correspondingly, there were no advances to be made to him. The revenue figures again betrayed want of stability, owing probably to the fluctuations in the extent of illicit consumption:—

			£
1776-77	...	...	139,012
1777-78	...	...	54,160
1778-79	...	...	63,697
1779-80	...	...	32,237
1780-81	...	...	8,427

39. "As the revenue accruing to the Company up to this time did not appear equal to what might, under a more judicious system, be derived from it¹ Hastings by his Minute of 8th September 1780, introduced a system, which proved a remarkable success from the revenue standpoint, and enjoyed a long lease of life as compared with the schemes previously tried. Under a Comptroller, several Civil Officers of rank were appointed Salt Agents of the Company. All the salt was to be manufactured by the Molunghees²—salt manufacturers—exclusively under direction of the Agent, and was to be sold to him at a fixed rate. The Agent stored up the salt and sold it to the wholesalers also at fixed prices, the difference accruing to the Government at from Rs. 1/2/- to 1/8 per maund constituting the salt revenue of the Company. The agent was restricted in his emoluments, by cash, to his salary *plus* a commission of 10% on profits accruing to the Company under his Agency. Though strenuously opposed in Council, this plan of an absolute monopoly of

¹ 5th Report from Select Committee on affairs of the East India Company, 28th July 1812, p. 22.

² Ibid.

manufacture was justified by its prolific revenue-yielding qualities. The figures show marked improvement :—

			£
1780-81	...	...	8,427
1781-82	...	...	296,013
1784-85	...	...	625,747
1785-86	...	...	457,687
1786-87	...	...	457,687 ¹

40. The decline from the peak-year 1784-85, in subsequent years was, however, too great a loss to the Company to be disregarded. Further profits sought by the Company to be disregarded. Cornwallis, therefore, sought remedy in initiating the system of quarterly auction sales of limited quantities to displace that of fixed rate sales of unlimited quantities. "Your Committee have the satisfaction of observing," report the Select Committee 1812 "that under these rules the revenue derived from salt has largely increased....."²

41. Plowden, in the exhaustive survey he made in 1856 of the situation as it then obtained, records two reasons for the assumption of the monopoly in the drastic form it took in 1780; one, the improvement of revenue, and the other, emancipation of the molunghees from the clutches of Indian capitalists. The first expectation was indeed justified, so much so that Salt Revenue soon constituted the second most important head of the Company's revenue, ranking only next to the revenue from land. How far the second ideal was achieved may be judged from the fact that it was just after the establishment of the monopoly that complaints against the sweating of molunghees were the loudest. Numerous petitions were presented by them to the authorities, until at last, so soon as Cornwallis had transferred the administration of Salt Revenue from Board of Revenue to Board of Trade, and abolished the Comptroller's office, the Board of Trade instituted an enquiry into the manufacture of salt in the agencies in general, and the condition of the Molunghees in particular.

¹ Plowden : Report on salt, p. 117 et seq.

² 5th Report from Select Committee on affairs of East India Co., 28th July 1812, p. 22, et seq.

42. The Board of Trade, in their report to the Governor-General-in-Council, of 5th May 1795, acknowledged the existence of two classes of Molunghees, Tickas and Adjoora. The table appended to the Report shows the differential rates per unit of produce paid—always—appreciably lower in case of Adjooras, not only as against the Tickas, but even as against any other kind of ordinary labour.¹ “Under date 26th September 1794”, write the Board of Trade to the Governor-General-in-Council, in the course of their communication mentioned above, “Your Honourable Board expressed your opinion that the investigation we had made into all the circumstances relating to the Adjoora tenure left no room for doubt, of its being a system of coercion; consequently, equally repugnant to the spirit of the Regulations and to the dictates of justice and good policy. You accordingly directed that the Adjoora should be abolished on both the agencies, and that we should proceed to make engagements with the Molunghees who had hitherto provided salt under this system, on terms similar to those contracted with the Tickas—Molunghees.”

43. Even then the 24-Perganas agent reported that the remuneration of the Molunghees amounted only to Rs. 6 for 7½ months' labour, *i.e.*, the entire salt manufacturing season, which was however always in deficit, so that the Molunghee was in permanent bondage to the agency.²

44. The locale of salt manufacture in Bengal was, then, the Sunderbunds. At the time the Board reported, agencies were working at Higelli, Tumlook, 24-Perganas, Roy Mungul and Bulwa and Chittagong localities notorious for their unhealthy character. This furnished an additional reason for the fact, that labour had to be coerced. Special Courts of Justice were established claiming to safeguard the interests of the Molunghees, but these only helped to “tantalyze wretches, who neither can or else not, prefer a complaint from the dread of still greater oppression. We may, therefore, conclude that the condition of the Molunghees is not improved from what has generally been admitted, *ever since* the establishment of the monopoly, to be one of great misery.”³

1 Appendix 18 to 2nd Report from Select Committee, 1812.

2 Rickard—India, p. 64 et seq.

3 Rickard—India, p. 640 et seq.

45. In 1810 and 1811 a shortage of supply overtook the agency-
provided tracts. Efforts to obtain supplies from the Coromandal coast at the
The experimentation on Molunghees. moment's notice, could not, and in
actuality did not, prove successful. "The difficulty was.....considered to have been owing, in a very great degree, to the prevalence of extensive illicit traffic, the Molunghees obtaining from the dealers in smuggled salt, a higher price than that paid by the Government", runs the letter from the Court of Directors to the Governor-General in Council, dated 8th August 1821.¹ It was, therefore, resolved to increase "the price paid to the Molunghees on all salt delivered by them, beyond the quantity stipulated in their contracts, or beyond the quantity which they had been in the habit of delivering. That the encouragement thus held out", write the Court of Directors on 9th November 1814 to the Governor-General-in-Council "has had the effect of increasing the provision of home-manufactured salt, is evident from the documents before us."² "It was expected that the advantages of the system (surplus system) would be immediately visible, in the satisfaction of the manufacturers, in the amelioration of their condition, in the stimulus which it would give to their industry, in removing from them the motives to illicit trade in the consequent decrease of smuggling from the Aurungs, in the increase of produce, in the increase of quantity delivered at the Government golahs, and in the increase of profit to the Government. That many of these advantages have attended the adoption of the surplus system is unquestionable....."³

46. The success of the scheme of paying the Molunghee on a better scale was remarkable and, owing to the increase of produce which resulted therefrom, the stock in hand in the beginning of 1814 exceeded the required quantity to suffice for the sales of the year by 19 lacs of maunds. It was, therefore, decided to abolish the surplus system, a step which but fittingly provoked from the Court of Directors the remarks: "Your management of this branch of Revenue assumes much more the appearance of a series of experiments towards the discovery of a system, than of a system itself. The experiments have been too hastily and generally abandoned. The surplus system,

1 Appendix to Report on affairs of East India Company, 11th May 1831, p. 65.

2 Report on affairs of East India Co., 11th May 1831, p. 61.

3 Letter from Court of Directors to Governor General in Council, 8th August 1821. Appendix to Report on affairs of the East India Co., May 1831, p. 65.

for example, was alike carried into effect and abrogated in all the agencies simultaneously."¹ The surplus system was abandoned as likely to cause "a permanent injury to the Salt Revenue by causing heavy increase in the expenses of the agencies, and involving the necessity of purchasing at an enhanced price a much larger quantity of salt than could be required for the periodical sales."²

47. The Molunghee thus found himself on the whole, little better in respect of his living conditions, Their position much worse. by reason of the Company's assumption of monopoly of manufacture. On the contrary, under his new master with foreign ideals and feelings—the salt agent—his position was much worse.

The Hon'ble Andrew Ramsay, an Officer of the Company, giving evidence before the Select Committee of the Lords, on 29th April 1830, testified to the want of any improvement, having been effected in his conditions of employment :—

'Do you know whether any means have been adopted with a view to making the employment less unhealthy than it used to be?— I conceive it is impossible to do that, for it is the situation of the country (The Sunderbunds), which is unhealthy.'

'You think the employment is now as unhealthy as it was 20 years ago?—Quite so.'³

48. Henry St. George Tucker in his review of the Financial situation of the East India Company, 1824, observes, "These Molunghees are, I fear, among the worst conditioned of our subjects, and the necessity for employing men in situations where they may become the victims of ferocious animals and disease, forms in my opinion the greatest objection to the salt monopoly."⁴

49. And even the Court of Directors testify to the starvation wages allowed to the Molunghees by the Starvation wages. tenor of their despatch of 17th November 1826. "We are desirous", they write, under that date, "that the price allowed to the Molunghees for their Taidad (recompense for agreed

¹ Letter from Court of Directors, to Governor General, 8th August 1821. Ibid p. 65.

² Ibid.

³ Minutes of Evidence, p. 229.

⁴ Page 63.

quantity) should, according to their circumstances of each place of manufacture, be such as to afford them adequate profit."¹

50. Disregarding all this, with unsurpassed effrontry, the Board of Customs, Salt and Opium, advancing the exploiting tendency of the Indian employer towards the salt worker as an argument for the continuance of the monopoly, observe in their letter of the 28th August 1823, to the Governor General, "We cannot imagine any person acquainted with the people of India, or the habits and characters of the native agents whom it would be necessary to employ, (in the event of abolishing the monopoly), seriously advocating the substitution of an Indian Excise for the present system;"² as though condition of existence worse than those of starvation and slavery were possible.

51. And yet the sweating, to which the Molunghees were subjected, was by no means the worst feature of the monopoly. The supply of salt was deliberately and systematically held back, with the view of increasing the revenue. Hugh Stark, formerly in the Company's employ, giving evidence before the 1836 Select Committee on Salt in British India, deposed as under:—

'Q. 1248 Lord Sandon.....Have you seen the statement of the Board of Customs showing the superior fiscal advantage of selling a small quantity of salt at a large price than a larger quantity at a smaller price?—The Salt Board, in proposing the supply for 1834-35 estimated that 45 lacs of maunds would produce a gross receipt of 1,35,00,000 rupees, 46 lacs of maunds, 1,24,00,000 rupees and 47 lacs of maunds 1,12,00,000 rupees.'

'Q. 1250. Is not that inflicting one of the worst evils of a monopoly upon a population?.....That is my view of the subject. The view of the system appears to me to be a limitation of its supply.

52. Thomas Love Peacock, Examiner of the India Correspondence in the Company's service, giving evidence before the same Committee on 11th July 1836, corroborated this:—

'Q. 1104 Mr. Strautt.....Except in the rare instances to which you have adverted, the supply of salt into the interior has been con-

¹ Appendix to Report on affairs of the East India Company, 1831, p. 71.

² Appendix to Report on affairs of the East India Company, 1831.

ducted by retail dealers in the same manner, as it would be under the excise system?—Yes, precisely, the Government's concern with the salt trade terminates at the Calcutta sales; the delivery of the salt terminates the dealings of the Government.'

'Q. 1106 Mr. E. J. Stanley.....Are we to understand that the only supervision you think necessary for the public is to secure a certain quantity to be delivered into the golahs at Calcutta?—That is the supervision I advert to. Before the salt can go into the interior, it must be there. The Government has a double duty to perform; first, to insure a certain supply for the people; and secondly, to take care that that supply is not materially exceeded, for the sake of the revenue.'

53. John Crauford of the Bengal Medical Service, formerly in the employ of the Company, examined on the 10th July 1836 also testified to the Company's policy of stinting supply...

'Q. 433 Chairman.....Are you aware that the Board of Customs, Salt and Opium have acted upon the principle that a limited sale of salt is more advantageous to the revenue than a large one?... Yes, I am aware of the fact. The Board of Customs, Salt and Opium has taken great pains to show, by elaborate statements, that a large profit was to be made by a small sale, than by an extensive sale.'

54. A community, starved of one of the first necessities of life, would undoubtedly put a premium upon the commodity thus held back and the dearthness thus caused would very naturally reflect itself in a diminution of consumption in an economically backward society. This fact has been repeatedly brought home to the 1836 Select Committee on Salt in British India and the 1830 Select Committee of Lords on East India Company. Hugh Stark, senior clerk in Revenue Department of the Board of Control, examined by the 1836 Select Committee on Salt, thus replied to a question put by the Chairman:—"The principle that levies the duty or tax upon salt, by limiting the supply must necessarily affect the quantity that the people are desirous of consuming or are able to consume, if it could be procured at a moderate price."

Prejudicial effect on prices and consumption.

55. W. M. Feleming, in his evidence on the 5th March 1830, before the Select Committee of Lords testified to this in unmistakable terms:—

'Q. Do you apprehend that the natives are enabled at the present price of salt, to obtain as much as they want?—I am of opinion they would consume more, if it were cheaper.'

56. John Crauford of the Bengal Medical Service, examined on 10th June 1836 before the Commons Select Committee, gave his opinion thus:—

'Q. 361 Chairman:—Is the local supply in Bengal ample and cheap, or scanty and highpriced, in comparison with what you are acquainted?
Salt highest priced in Bengal of all countries. —I should think, upon the whole that there is no country in the world, in which salt at the present moment is higher priced than it is in Bengal, in reference even to its absolute price, and still more in reference to the capacity of the people, who are consumers of it.'

Answering Q. 362, Crauford said:—'I think that rice is particularly insipid food...an abundant supply of salt is more necessary to them than to almost any people I know.'

'Q. 363. Do you consider that the effect of the monopoly is so greatly to enhance the price of salt as to make a supply sufficient for health and comfort unattainable by the mass of people?...I do.'

'Q. 377 Chairman:—You have heard it stated that consumption of salt in the territory is at about 12 lbs. per head; do you consider that they are furnished to that extent to each individual? —I do not.

In reply to Q. 378, witness stated that in 1793 and 1823, according to estimates of population, 12 lbs. might have been the consumption, "But in 1833 the consumption did not.....exceed $8\frac{3}{4}$ lbs."

In answer to Q. 379—'Even if I had supposed 12 lbs. was sufficient, which I do not, of course $8\frac{3}{4}$ lbs. would be evidently inadequate.'

Q. 396, Chairman:—Then your general calculation is that the Indian population is very scantily supplied with an article which is

so peculiarly essential to their comfort?—Yes, I come to that conclusion.

57. R. D. Mangles, Deputy Secretary to Government, Territorial and Judicial Departments examined before the 1830 Select Committee of the Lords, was thus questioned——

'Q. 651. Are they enabled at the present price of salt, to obtain possession of so much as they want for culinary purposes?.....I think if the price was lower, they would use more.

58. Thomas Warden, examined before the same Committee deposed that the price of manufacture in Malabar was Rs. 10/- a grace, *i.e.*, 24s. for 4,800 lbs. To the consumer the price amounted to 140s. *i.e.*, 600% higher and in Bengal 400% higher than in Malabar.

'Q. Do not you consider salt peculiarly valuable as an article of food, to persons living on vegetable diet?—Undoubtedly.'

'Q. Would it not be a great advantage to the people of India, if they could be supplied with it on cheaper terms than they are now?——

Monopoly as a system of indirect taxation in India.

It would. At the same time the monopoly, as it exists under Madras, appears to me as good a system of indirect taxation as could be laid on people.'

'Q. Regarding, however, the consumption of salt rather with reference to the advantage of the people than as a source of revenue, have you any doubt that it would be expedient to put an end to the monopoly of it?—I have no doubt at all as to the expediency of putting an end to the monopoly, if revenue is excluded from the question altogether.¹

59. T. H. Baber, also examined before the Committee on 2nd April 1830, thus informed the members :—

"Has the price of salt been enhanced in consequence of the monopoly?—From 3 to 4 hundred per cent. in some parts of the country, I know it stands the consumer perhaps as high as 6 to 7 hundred per cent.

60. Hugh Stark, Senior clerk in the Revenue Department of the Board of Control, in reply to Q. 1224 by 1836 Select Committee

¹ Minutes of evidence, p. 118.

said:—"It appears that the price affects consumers very much in India, where the people are exceedingly poor."

'Q. 1225. If the price was much lower, do you not conceive that there would be a greater consumption?—I have no doubt of it.

61. Alexander Reid, a Cheshire Salt manufacturer, questioned by Lord Robert Grosvenor, on 8th June 1836 before the 1836 Select Committee, regarding consumption in England, believed 25 lbs., a very fair average for the population of England. In 1816, a year of high duty, the consumption in Liverpool work-house was 11 lbs. 8 oz. a year, exclusive of that used in salting fish.

'Q. 281. Then it appears there has been a greatly increased consumption, since the lowering of price of salt?—It has increased 50%.

'Q. 282. Is it not natural that consumption should be much greater in a country, where salt meats are not necessary, where bread, butter and cheese which in this country are fully impregnated with salt, are not the common food of the people; do you understand the question?—I do understand it. It is difficult to prove. But I should say, supposing a person in this country consumed 12 lbs. yearly, and the same individual were to go in a hot climate with the same food as is given to the inhabitants of India, and that the supply of salt were as free, that the consumption would be double that quantity or equal to 24 lbs.'

62. It is not to be supposed that the price was pitched beyond the reach of the consumer, only because of the Revenue derived from salt. At any rate that was not the only reason. The manufacture itself, with its heavy agency charges, was an extravagant business. T. H. Baber in his evidence before the 1830 Select Committee of Lords, 6th April 1830, referring to the high price to the consumer, remarked, "The employment of the European Agent is felt a very great hardship.....It may be argued that it is safer to trust Europeans than natives, with these exclusive privileges, but I am of a very different opinion."¹

¹ Minutes of evidence; 1830 Select Committee of Lords.

63. John Crauford, examined before the 1836 Select Committee on salt on 17th July 1836, also testified to expensive manufacture under monopoly—

'Q. 535. Lord Robert Grosvenor:—Do you imagine that private individuals, in case of a free competition being established, could supply it cheaper or as cheap as Government do now?—I have not the least doubt in my own mind, but that it would be supplied cheaper by private individuals. I think if the case turned out otherwise, it would be an exception to all experience.

64. How the per-capita consumption figures were actually affected is shown by the following table prepared by Crauford, to support his charge of a salt-starved populace:—

YEAR.	CONSUMPTION UNDER MONOPOLY.		
	Population in thousands.	*Consumption in thousands of lbs.	Consumption per head in lbs.
1793 ...	24,000	286,054	11·90
1803 ...	27,840	313,820	11·27
1813 ...	31,717	370,368	11·67
1823 ...	35,593	407,191	11·44
1833 ...	41,268	360,862†	8·74
1843‡	48,607	437,598	9·0

*Consumption not taken during years specified only, but average of three near-about years.

†Calculated at 84 lbs. per maund. At 82 lbs. the figures would be lower still.

‡Calculated by Aylwin, App. table 9, from official figures at normal equivalent lbs. per maund.

65. Calculations were made of the influence the high prices of salt exercised upon the budget of the average member of the mass of

the population. Hugh Stark, examined before the 1836 Select Committee on Salt, on 7th July 1836, affirmed thus:—

‘Q. 1236. Chairman:—Did not one of the agents state that the cost of salt for a peasant’s family required two months wages to purchase, and what was the name of the agent in question?—It was not the salt agent, but the Civil Commissioner in Cuttack, Mr. Blunt, who represented that the natives of that province were prevented from receiving a sufficient supply of salt in consequence of the local arrangements for preventing illicit dealings in salt.

66. Nor could this be taken as an exaggeration. J. Crauford’s estimate gives identical results. Replying to Chairman’s Q. 390, before the 1836 Select Committee, on 10th June 1836, regarding the cost to a labourer and his family of salt supply in the course of a year, he stated:—“I estimate the cost of salt to the rural labourer, *i.e.*, to the great mass of people of Bengal, for a family, as being equal to about two months’ wages, *i.e.*, 1/6 of the whole annual earnings.”

67. The proverbial inelasticity of demand for salt was often urged by the authorities in India, against the reduction of prices. John Crauford, in a statement submitted to the 1836 Select Committee, gives to it this report——

“The people of Bengal, I have no doubt, should they ever get cheap salt, will consume it as largely as any other class of men. There are even some circumstances connected with their peculiar condition which would lead one to suppose it probable, that they would consume even in a somewhat larger proportion than the inhabitants of many other portions of the globe. Their climate is damp; most of their country is distant from the sea air; their soil is not impregnated with saline matter; their diet is almost wholly vegetable and remarkable for its insipidity; and the poverty of the great mass of the people is so great as to exclude them from the use of almost any other condiment than salt.

“Indeed the Government of Bengal when taxation is not at issue, must be either sensible of this or very prolific in its allotment of the article on specific occasions. A Bengal or Madras Sepoy, on foreign Service, receives a ration of 3/4 ozs. per diem, which is at

17 lbs. per annum. A Bombay Sepoy is allowed the extravagant amount of 2 ozs. per day; which is equal to about 45 lbs. per annum. These allowances refer to services on shore. The allowances when at sea, somewhat preposterously, are much greater. In this case, the Bengal Sepoy is allowed a ration equal to between 22 and 23 lbs. per annum and the Bombay Sepoy the same with an allowance of some salt fish, whilst the Madras Sepoy gets 2 1/20 oz. per diem, equal to above 50 lbs. per annum with some salt fish to boot."

68. Crauford also calculates the supply to Chandranagore French Government under the 1815 treaty at 22-23 lbs. per head—12,000 maunds for 44,538 population in 1833.

69. It should not, at the same time, be supposed that the deficiency in quantity was the only grievance against the monopoly supply the ryot had. Whatever the quality of the salt as it left the Government Golah when it reached the consumer, deliberate and wilful adulteration made it scarcely distinguishable from a heap of dirt, so that the people suffered not only from a strict limitation upon the quantity, but also because of the shoddy quality. Raja Ram Mohun Roy in a speech in England said :—

"As salt has by long habit become an absolute necessary of life, the poorest peasants are ready to surrender everything else in order to procure a small proportion of this article, though the dearth of the salt is felt by the whole community, and the people in general are, therefore, obliged to make use of bad quality, and few comparatively are able to incur the expense of procuring it in a purer form....."

"The adulteration of the salt is carried to an enormous extent by mixing it with one third or even half of earth until, instead of being like salt, it more resembles the earth, of which it is partly composed. Persons in comfortable circumstances generally purify it by manufacturing it over again before they use it, or purchase it already refined, often at double the common price, but the poorer classes cannot afford the expense of either."¹

70. The anonymous writer of Observations on the Law and Constitution of India (London 1824) remarks ".....Government

¹ Quoted by Aylwin in a letter to Cheshire Salt Chamber of Commerce, p. 14.

receive about Rs. 3/- per maund but the salt is sold under their eye at Rs. 5/- in Calcutta by retail after being adulterated with 10 to 15% of earth and dirt."¹

71. The Hon'ble Andrew Ramsay gave evidence to the same effect when examined by the Select Committee of the Lords in 1830, on 29th April 1830. "The natives who purchase the salt, adulterate it very considerably, after it leaves the Company's warehouse."

72. To add to the pressure upon the population, the Company's policy of auction sales gave birth to another menace—that of a sub-monopoly of Indian merchants. The salt being auctioned in huge lots, a coterie of wealthy merchants alone could be the first purchasers from the Company. And the quantity saleable in any one year being notified publicly, they found themselves in a position to dictate their own terms, not only to the consumer, but to the Company as well. It is significant that Prinsep, Secretary to the Government, in his note on the working of the monopoly dated the 20th June 1837, trots out the suppression of the sub-monopoly as the just *Raison D'être* of the institution of auction sales:—"It used then to be a common speculation for great capitalists to club together and buy at once all the salt in the golahs of certain divisions of the country. It was in order to break down this species of sub-monopoly, and to obtain to Government the further profit realised under it that the Government in 1789 or 1790 hit upon the expedient of auction sales in lots of 500 maunds and their general effect has been to screw up the tax from 1/- to 1/8/- the rate assumed by Hastings, to 3/- the rate later realised on Pungah boiled salt."² John Crauford giving evidence before the 1836 Select Committee on Salt, throws light on the system of auction sales, showing how it failed to prevent the formation of the sub-monopoly:—

'Q. 448. Lord Robert Grosvenor: With reference to what constituted sub-monopoly perhaps it will be as well for you to explain to the Committee.....What is your idea of a sub-monopoly existing in India?—I conceive the sub-monopoly of salt to consist in a combination of merchants or brokers or dealers under whatever name, at the public sales of the Company; by which combination they are

¹ Page 121. History of Salt Trade in India—Aylwin.

² Quoted by Plowden. Report on Salt, p. 119, para. 727.

enabled to dictate indirectly to the Government of the Country the quantity they shall supply to the population subject to sub-monopoly; they control the extent of public sales, and therefore control the price the salt shall be sold at to the people of India.

73. "Observations on the Law and Constitution of India", referring to the indigenous merchants constituting the sub-monopoly, states:—"These lately availed themselves of the power which the restrictive law gives them, to such an extent in some districts, the price of salt rose to 10/- and 12/- rupees per maund, so that the poorer classes were compelled to deny themselves the use of it altogether, a circumstance which distressed the Government beyond measure, but they were for the time at least, without means of affording relief."¹ This, it should be noted, comes, however, from the pen of a vigorous champion of the policy of squeezing out the highest revenue advantage from the salt monopoly.

74. Thomas Love Peacock, giving evidence before the 1836 Select Committee on Salt in answer to the Chairman's question No: 1089, testified to the fact by a quotation from Col. Galloway's book, p. 139, which runs to the same effect.

75. Finally, the Court of Directors in their despatch to the Governor General in Council, Bengal, writes:—

"We, however, wish you to consider whether, instead of periodical sales, the public might not be supplied with salt from the Government warehouses at a fixed price, whereby the subordinate monopoly of the salt merchants, who now purchase salt in large quantities at those sales, would be prevented, and salt would not be liable to those excessive fluctuations in supply and in price, to which the article is now subjected."²

76. And Plowden, writing many years later about facts, which had become history in 1856, admits: "The system of auction sales of limited quantities of salt entirely failed to break down any sub-monopoly. On the contrary, it established a sub-monopoly upon a large and firm basis, such as would have been impossible under a system of fixed prices and really unlimited quantities. But it had

¹ Page 121.

² Letter from the Court of Directors, to the Governor-General-in-Council, 11th July 1827. Appendix to 1832 Report on Administration of Monopolies, East India Company, p. 72.

the effect of obtaining for Government at the expense of the consumers, a share of the profit of sub-monopoly in the enhanced price of salt."¹

77. The Company's anxiety, to safeguard the monopoly as the second most important source of its revenue, led it to impose restrictions of an extraordinary character even upon the country's internal trade, the natural course of which was hampered and diverted. The imports of salt, from their regionally more forward sources of Madras and Ceylon, were sought to be studiously excluded, so as not to cause a breach in the solidarity of the Company's wall. John Crauford in his evidence before the 1836 Select Committee on salt, on 14th July 1836, explained the position as under:—

Madras and Ceylon Salt excluded from Bengal.

'Q. 505 Chairman: Will you explain to the Committee the system that is now adopted in carrying salt from Ceylon to Calcutta? —There is no system in respect to the import of Ceylon or any other Indian salt, unless the prohibitory duty of three rupees per maund or 4s. a bushel, can be called a system.'

Referring to Madras in answer to Q. 507, Crauford said:—"The people of Bengal have corn to give to the people of Madras; the people of Madras have salt to give to the people of Bengal; one is ill off for corn and the other is ill off for salt. The Government steps in to prevent their exchanging staple commodities with each other. This is one of the very worst features of the monopoly.

Though salt-grain trade was mutually beneficial, Government steps in to prevent exchanging.

'Q. 509. Mr. Vernon Smith: Does the same arrangement as the interchange of salt and corn apply to Ceylon?—It applies more or less to Ceylon also.

Writing on the 20th November 1833, Lt. Col. Colebrooke thus expressed himself on the question of Bengal's salt supply.

Madras and Ceylon salts are in limited quantities admitted into Bengal, but "The Government monopoly has checked the independent trade that would otherwise have been revived to the benefit of both the countries." Bengal salt is inferior due to climatological reasons,

¹ Flowden Report, p. 119, para. 727.

though cost price is 2s. per maund and selling price 8s. But Ceylon and Coromandal salt can be collected at 2s. and exported at 4s. and with freight at 1s. could be sold at less than Bengal price. Colebrook further states that salt is practically the only product of Ceylon on account of droughts, and it is destroyed by Government after sufficient quantity for consumption is assured. Better way is to send it to Bengal in exchange for grains so as to be mutually beneficial. Hence abolition of monopoly and free trade in salt is necessary. Same conditions prevailed on the Coromandal Coast—Salt abundant but grain scare.¹

78. John Crauford, in his statement submitted to the 1836 Select Committee on salt with regard to the aptitude of Madras to supply salt to Bengal observes :—

“I have no doubt that the principal supply of the people now subject to monopoly would ultimately, in the event of free trade and equal duties, be furnished from abroad... The Coromandal Coast or Eastern Coast of the Peninsula is by soil, climate and locality peculiarly fitted for the manufacture of salt by the process of solar evaporation, and, unless factitious means be taken to hinder it, will in all probability always furnish a considerable portion of the consumption of the Bengal Provinces. The supply on that coast, I believe, seldom or never fails, from vicissitudes of climate for the droughts, which in those parts of India are so unpropitious to agriculture, are the very causes which conduce most to a certain and constant supply of salt.”

79. And finally, the Court of Directors themselves give a tacit acknowledgment of the fact in their despatch of the 11th July 1827, to the Governor-General-in-Council :—

“You will enter into a full consideration of the advantages to be derived by an unrestricted trade in salt and grain between the two Presidencies, as the inconveniences resulting from the inferior quality of the coast can no longer be assigned as a reason for restricting the trade in those articles”²

¹ Letter quoted in parliamentary paper ordered, 7th March 1824.

² Letter quoted in appendix to Report on East India Co, Administration of monopolies, 11th October 1831, p. 73.

80. A jealous watch on the monopoly was exercised also with regard to foreign and English salt. English salt also penalised. Prior to 1817, imports were totally prohibited. But on 10th May 1816, the Court of Directors wrote to the Governor General in Council in Bengal:—

“Salt being legally exportable from England to India, we think it necessary to instruct you to take immediate measures for the protection of our salt revenue. With this view we direct that you will lose no time in preparing and transmitting home for our sanction, a regulation imposing such a rate of duty on the *importation of all foreign salt*, as shall have the effect of securing the revenue derived from that article.”¹

81. Pursuant to the above, the Governor-General in Council made regulations, and with a vengeance. Heavy duty on imports. A duty of 300/- rupees per hundred maunds was imposed on imports. On the top of that, the exaction was enforced with extraordinary rigour. Alexander Reid, an English salt manufacturer, giving evidence before the 1836 Select Committee on salt, 8th June 1836, gave interesting information as to its nature.

‘Q. 289 Lord Sandon:—It would make it perfectly hopeless for the British Importers to send (salt) there?—Perfectly. It might happen that their salt might be destroyed under the existing regulation.’

‘Q. 292. If the salt will not pay the duty of Rs. 3/- it is all to be destroyed?—One of the regulations of the Company for the management of the monopoly so orders, if the salt is not sold within the prescribed time to cover the fixed rate of duty.’

Called on again on the 10th June 1836, Reid cited Regulation 15 of 1817 as providing for such destruction.

82. The bonding regulations were equally prejudicial to foreign or English salt. Rule 4 of the set enforced from 28th September 1841 reads:—“On the expiration of 3 months from the date of entry of the ship on which salt may have been imported, the Collector of

¹ Ibid page 63.

Customs will call upon the importer or consignee to pay the duty on the full quantity weighed over the vessel's side less $3\frac{1}{2}\%$ wastage."¹ The effect was that "the such monopolists soon found, that as consignees of British imported salt were forced to clear, and consequently sell, within $3\frac{1}{2}$ months from date of arrival of their salt, they could, by holding back, procure the same, at their own prices; and the consequence has been that "stowed squares" which when first imported into Calcutta, ruled from 140 to 145 Company's rupees had at one time declined as low as Rs. 60 per 100 bazar maunds."²

83. Even when, on the 1836 Committee's recommendation, auction sales had been abolished and Government Golahs were opened at a fixed rate, "Owing to the East India Company's refusing to levy the customs duty on imported salt when sold, the above concession, expected to encourage import of English salt, became a dead letter."³

84. It is but natural that a community prevented, with the strictest rigour, from an adequate use of what is and always was a prime necessary of life, should indulge in illicit consumption and manufacture. And so Bengal did. Smuggling and clandestine manufacture developed into a fine art, where as the more conscientious people consumed such salts as were directly injurious to their health. Referring to a later reduction in the Government sales, the Court of Directors wrote in their despatch of 24th October 1817, that they could not satisfactorily account for it, "otherwise than by the prevalence of smuggling, which the proceedings noticed in a preceding part of this despatch establish, beyond a doubt, to have been carried on to a great extent in Behar."⁴

85. And the despatch from the Court of Directors, dated the 17th November 1826, lays down the following:—"In proportion as you succeed in preventing smuggling, the demand for Government salt will increase."⁵

1 From form cited by Alywin, letter to Cheshire Salt Chamber of Commerce Appendix 1.

2 Alywin, p. 35.

3 Alywin, p. 6.

4 Appendix to Report of Select Committee of Lords, 1880, p. 64.

5 Ibid p. 71.

86. The monopoly period was, therefore, bound to be very prolific in enactments, calculated to prevent smuggling; but suppression remained only a pious hope, touching as it did a commodity which, to the people, was a prime necessary of life. Not only were the actual manufacturers or traders incriminated by Regulations but even Zamindars, on whose land such manufacture or transaction took place, were taxed with responsibility. Thus the 1778 salt Rules and the Regulation of 1793 required proprietors of land to give information of illicit manufacture or import, on pain of penalties, if salt was proved, in Dewany Adalat, to have been "made or imported with their knowledge or connivance."

87. Regulation VI of 1801 provided for a Rs. 5,000/- fine, if manufacture or establishment of salt works was not reported, when proved.

88. Regulation X of 1819 imposed a fine of Rs. 500/- for each salt work on a Zamindar's estate, about which information was knowingly suppressed from Government. Officers of the Salt Department were empowered to inflict fines, under Rs. 50/-, but subject to confirmation of the Zillah Judge, if over Rs. 50/-. S.31 made each little fire place a khalaria, so that some salt water boiled in a cooking pot, made the Zamindar liable to a fine of Rs. 500/-.

89. By Regulation X of 1826, burning of straw steeped in water, with the purpose of using saline ashes as condiment for food, was made an offence as under Regulation X of 1819. The rigour, with which the monopoly pressed on Bengal, could not be better judged than by the necessity of such a regulation. Also any bed, prepared for evaporation of sea water, was construed to be a salt-work.

90. Regulation XXIX of 1838 added to the above penal provisions *vis.*, "such knowledge shall not be required to be established by the direct proof, but may be inferred, from circumstances, at the discretion of the Judge." Also, if the Zamindari was partnership, each of the several proprietors was liable to a fine of Rs. 500/-.

91. A petition presented by Devendranath Tagore, Secretary, British Indian Association, to the Governor General in Council in respect of the above Regulation, pleads: "In general it is the poor ryots, often without any malicious design against their land-lords, and owing to

their inability to pay the high price of so necessary a condiment, who have brought themselves under the operation of this rule, by preparing solely for domestic consumption a little salt upon their daily fires, in one of their ordinary cooking utensils or by burning a little straw steeped in salt water. The manner, in which the ryots usually prepare the salt for such daily consumption, precluded all probability of discovery." The petition, therefore, sought relief from Government to bring the operation of the last named regulation at least within four corners of the rule of evidence, and preferably a reconsideration of the whole spirit underlying the regulations.

92. Hugh Stark, giving evidence on 7th July 1836, before the Select Committee on Salt, gave his opinion thus:—
High duty the cause of smuggling.

Q. 1233. Chairman: "Do you think there are any means of effectually preventing smuggling by a certain lowering of the duty? ———An efficient preventive service would reduce it in the place of manufacture to a small amount, but if the duty was lowered and fixed, the success of the establishment would be no doubt greatly promoted.

93. It is indeed the gravest commentary upon the Company's management of its salt monopoly that even after it had subjected Bengal to innumerable hardships and indignities, the one goal of realising increased revenues to which everything must, in their opinion, be sacrificed without any scruple, remained far from attainment. Bentinck's minute of 18th July 1832, on the Report of the Board of Customs, Salt and Opium, putting forth a vigorous defence on behalf of the monopoly makes these remarks:—
Bentinck's defence of monopoly on revenue grounds even.

"I do not, of course, mean to defend monopolies of any kind, but taking it for granted that the necessity of the State requires a certain portion of the resources to be raised by a Tax upon salt, the question is: Is the present system for realising that sum the best that can be adopted? I believe that it is, and I carry with me the opinions of the other members of the Government as well of these servants, who are most conversant with the details of the Department and who have fairest opportunities for coming to a right judgment upon the question."¹

¹ Appendix 3 to Report of Select Committee on Salt, 1836, p. 17.

94. And after all, how far was this policy conducive to increment in revenue? The summary below prepared from Government's own statements reveals the position—

Not justified by results.

Per Capita Salt Revenue,¹

YEAR.			Population in thousands.	Net Revenue in thousands.
				£
1793-94	...	...	24,000	807
1803-04	...	...	27,840	1,220
1813-14	...	...	31,717	1,220
1823-24	...	...	35,593	1,295
1833-34	...	...	41,288	1,020
1843-44	...	...	48,607	1,276

95. John Crauford in his statement submitted to the 1836 Select Committee on Salt, states :—

"In the volume published by Bengal Government in 1833, in vindication of the salt monopoly, the Board of Customs is very anxious to show that the Bengal Salt revenue is as cheaply collected as the customs of the United Kingdom. The expenses of collecting our customs last year were as low as £-17-3 for every 100 pounds, as recently stated by the Chancellor of the Exchequer in his place in the House of Commons. This is less than half of the lowest cost at which it is possible to estimate the Bengal Salt duty in any one year and probably it is not 1/4 part of the real amount of that charge on an average of years."² The decreasing per head revenue may be attributed *inter alia* to this expensive feature of the monopoly.

¹ Aylwin, History of Salt Trade in India, Appendix 9.

² Appendix 76 to Minutes of evidence of 1856 Select Committee on Salt, p. 199.

96. John Crauford in his lengthy statement submitted to the 1836 Select Committee on Salt referred to above, puts forward the following conclusions, so damaging to Government's

Summary of the sad features of monopoly.

salt policy :—

(i) "That a population of some 40 millions of people, subject to the operation of the monopoly, is not adequately supplied with salt.

(ii) "That the supply has been for the most part diminishing in reference to population during the last 45 years.

(iii) "That there is no foundation for an assertion that under no circumstances is it possible to increase the consumption of salt in Bengal, but on the contrary, that what is true of all other articles of general use in other countries, is more or less true of salt in Bengal, *viz.*, that its consumption rises or falls in proportion as prices fall or rise.

(iv) "That a sub-monopoly exists in the hands of the purchasers at the public sales, who exercise directly or indirectly a control over the quantities periodically put up for sale and that the necessary effect of such sub-monopoly is greatly to enhance the cost of salt to the consumer.

(v) "That the effect of the monopoly on manufacture by making the Government the sole manufacturer has been greatly to raise thecost of salt."

(vi) "That in Bengal and Behar, owing to natural causes salt is high priced, even if there were no tax at all, and hence, that salt is an improper subject for a heavy tax, in a country so circumstanced.

(vii) "That the cost of salt at Calcutta has of late years been about four times as great as before the start of the British Power in Bengal.

(viii) "That it has increased by nearly 70% since the establishment of the monopoly.

(ix) "That the salt tax is a heavy tax, and especially oppressive to the poor.

(x) "That in consequence of the high prices of pure salt and difficulty of procuring the necessary article of life, many of the poorer

classes are compelled to have recourse to other neutral salts, of a disagreeable quality never used by any people, who can command an adequate supply of alimentary salt (*vide* assertions of British Indian Association with respect to Salt Laws).

(xi) "That for the last 30 years, the revenue derived from salt has been falling off, in reference to population, that of late years its absolute amount has declined and that at present it is less than it was 30 years ago.

(xii) "That the amount of salt sold is the same it was 30 years ago and less by 1/5 part than it was ten years ago. .

(xiii) "That smuggling has always existed to a considerable extent, that it has.....increased during the last five years; and that there is.....connivance and collusion with smuggler, in the native salt department and the preventive service."

97. And Richard thus concludes his survey of the Company's salt monopoly in Bengal:—

"As monopoly of a prime necessity of life to the poor is established in a pestilential climate, carried on by forced labour, where lives are annually lost by disease and the attacks of wild beasts, the sole advantage of which is a large revenue to Government; the commodity being at the same time retailed at a price certainly not less than 400 or 500 per cent. and in many instances more than 500 per cent. above its prime cost to poor inhabitants from whom we demand in return or rather in addition half of the gross produce of their annual labour as a moderate land tax."¹

98. The only redeeming feature of the monopoly, which was, however, of little benefit in so far as the day-to-day life of the community was concerned, was the condemnatory attitude the Court of Directors had adopted towards the darker features of the monopoly administration. So far back as 1764 they wrote to the Bengal Government:—

"An unbounded thirst after riches seems to have possessed the whole body of our servants to that degree that they have lost all

¹ Richard, India, pp. 644-45.

sight of justice to the country Government and their duty to the Company."¹ In subsequent letters, they urged the recall of the "Free merchants" residing in and terrorising the interior, and showed in unmistakable terms their disapproval of Clive's Society of Trade for Salt, Betelnut and Tobacco. And finally it was their own persistence that was responsible for the Society's abolition. When the populace was groaning under a financial scheme which squeezed it dry, both physically and economically, being always on the lookout for increasing their profits they thus wrote to the Bengal Government under date 24th October 1817, and expressed regret at the diminution of their revenue in 1814-15 :—

"It (the revenue) certainly ought under proper management to advance with the growing population and prosperity of the country, and as we have formerly had occasion to remark, we should on every ground, greatly prefer a moderate profit on a large scale, to a higher profit on a small one.....We take this occasion most strongly to impress upon you, that nothing is further from our wish than that the population of the country should be subjected to the alternative of paying extravagantly for one of the essential necessities of life or for procuring it by clandestine and illegal means."

99. Again writing on 11th July 1827 the Court of Directors state :—

"But we regret to observe that the very desirable object, which you have long had in view of effecting an increase of revenue from enlargement of consumption instead of an increase of price, has yet been so imperfectly attained.....We are extremely happy to perceive that you attach importance to the diminution of the cost of this article to the people, which to so great a part of them constitutes their own luxury."

100. Similar solicitation is betrayed in a letter dated the 4th November 1829 from the Court of Directors to the Governor-General in Council—"Still the question remains whether or not the population of Bengal do obtain this full quantity. The opinion which we have long entertained is that they do not, and that at a lower price they would consume a larger quantity."

101. The same letter then draws attention to Mr. Trotter's memorial to the Court of Directors proposing to refine coast salt to

¹ Quoted by Verelst. View of Bengal, p. 127.

adapt to Bengal market, so as to ensure a steady supply at the enhanced level required, and directs the Governor-General to institute an inquiry into the proposal of Mr. Trotter, and the likelihood of its success.

102. The letter from the Court of Directors dated 23rd February 1831 observes :—

“The Board may know that six seers only are consumed at the present price, but we distrust their inference that more would not be consumed at a lower price.”

“We are decidedly of opinion that for so important an object as cheapening to the population so material an article of consumption, a risk of some temporary diminution of revenue might not improperly be incurred.”

And their letter dated the 23rd February 1831, reveals similar anxiety :—

“The Board give it as their opinion that the tax on salt as now paid by the people, is little felt. Inferences of this sort, however, should be very cautiously admitted. The sum paid by each individual is indeed inconsiderable, but when we compare it with the small amount of the earnings of a poor ryot, the proportion does not appear to be small.”¹

103. Meanwhile the salt monopoly of Bengal had been attracting a good deal of attention from the thinking portion of the businessmen, interested in, or likely to profit from, trade with India. The practically insurmountable obstacle, that had been placed in the way of English Salt, in the shape of high import duty and penal bonding regulations, evoked a powerful agitation from salt manufacturers, shipowners, Lancashire Textile magnates, and generally from all merchants connected with the East. To placate the proprietors of the Company, it was even attempted by one of the prospective salt importers, to make out a case that the Company actually suffered a loss by manufacturing its own salt in Bengal, instead of importing it from England. Mr. Aylwin

The English manufacturer desires Bengal market.

¹ Appendices to Report of Select Committee on East India Co., 1832—Administration of Monopolies, p. 62 et seq.

of Aylwin Doss & Co., of Mirzapore and Aylwin & Co., Calcutta wrote:—

“I am prepared to doubt whether independently of the evils and misery it has caused, an equal amount of revenue has been secured, to that which would have accrued, had the Government abandoned manufacturing on its own account and drawn the same from a combined system of duty and excise, and whether, regarding it as a fiscal enactment, the manufacture by the Company has not been a complete failure.”

104. Even the price of salt under the monopoly system was fixed on this basis *viz.* “The prices are fixed with reference to the principle that they shall not fall short of the cost of provision *Plus* the duty on imported salt.”

Aylwin proposes:—“If, therefore, we shall find the Government of India has not netted Rs. 3/- per maund (which is the duty on imported salt) they have, in reality, caused a loss to the revenue of this country by manufacturing it, and the continuation of the salt monopoly by the East India Company cannot be justified even on the score of revenue.”

105. Aylwin proves this by a reference to a table compiled by him and betraying this result¹:—

Total amount of salt manufactured between	.	
1793-94 to 1844-45	... ..	237,347,554 maunds.
Should have yielded net revenue @ 3/-	... ..	Rs. 71,20,42,662
Actual net revenue of company	... ..	60,62,68,280
∴ Loss by company manufacturing salt		
instead of importing British salt	... ..	10,57,74,382

106. Giving a statement of the receipts and charges of Bengal salt-monopoly for 1833-34, Aylwin proves that the charges for manufacturing are not less than 25% and for collection not less than 6½% of the net revenue. “It is, therefore, evident that the present expensive system of manufacture entails a loss of revenue, and the only question arises whether Great Britain can afford to sell her salt at the Calcutta market at or under the cost of manufacturing by the

¹ Aylwin; Letter to the Cheshire Salt Chamber of Commerce, p. 7.

East India company." Aylwin, taking Bengal manufacturing price at Re. 1/- per Maund (on the basis of Company's published statement of prices) *i.e.*, 54s. 6d. per ton, calculates the cost of importing English salt into Calcutta thus:—

Price of finest English salt per ton	...	...	20s.
Freight	...	...	20s.
Insurance etc.,	...	...	4s.
			44s.
∴ The difference in favour of English Salt	...	...	= 10s. 6d.

107. The Company's salt monopoly come in for a continuous and increasing measure of criticism and condemnation with the third decade of the 19th century, and it is noticeable that the Court of Directors were the first to set the ball rolling in their despatch of 20th June 1929.

"The impression upon our minds is that an arrangement far more preferable to that which now exists, might be made for obtaining the whole of the supply from the coast, and putting an end to the Bengal manufacture with its complicated and most expensive machinery altogether.¹

108. The 1830 Select Committee of Lords, and the 1832 Select Committee of Commons on 'East India Company Affairs' paid particular attention to the question of abandoning the monopoly in favour of some other suitable system. But the State Revenue, being in every instance a more important consideration than the efficient governance of a subject people, the craft of the anti-monopolist invariably foundered on the rock of revenue replenishment. The 1832 Commons' Select Committee thus reported:—

"The manufacture and original sale of salt are, in Madras and Lower Provinces of Bengal, held as a Government monopoly for the purpose of raising a revenue applicable to the public service.

¹ Appendix, Report on East India Co, Administration of Monopoly, 1832, p. 61 et seq.

"The average amount of net revenue from these sources, during three years, does not exceed £1,600,000, an amount, which your Committee conclude, is too large to be given up, and, which, they have no reason to think, could be counted for from any other tax less onerous to the inhabitants.

"As a substitute for the existing monopoly, two other modes of collecting revenue on salt necessarily suggest themselves, an excise duty on salt manufactured within the Bengal Provinces and a duty on importation.

Two alternatives.

"The collection of an excise duty on salt manufactured for private account would not be very easily carried into effect, in consequence of the expense and difficulty of establishing an efficient superintendence and it has been stated that Bengal might obtain a cheaper supply of salt by importation from the coasts of Coromandal and Malabar, Ceylon and the Gulf of Persia and even Great Britain than by any system of home manufacture.

"As the manufacture of salt by private individuals would thus endanger the security of the revenue it does not appear expedient to interfere with the existing regulations on that head, but it is desirable to adopt means for encouraging a supply of salt by importation in lieu of manufacture by Government.

"As it would be very inexpedient to at once abandon the home manufacture and as it is doubtful whether a large supply of imported salt could be relied on from individual enterprise, while that manufacture continues, and the price consequently remains under the control of Government, it is desirable that they should, in the first instance, contract for the delivery of salt by advertisement into public warehouses of the port at Calcutta at a certain price per ton.

A via media.

"It is to be hoped that under this system, the home manufacture might be gradually diminished, beginning in those districts in which the cost of production and loss of human life is the greatest, until so large a proportion of the consumption shall be supplied from abroad. That it might be safe to permit the free import of salt under a customs duty, the Government sanctioning the manufacture in such district (if any such might be) where it could then be profitably carried on.

"Your Committee trust that under an arrangement a material reduction could be effected in the price of salt which would prove of greatest advantage to the native population of India to whom a cheap supply of this necessary of life is of the utmost importance."¹

109. In spite of this report recommending the maintenance of what practically amounts to the *status quo*, a member of the House proposed the abolition of the monopoly. On an assurance from Mr. Grant, Minister of the Crown for India, that Government would take the matter in their own hands, the motion was withdrawn. But the assurance which was apparently a matter of expediency, bore no fruit.² The Company's Charter of 1833 constituted the Company a trustee for Her Majesty in respect of all its Indian possessions, revenues, rents, etc., and went on to lay down:—

"It is enacted that the said Company shall with all convenient speed, after the 22nd day of April 1834, close their commercial business and make sale of their merchandise stores, and effects at home and abroad, distinguished in their account books as commercial assets, and all their warehouses, lands, tenements, and hereditaments and property whatsoever, which may not be retained for the purpose of Government of the said territories and get in all debts due to them on account of the commercial branch of their affairs, and reduce their commercial establishments, as the same shall become unnecessary, and discontinue and abstain from all commercial business which shall not be incident to the closing of their actual concerns, and to the conversation into money of the property, hereinbefore directed to be sold, or which shall not be carried on for the purpose of the said Government."³

110. So far as the closing of the commercial business of the salt monopoly was concerned, the charter remained a dead letter. On the other hand, enterprise was not wanting, and English salt began to trickle in small quantities. The most notable was the consignment of Messrs. Smithson Holdsworth & Co., who established a branch—R. Ker & Co., Provision and Meat Cures at

¹ Parliamentary Papers, 1832, Vol. 6.

² Thomas Love Peacock: Evidence before 1836 Select Committee on Salt, answer to Chairman's Q. 1016.

³ Aylwin; Letter to Cheshire Salt Chamber of Commerce, p. 5.

Calcutta. In their letter of 8th February, 1833 to the Governor-General they observe:—"It appears that in the production of this superior article (cured provisions) the expenditure on salt is so great, that it affords but an indifferent remuneration for all the skill they (R. Ker & Co.,) have acquired, unless some relief can be afforded them in the remission of the duty on that necessary and expensive article, or a drawback on their exportation."¹

111. The letter gave rise to voluminous correspondence between the Governor-General, the Board of Customs, Salt and Opium, The Hon'ble Mr. A. Ross, and the Court of Directors, and finally by the Court of Directors' letter to the Bengal Government written under date 9th December 1835, such drawback was authorised, in the teeth of a strenuous opposition by the Board being jealous as usual of its revenue and prestige.

112. This concession, though it caused a breach in the solidarity of the monopoly walls, was scarcely effective in providing an outlet for the surplus produce of Cheshire and North-English Merchants seek India as dumping ground. which salt factories. The evidence of William Worthington, once President of the Cheshire Salt Chamber of Commerce, before the 1836 Select Committee on salt in British India, on 12th May 1836, is typical of the English Salt manufacturers' anxiety to be rid of the surplus produce of their hands:—

Q. 6 Chairman: Did the reduction of the duty (in England) make much change in the amount of your business?

———A very great change.

Q. 7. Do you mean that it has extended to a very considerable amount?———It has.

Q. 8. Has much Capital been expended of late years in erecting new works in your parts of the country?—

——Immediately after the duty was taken off salt, a great increase, to at least double the previous extent, took place and in consequence

¹ Appendix to Minutes of Evidence of 1836, Select Committee on Salt, p. 170.

of that great increase in the trade the prices were reduced, through great and unexpected competition.¹

113. And Alexander Reid, a prominent salt manufacturer of Cheshire gave this opinion about the capacity of Cheshire factories, before the 1836 Select Committee.—
A Cheshire applicant.

Q. 228. Chairman; Could a considerable addition be made to the export of salt without raising its price? I conceive that the works, now established in Cheshire, could enable the manufacturers to ship nearly a half more than they do, if there was a demand and without any material advance in price.

Q. 229. Lord Sandon: What proportion would that bear to the demand in India for salt? You say that they could produce much more, well, the proportion of the whole consumption of India would be a half supply?—I conceive that the present shipments from Cheshire are from 370,000 to 380,000 tons and the quantity sold under the monopoly of the East India Company in Bengal amounts to 180,000.

Q. 230. You conceive that 180,000 could be produced without creating fresh works?—The quantity of salt consumed under the monopoly of East India Company in Bengal seems to be on an average from 180,000 to 190,000. I conceive that quantity, in addition to our present make, could be produced without constructing new works. Those present works in existence could nearly produce the whole extent.....I speak of the quantity that is sold under the Bengal monopoly by the company.

Q. 233. Chairman: It appears that you have directed your attention to the possibility of exporting salt to India?—I have very much.

114. The complaint of the English manufacturer was that he was unfairly discriminated against by the East India Company: that, whereas the manufacturers of textiles and of iron and steel had been given unrestricted scope for the disposal of their products, rendered unabsorbable at home by reason of their
Injustice done to English salt industry.

¹ Parliamentary Paper, 1836, Minutes of Evidence of the Select Committee on Salt in British India.

disproportionately large volume, growing with the tide of the Industrial Revolution, the salt manufacturer was shut out of the same market, the exploitation of which was equally necessary to him in consequence of the increase in his produce after the abolition of the salt duty in 1825.

115. Organised efforts began to be made by the salt manufacturers to induce the Court of Directors to abolish the monopoly, and the agitation in the Parliament above referred to, might be attributed to such efforts. Alexander Reid offered to supply Liverpool salt at Sulkeah golah at 90/- per 100 maunds, to the Company. The minute of the Judicial and Revenue Committee rejecting this tender, has a peculiar interest, though it does not concern us here, after comparing the prices obtained at the sales, of the Cuttack and Liverpool varieties, the Committee find they have no means of ascertaining the quality of the Liverpool salt sold at the two sales of October and November. "But it is evident that its value in the Calcutta Market was very greatly below that of the Cuttack salt, and though its quality may have been inferior to that which it is proposed by Mr. Reid to furnish, there is very little reason to suppose that it was so, in as much as its average selling price takes a higher place in the scale of the average prices of all other kinds of salt, than that of Cuttack."¹

116. Mr. Peacock, questioned by the 1836 Committee with regard to the rejection of the same tender, by Mr. Stanley, (vide Q. 1113) stated that Madras salt was paid for by the Bengal Government at 72/- per 100 maunds and "having previously paid 10/- to the Madras Government, the actual cost is therefore only 62/-. Mr. Reid's tender was 28/- more than the price of Madras salt, which usually sells for a price very little differing from the price of Liverpool salt at Calcutta sales".....

Q. 1114. That proceeds upon the assumption that the Liverpool and Madras salt is of equal quality whereas Mr. Reid's assumption is that it is equal to the Cuttack salt?—It proceeds upon the price that the Liverpool, Madras and Cuttack Salts have actually produced at Calcutta sales.'

¹ Appendix 69 to Minutes of Evidence, 1836, Select Committee on Salt, p. 180-

Replying to Q. 115. Peacock deposed that Cuttack salt sold at 425 per 100 maunds. The importer, he added, would have the same rights after having paid 300/- duty plus 90/- that cost him to put salt at Calcutta, so that after having paid 390/- he would be in the same position as a man with Cuttack salt after paying 425/-. "I do not think that however superior Liverpool salt may be in the opinion of the people of England, it is so much so in India as to yield that difference of price. But it is asserted that it is so, and if it be so, why then the Liverpool merchant could export it at a very great advantage.

117. However strong the resistance that the Company put up against the English salt manufacturer, the weight of evidence recorded by the 1836 Select Committee "appointed to enquire into the salt supply of British India" could not but convince Parliament that the monopoly was an institution not justified by its achievements. The Committee reported— ".....the evils usually incident to a Government monopoly, in a great article of consumption, are not wanting in the working of the Salt monopoly in India, and they have not been convinced by any evidence that has been submitted to their consideration, that the same amount of income which has been hitherto derived from the monopoly might not be collected, with equal security to the revenue, and great advantage to the consumer and to commerce, under a combined system of custom and excise."

They recommended :—

"That the Government do abolish the system of public periodical sales, and do keep their golahs at all times open for the sale of salt, at the cost price, in quantities not less than 100 maunds, the purchaser to pay, in addition a fixed duty on removing the salt from the golahs.

"That salt manufactured in any country other than the district subject to the Bengal monopoly, may be imported into Calcutta and may be sold at such times as the proprietors may please, in quantities not less than 100 maunds, and that such salt on being removed, do pay the same duty as that sold by the East India Company, and no other duty or charge whatever, except a fair and reasonable rent on such salt as may have been bonded.

"That the duty to be imposed shall be fixed at the lowest rate, consistent with remittance of the revenue and not exceeding the average rate of the net profit of the Company's monopoly for the last ten years.

"If the recommendations are fully and fairly carried out they will in the opinion of your Committee reduce the monopoly of the Company to one solely of manufacturing, and the sub-monopolies which have necessarily accompanied the system. The difficulties which have hitherto stood in the way of a fair competition between native and imported salt being thus removed, they hope that a wholesome and important trade from Madras to Ceylon may be encouraged, and that British commerce may be no longer shut out from the advantage of conveying a cheap, good and bulky article of British produce to all distant portions of the Globe."

"Your Committee cannot conclude without expressing their conviction, that however modified the monopoly may be the evils of the system can never be eradicated but by its extinction, and..... They repeat the expression of the hope that the Government will not neglect to give their early and serious attention to this important subject."¹

118. These recommendations betray a hint of the *raison d'être* of the 1836 Committee's solicitation for a competitive trade between native and imported salt. The ship-owner was just as much in prominence before the Committee, as the salt manufacturer, and his claims went as far with the Committee as the Cheshire businessman's in their recommendations for the importation of salt into Bengal. The shipping industry suffered in the East India trade from a dearth of cargo on the outward journey, and salt was decoyed as the most suitable material to be transported, both as ballast and as cargo. James Aikin, shipowner, gave the following evidence before the 1836 Select Committee on salt—

Q. 657. Mr. Bagshaw:—Do you know many shipowners at the Port of Liverpool, who would much prefer loading salt immediately on the vessels arriving for Calcutta, than to keep them in the berths waiting for light goods?—Certainly, and as I presume the

¹ Report of the Select Committee on Salt in British India, p. 1 et seq. Parliamentary Paper, 1836, Vol. 17.

object of the Committee is to obtain information and not to enter into a contract, I will endeavour to show that the testimony I have given is correct. We obtain from Liverpool to Calcutta a freight amounting to £500 to £600. After lying on the berth a month or six weeks, if we could get the same sum by taking salt £1 per Ton in a few days instead of weeks, of course we should prefer it; even if we did it at a cheaper rate, the difference of time would more than compensate.

'Q. 658. Is it injurious to the ship at all, the carriage of salt? Quite the reverse. It tends to preserve the vessel so much so, that the Americans for many years, have been in the habit of salting their ships, and in consequence, there are fewer instances of that most destructive of all diseases, the dry rot.'

'Q. 659. Mr. Hogg: Would a ship laden entirely with salt from Liverpool to Calcutta be likely to injure goods, brought home to India afterwards?—Certainly not.'

'Q. 660. Of any description?—No.....The Americans bring salt for the purpose of preserving the timber and the salt continues inside between the timbers and those ships deliver their cargoes in as good order as any other description of ships.'

'Q. 662. Mr. Hogg: Would it not injure fine goods such as silk, the ship being impregnated so with salt?—Not at all.'

'Q. 663. Charters are even made of ships from Calcutta to ports in Great Britain?—Yes, very frequently.'

'Q. 652. You said that salt was not a bulky tonnage; now my question is a comparative one, as regards dead weight, does not a ton of salt occupy one-third more room than a ton of coal?—No unless it be stoved salt, which is more bulky than common salt.'

'Q. 653. How is it with respect to common salt? A ship would load as deep with common salt as with coals.'

'Q. 625. Would you receive a remunerative price at 20s. a ton, if you were to freight a vessel with salt exclusively from Liverpool to Calcutta?—Yes.'

'Q. 626. Then I understand that 20s. you require would be a remunerating price to you as a shipowner for the conveyance of salt

from Liverpool to Calcutta, conveying nothing else?—Yes, but that is always with reference to the return freight. We are going now often in ballast for the sake of the return freight; anything obtained as out-freight aids in making the voyage profitable.'

'Q. 674. Mr. Hogg: How much salt would a ship of 500 tons freighted with salt only, carry with safety?— She could carry 700 tons.'

119. Alexander Reid, salt manufacturer, giving evidence before the same Committee was thus questioned:—

Q. 302. Chairman: Is there anything in the general nature and prospects of the trade to India which makes salt particularly convenient for dead-weight?—The great increase in price that has taken place lately in all metals, which formerly formed the chief dead weight for shipping.....

Q. 303. I mean, is not salt a very good species of ballast?—Very good, ships have been going lately to India in ballast, or nearly so. The owner of one ship about a month ago, asked me whether there was any probability of being able to ship salt, for he was obliged to purchase ballast; therefore, if he had got no freight at all, it would have saved the cost of ballast.

120. And the experience of Duncan Gibbon, shipowner, was thus expressed, before the same Committee, when examined on 9th June 1836.——

Q. 194. Chairman: Do you know that there is any amount of spare tonnage, I mean ships that go out empty to India?—A great deal at present: for instance, the Tomy, that I named would carry 1,000 tons. She had 600 tons of spare freight, 600 tons of room.

Q. 195. And under these circumstances I presume that salt would be a convenient cargo to send out?—Very much so.

Q. 197. Then I understand you, if your trade were directly with Calcutta, there would be a great inducement to send out the cargoes of salt than to Bombay?—Most assuredly. I have upwards of 3,000 tons now shipped in the Bombay trade, and I might say that the capacity of these 3,000 tons, is about 5,000, one half of 5,000 is vacant in my own experience.

Q. 198. For outward bound?—Yes.

121. Before the 1836 Select Committee reported, however, the system of auction sales had already been abolished in February, and Hastings' fixed-price sales of unlimited quantities reverted to. The duty on imports was raised from 300/- to 325/- per 100 maunds. Prices were fixed, on the basis of prices current for the last 10 years, at from 469 to 385 per 100 maunds in different agencies. Along with this—the last ten years' prices current—was weighed another consideration, *viz.*, what the salt Board considered the equilibrium-point between supply and demand.

122. The Court of Directors in their despatch of 20th September 1843 laid down this principle of price fixation in accordance with the 1836 Committee's recommendations:—
Company's ruinous price fixation policy.

"The net salt revenue was to be maintained at its present average amount, the duty to be imposed should not exceed the average rate of net profit of the Company's monopoly for the last ten years"¹—The net revenue being the amount arrived at after further deduction of revenue charges and cost of preventive establishments from gross incomings, in addition to manufacturing and transport charges. "Accordingly in 1847, on the occasion of the general reduction of duty on salt, the charges, when deducted from the sale proceeds of salt, were considered to bring out the net profit of the department and were added to the duty to constitute the fixed sales price of salt, and a separate calculation was made, and a distinct price was fixed in the case of salt and every agency—respectively."² this process determined the price fixation every year. At the beginning of the year the Board ascertained the manufacturing cost at every agency, which added to the duty, constituted the sale price for the following year.

123. How this policy of price fixation influenced the destiny of the monopoly administration of the Bengal Government, in face of the anxiety of the English manufacturer to supply the Indian with his own salt, can be best gathered from the
Gives scope to English manufacturer.

1 Flowden: Report on Salt, p. 121.

2 Ibid.

evidence of F. W. Prideaux, Assistant Examiner of India correspondence, before the 1853 Select Committee of India Territories :—

Q. 7260. Do you believe the cost price of salt is calculated by the Bengal Government on such principle as to give an undue advantage to home-made over imported salt?—“I believe hitherto the price has been calculated in such a way as to give an undue advantage to imported salt. Practically an undue protective duty has been levied in favour of the imported salt.”

Replying to *Q.* 1761 regarding charges fairly applicable to cost price, witness read an extract from a letter of the Governor-General to the Court of Directors, 17th September 1832, inviting the Court of Directors' attention to Board of Revenue's letter in respect of cost price, which showed that “The principle on which the cost price has been calculated, is to a great extent erroneous, that many items are included, which are not really charges of manufacture, but charges of collecting revenue and protecting revenue and that hence foreign salt instead of being on a footing of equality with Bengal salt, is much more highly favoured, and is consequently in a fair way of driving Bengal salt out of the market altogether.” Thus in 1842-43 the sales of Bengal salt amounted to 3,870, 625 maunds while the imports of foreign salts were only 892, 740 maunds, but in 1851-52 the former had fallen to 2,258, 552 and the latter had risen to 2,926,886 maunds.

The Board, then, shows that the Bengal Manufacture, besides being encumbered by the unavoidable extravagance of a Government system of manufacture and the equally unavoidable extortion of the subordinate agents employed in carrying it out, is also charged with a considerable outlay, which though incurred in connection with and apparently on account of the manufacture, is in reality expended by the Government as the cheapest and most convenient mode of realising its revenue and protecting it from the operation of the smuggler.....”

Q. 7262. What do you consider to be the charges which are justly to be included in the cost of production in Bengal?—Every charges which would have to be incurred by any other manufacturer than the Government :

Q. 7263. Everything in fact except the cost of the preventive system?—Everything except the cost of the Preventive system and

some charges as regards the collection of the revenue which would be required to be incurred in case the revenue were, as it possibly might be, altogether derived from import duties.

124. At the same time what the manufacturing costs actually amounted to, if left uninterfered by Government, is revealed by the evidence of Frederick J. Halliday, Secretary to Government of India in the Home Department, given before the 1853 Select Committee on Indian Territories :—

“Q. 7600. Can you state for what price you think salt can be manufactured in India apart from any duty of Government charges? —I have seen it stated in print (Evidence of Mr. Bolts before 1773 Parl. Committee) that it might be manufactured as low as 4 annas a maund, *i.e.*, Rs. 25/- per 100 maunds. Our lowest cost now is, for Arracan salt Rs. 52/- on the spot, our highest price being Rs. 107/- at the 24-Parganas. All I say is, that I have seen stated in print that in 1765, for example, it was actually brought to market in Calcutta at -/4/- a maund including all expenses of manufacture and transit, before the Government interfered. It is stated, also by Mr. Bolts, in his evidence before a Parliamentary Committee in 1773 that he, a European, concerned with natives, and therefore probably subject to a good deal of expense more than the native manufacturer would be liable to, actually produced salt and brought it to the market in Calcutta at Rs. 55/- a 100 maunds, which is exceedingly low compared with the greater part of the prices in the statement I have given to the Committee. It is Rs. 25/- or Rs. 30/- lower than the lowest price at which English imported salt has been sold.”

125. Even apart from the faulty mode of calculating the cost, in a manner directed, (may be unconsciously),
Handicapping indigenous produce. to handicap the indigenous produce, the manufacture of salt was, by reason of the Government monopoly administration, so soaked in extravagance as against the privately manufactured Cheshire salt that standing by itself the importer had a liberal difference in his favour. Frederick J. Halliday, Secretary to Government of India in the Home Department, explained this point in his evidence before the 1853 Select Committee :—

“Q. 7596. Will you state to the Committee, supposing all duty were taken off the import of salt and the Government abandoned any

interest in the manufacture of salt, leaving the manufacture of salt free to the natives, without any excise duty, or any impediment, what in your opinion would be the effect upon the importation of salt in India?—It is generally understood by those best acquainted with the subject, and it cannot be denied by any one, who looks into the details, that the present price of the government manufactured salt in Bengal is very much raised to the consumers in the market by the

Reasons for such a handicap. necessary want of economy, not to to say extravagances, connected with the Government system of manufacture and by those many speculations and extortions and corruptions, which are inevitable in such a system and carried on with such instruments. It has seemed almost certain under these circumstances, to persons informed upon the subject that if the Government were to withdraw, if there were no duty imposed and the whole were left perfectly free, the native manufacturer in Bengal would forthwith completely and entirely undersell the imported salt and there would not be a grain of salt imported into Bengal.

“Q. 2597. The result of what you say appears to prove, that the system adopted by the Government, though not prejudicial to the importer, is prejudicial to the consumer?—I have no doubt it is so; even independently of the duty the Government, as far as in it lies, is obliged at all times for its own sake to look as closely as possible into the cost of manufacture, and to reduce it to a minimum; but do what it will, the costs of such an undertaking, conducted by the Government, are sure to be very much larger than the costs of similar manufacture conducted by a number of private individuals. To that extent, let the Government do what it will, the consumer is at a disadvantage under the present system.”

Replying to question 7598 witness said: “I am of opinion that under an excise system properly managed and gradually introduced for what is essential to the experiment (of displacing monopoly by excise), the salt manufactured in Bengal could be brought to market at a much lower rate than it is now brought, which is the whole matter. If after that, supposing the duty to be necessary, the import of salt into Bengal could undersell the native salt, he might be allowed to do so; but I very much doubt under such circumstance whether we would. I think, if the manufacture were left in private hands, and the duty

collected by an excise, the chances are that even then the home manufactured salt would undersell the imported salt."

126. Oppressed with the burden of extravagant charges the indigenous industry soon found itself unable to compete with its English rival, which was making determined efforts to capture the Market. The figures given below, of imports of British salt into¹ Calcutta, reveal the inevitable result:—

Imports of British salt into Calcutta.

Year.				Maunds.
1845-46	...	...	...	502,616
1846-47	...	...	...	352,835
1847-48	...	...	...	752,998
1848-49	...	...	...	459,803
1849-50	..:	...	...	694,447
1850-51	...	...	...	1,012,698
1851-52	...	...	...	1,850,762

At the same time the total imports of foreign salt rose as follows:—

1835	...	...	...	284,858 maunds.
1851-52	...	...	...	2,926,866 „

127. The situation was, therefore, alarming enough, when the Board of Revenue made representations to the Governor General—Dalhousie—against the inclusion of extraneous charges in the calculation of cost price. Dalhousie responding to this representation in his minute of 11th September 1852, acknowledges the menacing headway made by the imported salt against indigenous salt, "while if the selling price of the native salt were, what it would be in hands of native traders, it might still hold its ground." He goes on to say: "Government in my opinion should be far less ashamed of confessing that it has committed a

¹ Data furnished by D. C. Aylwin and W. Worthington to 1853, Select Committee. Quoted by Plowden, Report on Salt, p. 121 *et seq.*

blunder than of showing reluctance to remedy and injustice, lest it should at the same time be convicted of having previously blundered." He referred the question, therefore, to the Court of Directors with a full explanation of the injustice done to Indian salt manufacturers and with an appeal for redress.¹

128. Evidence is not available relating to the action the Court of Directors proposed to take on Dalhousie's representations. In 1853, however, the British manufacturer felt himself so sure of his position in Bengal that D. C. Aylwin of Aylwin & Co., Calcutta, claimed before the Select Committee in answer to Q. 6983, that the increasing trend of imports, in the face of vexatious bonding regulations, made him confident in the belief that foreign sources were capable of supplying the whole of Bengal's requirements.²

129. A feeble effort made about this period in the direction of introducing an excise need not be overlooked. One, Mr. George Prinsep, undertook to manufacture salt on English lines, *i.e.*, to evaporate the brine and then boil it in large iron pots, as against filtering salt water through salt impregnated earth, and boiling it in little clappots.

The produce, expected to be of a superior quality compared to the Molunhee-produced commodity, was offered to be sold to Government at the price then prevalent for other varieties of salt in the district. Not only did Government consent to purchase it because of the obvious advantage in respect of prevention of smuggling due to concentration, but they even made an advance of Rs. 32,000/- to Prinsep, for the purchase of equipments. Factories were set up at Narainpur and Gordah, but at the latter place, he desired greater freedom of action and asked the produce to be excised. Mr. Parker, Senior Member of the Salt Board, hitherto a bitter opponent of all proposals made to displace the monopoly, readily consented to excise under English process. The salt sold for

¹ Quoted by Romesh Dutt. India in Victorian Age, p. 146.

² Answer to Q. 6983 and Q. 6996.

more than common agency salt and "was decidedly better than the salt made by the Molunghees."¹ The scheme, when brought to the notice of the Court of the Directors in the shape of a recommendation, was, however, disapproved, and summarily dismissed. "We are not disposed", they wrote to the Governor-General in their despatch of the 15th July 1840, "to sanction any change in the system under which salt revenue is at present administered." In 1847, not deterred by this failure, Prinsep's successors the founder having previously died, made another request for permission to sell under an excise system, urging the critical position of the works, as an additional argument, in favour of their application. The Government, having large stocks on hand, found it in their own interests quite as much as in that of the Company's to sanction an excise scheme. In the fifties, therefore, opinion was generally in favour of an excise indulgence to English process factories, though the existence of Molunghee process factories was subject to monopoly system only.

130. The fact that the Company had deemed it expedient to relax its control over the tant reins of the English salt the only goal. monopoly must have urged the English manufacturer to renew their efforts in the direction of supplying to Bengal the whole of its salt requirements, and Cheshire began to be represented, instead of any local sources, as the most natural and profitable for Bengal and its people.

131. The rising tide of Cheshire exports to Bengal strengthened the English manufacturers further in the hope that Bengal was their special reserve, and so they sought on various prettexts, an unobstructed entry for English salt into India, so as to swamp the indigenous commodity completely out of the market. In a time of deep and self-less solicitude for the welfare of the Indian people, British salt manufacturers petitioned the Commons for the abolition of the import duty altogether. The trading population of Manchester held that a constant supply of salt, of good quality at a reasonable price, "is of the utmost importance to the extensive population of India", and that for that reason a duty of £7 per ton, *i.e.*, 2,000% on cost was "highly oppressive to the populace. The duty should therefore be nil or just nominal.

1 Plowden. Report para. 749.

132. Northwich, of the county of Chester, calculated that 600,000 tons were manufactured in Cheshire, and gave employment to 5,000 men. If doors were opened for them to supply salt on the same basis as any other produce, India was sure, in its opinion, to be supplied with cheap and good salt by its people.

133. The Borough of Droitwich put India's requirements at 800,000 tons and blamed the £7 per duty as being instrumental in limiting imports to just 50,000 tons of these. It demanded, therefore, that the Company should collect their Indian revenues "without excluding the British merchant from the benefit of a market, to which he has natural and paramount claims to be admitted."

134. Similar resolutions were passed by the Chambers of Commerce of Gloucester, of Bristol, of Liverpool and by St. Helens, Winsford, Worcester, etc., condemning the Company's policy of stinting supply and urging an open-door policy for British salt.

Open door policy the best for the Company.

135. Dutt, reviewing all these spontaneous expressions of abundant generosity, concludes: "It would have been a happy event for India, if this prayer had been heard, and the duties imposed both on manufactured salt and imported salt had been withdrawn. The result would probably have been different from what the manufacturers in England expected."

136. It was during this period of transition of Bengal's manufacture from the Sunderbunds to Cheshire that the Company's Charter was revised in 1853. Clause 45 of the "Act to provide for the Government of India" urging the abandonment of all commercial business of the Company, added:—

1853 Charter; opinion against salt manufacture.

"Be it enacted that from and after the 1st of May 1856, it shall be unlawful for the said East India Company to continue the manufacture of Salt, as at present carried on by them, in the Province of Bengal, and that such manufacture shall absolutely cease, whether carried on by the East India Company or on their account and under the control of the said Company and that the manufacture and sale of salt in India shall be absolutely free, subject

only to such excise or other duties as may from time to time be levied upon such salt so manufactured."

137. The provision was, however, deleted by the Lords, and the Commons subsequently agreed with the deletion. The Court of Directors, nevertheless, now felt convinced that the grounds on which their monopoly stood were none too sure. Forestalling a revival of agitation of a similar character in the future, they desired the opinion of the Government of India upon the practicability of a system under which "the manufacture and sale of salt in India shall be absolutely free," subject only to an excise. They also directed the Government of India to explore all possibilities regarding an approach to the end in view and the measures necessary in the event of such a substitution being found practicable.

138. The Government of India appointed a special officer, Mr. Plowden, for the conduct of such an inquiry on the 1st December 1853. He visited the Bombay, Madras and Bengal factories in the 1854 salt season, consulted all the available literature and correspondence on the subject, though he did not deem it expedient to gather formal evidence or examine witnesses; and, burdened as he was by other official duties, submitted his report not earlier than 1856.

139. Meanwhile, the Bengal Government had turned so far a convert to the excise scheme, after the Court of Directors' dispatch on the shaky position of the monopoly, that they insisted upon re-opening one of the 24 Perganas, Aurungs under excise, despite the fact that Government stocks had run very low, and leaving manufacture free and uncontrolled, as to quantity, was tantamount to courting a risk of no inconsiderable magnitude. The Salt Board acknowledging the precarious position of Government stocks, showed their readiness to prepare a plan to try the excise system, though they made no secret of their opinion that such an excise measure could have only a partial effect and that manufacture on Government account on a large scale was the ultimate solution in re-opening the 24 Pergana agency. The Bengal Government were afraid that re-opening under monopoly

manufacture might prove detrimental to the introduction of the excise. Thereupon, the Salt Board proposed a part to be re-opened under excise, and a part under monopoly. The Lieutenant Governor, however, was keen on introducing excise in the whole of the Agency tract of the 24 Perganas and after consultation with the Government of India, the 24 Perganas was actually re-opened under excise.

140. Two licensees began manufacture under the excise scheme and produced in the first year about 20-25 thousand maunds. On this the Salt Board again recommended monopoly manufacture in the 24 Pargans to replenish the low Government stocks. The Bengal Government, however, held firm. Help came to the Salt Board from the Government of India, who deprecated any postponement in re-opening the 24 Perganas on grounds of the supply of a monopoly article "from hand to mouth" being unsafe to administration. So the 24 Perganas was after all cut into two, the eastern part being reserved for monopoly, the western for excise.

141. Plowden notes in his report the change that had overtaken the salt mentality of the Bengal Government, and himself finds really no insurmountable objections to the substitution of an excise scheme for the monopoly. He gathers the principal arguments against an excise system under four heads, and summarily dismisses them all :—

Argument 1. Supply would be deranged under private manufacture for the interior.

Why? There is no speciality about salt as against any other commodity, so that despite a demand, supply would be stinted. Argument 2. Capitalists will monopolise supply.—Why not in any other commodity say cotton textiles? Imports from Indian or foreign ports would certainly break down such a monopoly in such a position and Rajputana salt would also enter the Bengal market on the slightest inducement.

Argument 3. Greater facility would be made available to the Molunghee for smuggling in collusion with Indian capitalists.—But even now the Indian officer is in league with the Molunghee. On the other hand, under an excise scheme, three parties would

necessarily have to come to an understanding, the Molunghee, the capitalist and the preventive officer which will make the task all the more difficult.

Argument 4. Scattered nature of manufacture over vast area, and difficulty of access, will necessitate immense expenditure to be incurred in respect of preventive establishment.——

But excise does not necessarily admit of an entirely free system of manufacture. It would be a modified excise manufacture, subject to a license under such rules as may be necessary for security of revenue.

142. Plowden's strong advocacy of an excise scheme did not much expedite the abolition of monopoly manufacture. It was a hardy growth, and it continued to live, though not exclusively. The "Moral and Material Progress" report for 1859-60, submitted to Parliament, thus describes the situation after Plowden had reported:—"There are two systems, under which the salt revenue is realised in Bengal; the excise system, under which any private person who pleases may manufacture salt and sell it to the public for such a price as he can obtain over and above an excise duty paid to Government of Rs. 3/- upon every manufactured maund; and the system under which the salt manufactured for Government is sold to all applicants at a fixed price the price fixed is the actual cost to Government of manufacture plus a duty of Rs. 3/- a maund. The same duty is levied on all salt imported by sea....."¹

143. The excise scheme could not, and did not in fact, find much scope for development, in the face of the rising tide of foreign imports. For, not more than a couple of years had elapsed, when the 1861-62 statement to Parliament acknowledged:—

Private manufacturer unable to compete against foreigner.

"During the last year the salt trade has undergone a marked change, as regards its source of supply. The salt produced in the country under the system of Government manufacture has been displaced in the market by foreign salt, principally imported from

¹ Moral and Material Progress and Conditions. Report, 1859-60, Part 2, p. 23.

Liverpool. The extent to which this has occurred will be apparent from the statement of sales of full taxed salt given below:—

Year.	Government Salt in thousand mds.	Foreign salt in thousand mds.
1840-41	40,73	5,74
1850-51	28,25	26,01
1860-61	45,59	30,60
1861-62	7,64	45,93

“This change will seem remarkable when contrasted with the strong preference hitherto evinced for the Government salt, a preference which was even last year so marked, as to have led to much discussion as to the best means of obviating the great inconvenience which was experienced from a rush of purchasers whenever favourite descriptions of salt were offered for sale. The preference for Government salt was founded chiefly on a prejudice among the Hindoos against salt carried in ships and made by processes, with which they were unacquainted. This prejudice has now been completely overcome and the cheapness during the past year, of the Liverpool salt as compared with Government salt, has perhaps not been the least active agent in bringing about the change..... It has been sold largely at 65 to 75 rupees, whilst the fixed price of the Government salt was at the depots Rs. 83/- per 100 maunds.

“This change has been received with great satisfaction by Government.” Government profess indifference as to source of supply, so long as abundant salt is available to consumer, beyond realisation of duty.

“This state of things has relieved Government of the responsibility of providing a considerable portion of salt hitherto manufactured at its agencies.” Chittagong agency was therefore closed, and Hidgelle and Tumlook after concentration were placed under one agent.

144. It was not long after this concentration of agencies, that
 Agencies closing down. Lieutenant-Colonel Bruce, C.B., on special
 Commission to inquire into the customs

preventive establishment of the N. W. Provinces, Central Provinces and the Punjab, in his report submitted in 1863, observes :—

“A most important administrative change was, however, carried out during the year 1862-63, when Government abandoned its salt manufacture in the lower provinces, and disconnected itself altogether from the so-called monopoly.

“It had been observed, that the strong prejudice of the people against Liverpool salt was rapidly disappearing before the low prices at which it had become available in the Calcutta market, at the same time the tendency of the Government manufactured salt was to become more expensive; Liverpool salt had consequently almost the command of the market.

“These tendencies led to the conclusion that Government might gradually dissolve its connection with the manufacture. With this object in view the Chittagong agency was first closed. Then the Hidgelle and Tumlook agencies were united, the manufacture of salt by solar evaporation in Cuttack was stopped, and a limitation placed on the production of salt by the boiling process. “Rules were at the same time framed for allowing the manufacture to be continued under an excise system and the Government has now ceased to manufacture altogether.

“The result of all these measures is to show, that sea-imported salt paying an equal duty with locally-made salt will take place of the latter, and the introduction of sea-imported salt into the interior has extended so far, that the salt of Cheshire may now be brought in the bazars of Goruckpore and Buxar, and are even conveyed up the various rivers into the Northern Oudh.”¹

145. And the Government of India admit in their statement of 1864-65, to Parliament, “Owing to the inability of the Government to compete with the low price of the salt which is imported, it was recently decided to withdraw entirely from the manufacture in Bengal.”²

146. The dark shadow of the monopoly did not, however, disappear altogether with the abolition of Government manufacture in 1863. The Molunghees, now thrown out of employment, were the first to suffer in the Bengal

Disastrous effects of abandonment of manufacture on Molunghees.

¹ Bruce The salt sources of India, etc. (Calcutta, 1863) p. 10.

² Moral and Material Progress Report, 1864-65, p. 21.

and Orissa famine of 1866. Referring to the salt manufacturers, who had become landless labourers through sheer helplessness, the Famine Commission reports says: "Upon this class the utmost severity of the calamity has fallen."¹ And Sir Cecil Beadon, Secretary to the Board of Revenue, Government of India, testified to this in clearer and more emphatic terms later. Examined by the 1871 Select Committee on East India finance, he was thus questioned:—

'Q. 2926. Was there any distress felt amongst the people who were engaged in manufacturing salt when the manufacture ceased? ——— Considerable distress.

'Q. 2927. What became of that population?—I am afraid a considerable number of them were swept off the face of the earth.

'Q. 2928. I suppose they betook themselves to ordinary agriculture?—They were the first victims of the famine in Orissa, they had nothing to fall back upon; they depended entirely upon the Government manufacture. They had no agricultural produce of their own and a great many of them starved.'

147. Coming to the consumer in the post-abolition era, it is very doubtful if he was profitted by the abolition either. On the other hand, it is on record that he was deprived of the quality of salt, so dear to his heart. The same witness mentioned above gave evidence to this effect before the 1871 Select Committee on East India Finance:—

'Q. 2899. Chairman:—Was the salt thus manufactured (by Government) very much inferior in quality to that which was imported, as regards the pure salt in it?—Well, examined chemically it might be; but the people liked it just as well as the imported salt and bought it as readily.

'Q. 2900. Mr. J. Smith:—And did they buy it at the same price?—They paid more for it, because the importers could always afford to sell their salt at from Rs. 70/- to Rs. 80/- a maund (?) when the Government were charging 100 and still the Government always had a sale for its salt.

¹ Bengal and Orissa Famine Commission Report, 1866, p. 222, para 49.

Q. 2901. Chairman:—They preferred the sea-salt made by the Government to that which was imported?—I suppose they were accustomed to it.

148. Bengal's position of salt supply in 1869-70, compared with that obtaining twenty years previously, is well brought out by the table below:¹

Bengal market captured by foreign salt.

Sales of Salt.

Description.	1848-49; in thousands of maunds.	1869-70; in thousands of maunds.
Government salt ...	4,243	220
Excise salt	16	137
Sea imported	1,610	7,427
Total	5,869,361	7,783,409

149. The first item of Government salt sales in 1869-70 calls for some explanation. Though the salt manufacture had been closed by 1863, Government had large stocks on hand, which they were disposing of gradually, subject to terms under an understanding arrived at with the importers. Not till ten years after the calling off of Government manufacture did the Government salt-sales stop altogether, and according to Sir Cecil Beadon, quoted above, before 1863, they even realised higher prices as against the imported commodity. Sir C. E. Trevelyan in his Financial statements of 1863-64, 1864-65, 1865-66, gives details of the measures taken by Government to dispose of the enormous quantities of salt on their hands in the subsequent period.

What became of the surplus Government salt on hand after 1863.

Q. 3045. Mr. Birley:—You rather surprise the Committee I think by telling us that the Government had no difficulty in selling their salt at the price of Rs. 100/- and Rs. 110/- per 100 maunds, as the same time the importers were selling it at 80/-. Did the Government keep up that price with the remainder of its stock?—

¹ Moral and Material Progress Report, 1869-70, p. 30.

No, it reduced it. As long as the Government kept up the system of manufacture, it was considered to be only fair to the importers that the Government should charge the full cost of the manufacture; but when the Government ceased to manufacture, and was left with a large stock of salt upon its hands, then it was considered perfectly fair, in order to get rid of this large quantity of salt and to realise the duty upon it, to abate somewhat of the original cost price.¹

150. In addition to this, there was the handicap of a primitive state of communications. Questioned by the 1871 Select Committee on East India Finance, Sir C. Beadon admitted that the Government did not undertake to convey salt to the different parts of the country and in that measure it increased prices to the consumer.———
Inefficient communications also a handicap.

'Q. 3071. J. B. Smith:—Do the Government forward the salt to different parts of the country for sale?—No.

'Q. 3077. Supposing you undertake to convey the salt to a certain point free of expenses, the purchaser of the salt would then only have to pay the same price at that place which he would have to pay at the place where the salt came from?—Yes.

'Q. 3078. But if you instead of that oblige him to carry it, and he is put to a great expense in consequence of bad roads, then that operates in the same way as if you put an additional tax upon it, does it not?—It may operate in the same way but it is a very different thing from a tax, as I understand it.

'Q. 3079. It operates in the same way as a tax?—Yes, it enhances the price of consumer.

'Q. 3080. Do not you suppose that the extent of rail roads in Bengal, for instance, has very much facilitated the carriage of salt and so has cheapened it?—Greatly in all those districts which the railways permeate.

'Q. 3081. The price of salt has therefore been lowered?—Yes, probably.

¹ Evidence before the 1871 Select Committee on East India Finance.

'Q. 3082. And therefore the extent of roads and rail roads is equivalent to reduction of taxation?—Unquestionably, in that point of view.'

151. Enough has been said with regard to the administrative side of the problem, and it will now be useful to examine the other important aspects of the salt revenue. The British India Association of Calcutta submitted about this time a petition to the Government signed by Raja Radhakant Deb Bahadur and others, complaining against the arbitrary selling price which enabled imported salt to be dumped, the hardship to the consumer, and the anomaly of vesting excise men with Judicial powers, and concluding with the plea that "As salt is the necessary of life, duty on salt should be entirely taken off as soon as possible."¹

152. The duty curve, it should be acknowledged to the credit of the Bengal Government, had been definitely falling since 1844. From the rate of Rs. 3/4/- per maund fixed in 1817 at the instance of the Court of Directors, to withstand competition of imported salt, it was reduced to Rs. 3/- per maund in that year, "with a view to the provision of an adequate supply of a necessary of life to the people at a price so moderate as to prevent the necessity of their having recourse to illicit or unwholesome substitutes," and to encourage consumption. Consumption did respond to the decrease and in 1847, another reduction of As. 4/- was made. The consumption rate was so sensitive that the actual loss in revenue did not amount to even half the estimated decrease. In 1849, a further decrease of As. 4/- brought the rate down to Rs. 2/8/-.

153. The important question that arises here is how far these successive reductions in the rate affect the day to day life of the consumer. In the exhaustive survey Plowden took as Special Salt Commissioner for the Government of India during 1853-56, he came to a conclusion quite different from what an apparent reduction of 23% in the rate of duty in the course of half a decade might lead us to expect.

He observes:—"Although I have been unable, after studying the true facts of the case in detail, to come to any other conclusion

¹ Dutt. India in the Victorian Age, p. 152.

than that the opponents of the existing system have magnified the pressure of the tax beyond just limits, I am very strongly of opinion that the tax is positively too high, even at its present reduced rate (Rs. 2/8). A tax of 500% appears to me a very high tax to impose upon any one article of consumption, when the article in question is comparatively very dear in the territory, to which the tax applies. Salt on the coast of Bengal, where it cannot be made by solar evaporation alone, is naturally 3 or 4 times dearer than the salt on any other Indian Coast. A very heavy tax upon a single article, which is naturally dear, cannot fail to operate materially as a discouragement to the use of that article, and encouragement to adulterate it largely and to supply in its place inferior and less wholesome substitutes.....It appears to me that Mr. Crawford is right in his general argument, that between 1793 to 1836 the consumption of salt did not increase nearly in the same ratio as the population of the country must have increased in the same interval; and that there is no way of accounting for the deficiency, otherwise than by reason of the very high price, to which the fiscal system of those days, partly by direct taxation, partly by raising up a sub-monopoly and partly by excessive charges of manufacture, had raised the retail price of salt in the interior of the country. Nor can I account for the greater part of the increased deliveries of salt since 1836, otherwise than by the progressive reduction of the retail price of salt in the interior of the country, which the measures commenced in that year have effected, partly in the suppression of all real sub-monopoly, partly in successive reductions of duty and partly in greater economy of manufacture."

"But largely as consumption has increased since the system improved in 1836, it does not appear to have reached its natural limit." "For these reasons I fully agree with the Board of Revenue in thinking that apart from financial considerations it is very desirable that further reductions of duty be made." The extent of reduction Plowden desires is 8 annas, *i.e.*, to two rupees.¹

154. In spite of this none too rosy a picture of the state of affairs drawn by their Special Commissioner, and even in opposition to his recommendation, the Government of India deemed it desirable later

¹ Plowden Report on Salt, 1856, paras. 836—838, p 145.

on to raise the duty to the 1844 level of Rs. 3/-. And the official justification runs :—

“The great pressure which the Mutiny produced upon the finances compelled the Government of India to seek an addition to the public revenue by increased taxation; and an increase of 8 annas a maund in the duty upon salt was considered as one of the least objectionable forms, by which an additional revenue could be levied.....The enhanced duty of Rs. 3/- a maund instead of Rs. 2/8/- a maund came into operation on the 21st of last December.”¹

It is clear from the above that the situation of 1844 was reinstated after the Mutiny and the promises given in that year of “supplying an adequate quantity of a necessary of life, of stopping illicit or unwholesome substitutes and ultimately of encouraging salt consumption”, were all thrown to the winds.

155. One more point regarding this extraordinary salt duty remains to be emphasised. The incidence of
The incidence per head and pressure. the Salt duty per head of population was distinctly much higher than what we are, in our times, familiar with. The Secretary to the Board of Revenue, Sir C. Beadon, reckoned it at 14*d.* per head :—

‘Q. 3061. Sir J. E. Elphinstone :—What do you consider the annual cost to an individual of the salt which he consumes?— I make out that taking the present consumption of salt and the population of 40,000,000 it gives 14½ lbs. per head, and the tax is about 14*d.*

‘Q. 3062. He pays 14*d.* a year to the Revenue?—Yes.

‘Q. 3063. It operates as a poll tax?—Yes.

‘Q. 3064. Chairman :—That is including man, woman and child?—Yes, the average per head.”²

¹ Moral and Material Progress Report, 1859-60, Part II, p. 22.

² Evidence before 1871 Select Committee on East India Finance.

156. Mr. J. Geddis of the Bengal Civil Service had this story to tell before the 1871 Select Committee as regards the pressure on the people:—

‘Q. 9265. Do you consider that at the present time (you can of course speak from experience) it does press heavily upon the people?—I think it does.

‘Q. 9566. Do you say that from having complaints of the natives?—Certainly. The cost of salt is an ordinary thing to speak about. Any native whose recollection goes any time back will always tell you about the increase in the salt duty as one of the hard things. I imagine that in the time of the Nawabs of Bengal it was 2½% on prime cost to Mahomedans and 5%, *i.e.*, double, to Hindoo consumers. Now taking the rate per cent. on prime cost of the salt, as set down for example, in these figures in the Calcutta serial, and comparing the selling price of salt, and the rate of Government duty you find a taxation of, I think, 700%. But even that will probably not indicate the full enhancement of cost due to the Government. The rate of duty I see has been stated to the Committee as high, as 2,500 or 2,800 per cent.

I have no doubt that rate of taxation in the past was understated, that actually more was levied in the Nawab's time, but it certainly was not anything like the amount or rate of duty that it is now.’

157. At last a time came when the manufacture of salt in Bengal was very nearly, if not entirely, extinct. E. F. Harrison and E. Gray, Deputy Controller to the Government of India, in their evidence before the 1872 Select Committee on East India Finance, said that except for “a single trifling manufactory”, the manufacture in Bengal had “almost entirely” died out.¹

158. Thus ended one of the economic exploits of the East India Company in Bengal—in defeat and shame. Whilst it worked, it did little good to the country. It subjected its workers to inhuman servitude, and it fed or rather starved the consumer upon qualitatively the most questionable commodity at prohibitive prices.

East India Co.'s economic exploits ended at last.

¹ Q. 3859 Minutes of Evidence of the 1872 Select Committee on East India Finance.

(74)

When in the throes of competition, its expensive and uneconomic operation rendered it incapable of withstanding the foreign onslaught. Finally, the indigenous product found itself shunned by everybody, and the industry was lost to the country, by reason of the bungling it was subjected to at the hands of its masters. They squeezed it dry, and then just left it to its fate, when life was nearly extinct.

Home industry lost.

CHAPTER III.

Salt Revenue in Madras.

159. "The Salt Revenue in Madras can hardly be said to have a history before the establishment of the Government monopoly."¹ The Board of Revenue reporting to the Government on the 8th of June 1804, put the gross sum realised at Rs. 2,21,606/-. Plowden apparently taking Bayley's memorandum on salt administration, pertaining to those times, as his source of information, puts the average incomings during 1800-05 not far from this figure at an average of 2,80,000. The amount was realised by the farming of Governmental pans or their management by Government Officers, or from revenue posts levying a transit duty. Madras may thus be said to have hardly any salt revenue about this time.
160. The monopoly was first mooted and advocated by the Board of Revenue in their letter of the 2nd September, 1799, in the territories then under the Company. In 1802 accordingly, by Regulation XXV, promulgating a permanent assessment, the Company reserved to itself the exclusive privilege of manufacturing salt.
161. Soon after, however, the Board changed its opinion and pronounced the monopoly impracticable, advocating an excise levy on a high scale along with a scheme for the registration of pans. The Government circularised their district Officers, inviting their opinions upon the administrative question. Barring some very minor and extraneous objections that a few raised, they all expressed themselves in complete agreement with the proposal of excise as against a monopoly. The Board of Revenue urged as an additional ground against monopoly, the unwarranted interference, which would become necessary with the hereditary rights of the Meerasidars. The only dissentient on the Board, Mr. Falconer rested his opposition to the excise on the likelihood of a free manufacture producing an excessive supply, inducing smuggling and impairing revenue. The Board even submitted a draft excise law to the Government.
- Little revenue before 1805.
- Monopoly first mooted about 1800.
- Official sentiment against monopoly and in favour of excise.
- But Government establish it.

¹ Report, Madras Salt Commission, 1876, p. 4, para. 12

162. In view of such a strong sentiment in favour of an excise at this juncture, the Government's action in submitting a monopoly scheme to the Governor-General and actually establishing a monopoly by Regulation I of 1805, was very dramatic indeed. The Madras Government took their stand upon the orders of the Supreme Government in support of this measure. It is patent, all the same, that the opinion of the Board of Revenue was never brought to the notice of the Supreme Government, when the monopoly draft was submitted for approval, nor were the special circumstances which differentiated Madras salt manufacture from Bengal manufacture referred to. The monopoly operation was extended to Malabar and Kanara by Regulation II of 1807.

163. Plowden accounts for the new monopoly by saying that it was designed "to meet the expenses of the new judicial establishment."¹ And Thomas Warden, in the employ of the Madras Government, deposed to the same effect, questioned by the 1830 Select Committee of the Lords on the affairs of the East India Company, on the origin of salt duty in Madras.²

164. The operation of the monopoly in Madras was on the same lines as those in Bengal. The manufacture was subject to strict Government control as regards quantity. The production was conditional upon sales to Government only, at fixed prices. The Government sold to dealers, also at fixed prices, the difference constituting monopoly profits. It will be noticed that this system was to that extent an improvement upon Bengal's auction sales system, which resulted in all sorts of abuses. As regards Malabar and Kanara, there was no quantitative restriction imposed, though sales were prohibited except to Government.

165. The regulations following I of 1805 and II of 1807 *viz.*, II of 1818, V of 1831, XVII of 1840, VII of 1852, III of 1865, II of 1869 and XI of 1875 made minor changes in the penal and judicial provisions of the salt laws, and in some instances changed sale prices.

¹ Plowden. Report on Salt, p. 73, para 50.

² Minutes of Evidence, 1830, Select Committee of Lords, p. 115.

Otherwise, the story of the monopoly continued uneventful till 1871. Thus, estate proprietors either manufacturing or conniving at Clandestine manufacture, were on the analogy of Bengal, subjected to penalties. In Malabar and Kanara, where manufacture was uncontrolled, sales to any but Governmental agencies, were declared illegal and penalised.

166. Prices were fixed in 1805 at 70 per garce of 120 maunds.

Fixed prices.

"The monopoly price, then and since, as a general rule, included both the cost to

Government of manufacture of purchase and import, and the duty. It would be impossible now to say how much of the total sum realized was cost of salt and how much clear revenue."¹ In 1809, price was raised to Rs. 105/- per garce, but in 1819, a discount was introduced, permitting a trader to purchase the whole of a 10 garce heap as it stood, for Rs. 1,000/- instead of Rs. 1,050/-.

167. The 1809 increase, however, proved on a comparative view,

1809 increase reduces consumption.

hardly beneficial to revenue, for with 50% increase in rate, revenue increased only 30%. In 1820, therefore, "the monopoly price was again lowered to Rs. 70/- per garce, on the allegation that the higher rate diminished consumption."²

1820 price lowered.

A virulent disease of over-measurement of salt, which had prevailed since 1809 among native officers, was another inducement to the diminution of price.

168. In 1822 Mr. Cochrane of the Board of Revenue recommended increase to Rs. 105/- on the

Government oppose suggestions for increase.

grounds :—

(i) That abusive practices of salt officers had been corrected by requiring the salt delivered into store "to be struck and not heaped in the measure."

(ii) That Rs. 105/- was not an exorbitant price for the consumer, in so far as the 1820 reduction to Rs. 70/- had not still reached him.

¹ Report of the Madras Salt Commission, 1876, p. 11, para. 36.

² Report of the Madras Salt Commission, 1876, p. 11, para. 38.

169. Government negatived the proposal on this occasion as also on its repetition in 1824 and 1825, when it was submitted with an assurance that the reduction to Rs. 70/- had definitely raised the consumption figure. By their resolution of 20th June 1828, however, Government acquiesced in the suggestion of the Board, on being furnished with substantial proof, that there was no reason to apprehend "that a return to the former monopoly price would be attended with hardship to the people, or lead to a diminution of the present average demand."¹ The assurance of the Board was not at all justified by the actual results, for during the operation of this rate from 1828-29 to 1843-44, annual average sales reached a lower figure, compared to those for eight years prior to 1828. No measures, nevertheless, appear to have been taken to restore the original price in consequence of this diminution of consumption, so that Government's previous solicitude for the people, appears to have dried up.

170. Act VI of 1844 of the Government of India abolished the transit and Inland Customs duties, and in lieu hereof put up salt prices to Rs. 180/- per garce, *i.e.*, Rs. 1/8/- per maund. The Government of Madras remonstrated against this measure, and appealed to the Court of Directors, who in contravention of the action taken by the Government of India, reduced price in the same year to Re. 1/- per maund. In the opinion of the Madras Government the revenue relinquished by the abolition of transit dues, was capable of being made up by raising salt prices to 127½ per garce, *i.e.*, to Rs. 1/1/- per maund only.

171. The position in Malabar and Kanara, which, owing to their climatic peculiarities, are, as compared with the east coast, ill suited to the manufacture of salt, differed from this. Prices were always a little higher there, the rate for Bombay-imported salt being Rs. 112/- per garce and even for locally produced article Rs. 87/8/- per garce, *i.e.*, Rs. 17/8/- higher than on the Coromandal coast. The West coast districts had always relied for the major part of their supply on

¹ Plowden. Report on Salt, p. 74.

Bombay upto this time, but from 1824, "the local licit manufacture in Malabar ceased to exist, and for the next 33 years, the imported salt, on which the West Coast chiefly depended, continued to be sold at the general monopoly price of the day....."¹ In 1856-58, in order to enable private importers to gain a footing, prices were fixed a little higher, by 2 annas and a trifle.

172. In 1859, the general monopoly price was raised to Rs. 1/2/- per maund, and the Malabar and Kanara prices also were raised on a corresponding scale. In 1861 the general price was raised to Rs. 1/6/-, and the Malabar and Kanara price to Rs. 1/8/- that being the legally constituted maximum. Later in the same year, the general prices were also brought up to the maximum.

173. "Manufacture in Malabar", says the 1876 Commission Report, "ceased to exist" from 1824.² Rigorous suppression in Malabar and Kanara. Thomas Warden, in the Company's employ, examined by the 1830 Select Committee of the Lords, had the same tale to tell, without adducing any further reason for such cessation, than the fact that Malabar salt, for natural reasons, is of a quality inferior to that manufactured in Bombay or the Coromandal coast.³ T. H. Baber, however, also a servant of the Company, throws some more light upon what was sought to be made out an automatic stoppage of manufacture attributable to economic forces. He ascribes it to the operation of the monopoly, against which complaints were as loud as against the tobacco monopoly. "These complaints were", he observes, "first, that many were prohibited from manufacturing salt, and thereby their lands which had cost them large sums of money, were rendered useless to their owners, as they would yield no other produce. The extensive suppression of salt pans, both in Malabar and Kanara, is a source of great grievance both to the proprietors and actual manufacturers, who, to the number of 6,438 in Malabar alone were thrown out of a lucrative subsistence, and the compensation was very inadequate.....It should be borne in mind that the suppression of salt pans is not provided for

1 Report of the Madras Salt Commission 1876, p. 11, para 40.

2 Ibid p. 11, para. 40.

3 Minutes of Evidence, 1830 Select Committee of Lords, p. 118.

in the salt monopoly regulation of 1807. On the contrary, a particular distinction is made in favour of the inhabitants of Malabar, who are to be at liberty to carry on the manufacture under the penalty of confiscation of the salt, and of a large fine, for selling to any other but to the officers of Government."¹

174. With the stoppage of indigenous manufacture in Malabar, according to the evidence of Thomas Warden before the 1830 Select Committee of the Lords, the greater part of the salt consumed was foreign salt, coming from Bombay and the Red Sea "which, on importation, is purchased by the Government."²

175. To resume our discussion of monopoly prices, in 1866, the price was raised to Rs. 1/11/-, and in 1869 to Rs. 2/-. In 1874 the price was raised in some districts to Rs. 2/4/-.

Subsequent rise in prices.

176. With regard to imports, on the analogy of the operation of the Bengal monopoly, they were totally prohibited during the initial stages—

Imports encouraged.

from 1805 to 1818. By Regulation II of 1818, the prohibition was modified and an import duty of Rs. 350/- per garce was levied. This was raised to Rs. 360/- per garce in 1844 by the Customs Act "which amounted to a complete embargo."³ By their despatch of 30th July 1851, the Court of Directors, probably under the pressure of Cheshire interests, desired all foreign salt to be admitted on payment of duty equivalent to the profit on manufactured salt in the Presidency. In 1854, accordingly, the duty was reduced to 12 annas, but shortly afterwards it was raised to 14 annas, on the assumption that out of the general monopoly price fixed at Re. 1/-, 2 annas represented cost of production. Thence it kept following the rise in the monopoly price at a distance of two annas, except in Malabar where the distance was a little longer.

¹ Minutes of Evidence, 6th April, 1830, p. 213.

² Ibid 16th March 1830, p. 115.

³ Report of Madras Salt Commission 1876, p. 12, para. 45.

177. The following summary table throws significant light upon the reaction of prices upon consumption, during the whole of the period we have reviewed above :—

PERIOD.	Monopoly price per maund.	Average yearly sales in maunds.
	Rs. As. P.	
1806-7 to 1808-9 3 years... ..	0 9 4	3,414,560
1809-10 to 1819-20 11 years ...	0 14 0	3,174,908
1820-21 to 1827-28 8 years ...	0 9 0	4,724,795
1828-29 to 1842-43 15 years ...	0 14 0	4,209,475
1843-44 to 1844-45 2 years of transition	{ 0 14 0 1 8 0 1 0 0 }	{ 4,202,647
1845-46 to 1858-59 14 years ...	1 0 0	5,034,433*
1859-60 and 1860-61 2 years of transition.	{ 1 0 0 1 2 0 1 6 0 1 8 0 }	{ 5,966,166
1861-62 to 1864-65 4 years ...	1 8 0	6,295,899†
1865-66 to 1868-69 4 years (transitional).	{ 1 8 0 1 11 0 }	{ 6,714,936
1869-70 to 1874-75 6 years (transitional).	{ 1 11 0 2 0 0 In the last year local rates ranging from Rs. 2-0-0 to 2-5-0. }	{ 6,501,638‡

* In the last 6 years of this period the sales to French Government are not included. If they were added the average would stand 5,059,070.

† In 1862, North Kanara with annual sales of about 1½ lakhs maunds was lost to Madras.

‡ In the last two years of this period net sales, i.e., after deduction of discount, have been given for these two years, the average would rise to about 6,550,000.

178. The salutary effect of a lowering of the price, upon the sales figures, is too obvious to need special mention. As between the price periods 1806-07 to 1808-09 and 1809-10 to 1819-20, the opposite tendency also becomes significant, and with all the greater emphasis, when it is considered that we are comparing a three-year period of low prices with an eleven-year period of high prices. The decrease in price from As. 14/- to As. 9/4/- is accompanied by an increase in sales quantity, approximately 50%, though of course the next high price period of 1828-29 to 1842-43 has not as pronounced a decline to show. After that the price curve shows a steady increase and alongside that, also, the sales curve. But in 1869-70, with the rise of price from Rs. 1/11/- to Rs. 2/- the tendency of increase in sales is definitely arrested, and there is, on the other hand, a decrease.

179. Nor was this totally an unexpected phenomenon, for which the authorities can be absolved from responsibility, though, of course, it should be admitted to the credit of the Government of India how far responsible for the rise. Madras Government that they once again betrayed the same depth of concern for the salt consumption for their people, as they did during the initial stages of the monopoly,—particularly the 1820-28 period. It was the longing eyes that the Government of India cast upon the Madras Presidency that were in the main responsible, directly and indirectly, for the rapid and persistent increases during the period 1859-60. To put their attitude in more sincere, though may be in more blunt, terminology, they grudged the Madras people their cheaper salt. Their Resolution 930 in the Home Department, dated Fort William, 6th May 1859, betrays this in unmistakable terms. After examining the rates of levy on salt throughout the country, the document in its 12th para goes on to maintain:—

“From this review of the existing state of the salt tax in India, it appears that while the inhabitants of Bengal and Behar and of the North West Provinces up to Allahabad, pay a duty of Rs. 2/- a maund on the salt which they consume, and while the people of the Punjab, east of the Indus, and the people of the United Provinces west of Allahabad pay a duty of Rs. 2/- and Rs. 1/14/-, the inhabitants of the Madras Presidency pay a duty of 14 annas, and those of Bombay a duty of only 12 annas a maund.....

"It appears to the Governor-General in Council that in the present state of the finances in India and under the pressing necessity which exists for raising additional revenue to meet the unavoidable expenses of the Government, the duty on salt both at Madras and Bombay ought to be raised to a rate somewhat nearer to that which is taken in the Bengal Presidency. His Excellency-in-Council is not aware that the circumstances of the people of Bombay and Madras furnish any reason for maintaining a lower rate of duty on the salt consumed by them, than on that which is consumed by the people of Bengal and North West Frontier Provinces." On the other hand, the Resolution maintains, Madras and Bombay have been relieved of Town and Transit duties recently, whereas in Bengal the salt duty has been continuously on the increase.

"It seems therefore to His Excellency-in-Council that the people of Madras and Bombay may be fairly called upon to contribute to the public revenue in the shape of a tax upon salt, somewhat more than they do now."

180. And only a short time later, when the prices stood at not more than Rs. 180/- per garce, the bearing of Government's salt policy on the condition of people, was revealed by a petition presented by the Madras Native Association and signed by T. Ramaswami and others, who little dreamt of the still higher prices that were in store. After recounting the variations and increase in the price of salt from Rs. 70/- to Rs. 180/- per garce, the petition submits:—

The people's case.

"And the consequence is that either the people go without salt altogether, or substitute an unwholesome article, obtained from common earth, impregnated with saline particles, which they manufacture at the risk of punishment, the procurement of salt other than monopoly salt being prohibited under the penalty of fine and corporal punishment inflicted at the discretion of the Collector or his Tahsildar."

181. Nor is the existence of this state of affairs denied by the Madras Government. Rather, they are all the more emphatic upon the point. Sir Charles Trevelyan in his minute upon the advisability or otherwise of increasing the salt duty, or in

Madras Government acknowledge hardship.

the alternative, of levying an impost upon tobacco, so as to improve the then state of finances, dated the 10th June 1859, expresses himself thus:—

“The Salt tax is in the nature of a poll tax; and it is already so heavy that the labouring population, who form the bulk of the consumers, and consequently of the tax-payers are unable to provide a sufficient supply for themselves and their families.”

“So entirely does the productiveness of this tax depend upon the consumption of salt extending to the great body of the people,..... that the best financial arrangement would be to lower the tax. After the great increase in cultivation which has been the result of lowering our former excessive land tax, it can never again be said, that Anglo-Indian revenue is not capable of increase by that process of increasing consumption by diminishing the rate of taxation, which has led to such happy financial and social consequences in England..... Instead, therefore, of exhausting our ingenuity in devising new taxes and raising new loans, I recommend that we apply ourselves in serious sober earnest to reducing expenditure, many large items of which are capable of being immediately acted upon.”

182. In spite of this, the price was put up in the course of two years by 50% from Re. 1/- to Rs. 1/8-.

Rise beyond one rupee particularly oppressive. The effect upon the consumption was immediately perceived and even taken note of by the Government. “It is a matter for regret”, they acknowledge, “that in this instance, the increase of revenue is accompanied by a decrease in the consumption of this necessary for life..... In April 1861, the Government selling price was raised from Rs. 1/2/- to Rs. 1/6/- per Indian maund. On 24th June 1861, this price was raised to Rs. 1/8-/. This falling off in sales has been attributed in a great measure, to the increase in Government selling price, but further experience is necessary before the effect of the present high price on consumption can be satisfactorily determined.”¹

183. No further proof is necessary of the hardships imposed on the Madras population by the increases of price beyond one rupee, than the fact that the Madras Board of Revenue themselves admit that the yearly expenditure on salt, necessary for a labourer's family,

¹ Moral and Material Progress Report 1861-62, Part I, p. 868.

was equivalent to a month's wages. Says Plowden in his Report in 1856, when the price was not more than a rupee :—

“Taking individual consumption.....at 6 measures or 11 lbs. as before, it was shown that the consumption of a family consisting of 6 persons would be 36 measures and the cost of this quantity at the prevailing price of Rs. 120/- per grace was Rs. 1/5/7. This sum, the Board stated, might be said to represent the monthly earnings of persons in the interior, subsisting on wages, and from these calculations they deduced that with charges of conveyance and profits of trade, superadded to the prime cost, sea-salt must be beyond the reach of many.”¹

184. It should be admitted that Plowden does not consider the one rupee rate as pressing unduly upon the people. But the point is, if the Board at the then prevailing rate of one rupee, conclude the article “beyond reach of many”, how much more is it rendered so by reason of the increases to Rs. 1/8/-, Rs. 1/11/- and finally to Rs. 2/-?

185. Lord Hobart, the Governor of Madras, who gave serious attention to the question of the salt duty during his term of office, appears to have held an opinion different from that conveyed by the Board's estimate. In his minute of the 13th October 1872, after detailed investigation into the effect of the post-1859 increases on consumption into the effect of the post-1859 increases on consumption as well as on revenue, he finds no cause for complaint till after the rate reaches Rs. 1/11/-, “.....Whereas it has been possible to increase the taxation of salt in this Presidency which stood in 1858-59 at Re. 1/- per maund—first to Rs. 1/8/- next to Rs. 1/11/- per maund, with an advantage to the revenue fully equal to the rate of the increase, that is to say, without any such effect upon the tax-payer as to diminish consumption, the effect of the further increment in the year 1869-70 was, on the contrary, to increase the revenue at a rate very unequal to that in which the tax was increased, and to injure in no inconsiderable degree, the tax-payer considered as a consumer of salt.”² This inference is drawn by Hobart from his calculations, showing that “although the tax had been increased, by

¹ Plowden. Report on Salt, p. 109, para. 689.

² Hobart's minute, copy given in a collection of his papers compiled by Lady Hobart after his death (London, 1878).

about 18½%, the increase of revenue (allowing for increase of population) was only about 12½%*d*.....” The conclusion drawn from this is an undoubted decrease in consumption per head of population, and even granting that the deficiency in sales of Government salt did not percolate deep enough to affect adversely the labourer’s consumption, the deficiency having been made up by stimulation in illicit traffic, “the question at issue”, argues Hobart, “is not materially affected. The evil in that case due to the increase of the duty would be the moral evil implied in illegal transactions, instead of the physical evil implied in the diminished consumption of salt.”

186. In August 1872, the Government of India addressed a circular to the provincial governments, inviting criticisms and opinions upon the existing scheme of taxation generally,—which by reason of the recent increases, both local and imperial, had given rise to much complaint—and in particular, directed an inquiry as to “whether the duty levied on salt might not be raised, if funds were at the same time placed at the disposal of the local governments to enable them to grant some substantial remission of provincial taxation.” The issue, as Lord Northbrook had earlier in the year, in the course of a private communication informed Lord Hobart was, as between the abolition of the local cess first, then of the Southern Customs Line on the one hand, and the increase in the salt duty on the other—the latter being a *quid pro quo* for the former. And Hobart, though lending his strong support to the abolition of the Inland Customs Line, could not but conclude that the proposed further addition in the direction of the Bengal rate of duty “would increase the revenue in a far inferior degree, probably by not more than 15 per cent. at the most, and would materially reduce the amount of salt consumed in the Presidency.” On the other hand, he favoured the abolition of the Frontier Cordon and the equalisation of duties being the objective, suggested a decrease in the Northern India and Bengal rates, “*Prima facie* it would seem probable”, he thinks, “that a reduction of the tax upon salt in Upper India might be followed by an increased consumption of this as well as of other tax-paying articles such as would in no unimportant degree, diminish the consequent loss of revenue.....”

187. Writing to Northbrook on the 31st January 1873, from Bombay, recommending a reduction in taxation all round so as to

allay the fears in the mind of the people concerning still further oppressive taxation to come, Hobart says "I think I understood you to anticipate sufficient surplus for these measures (reductions); but (as I said) if I had not a surplus, I would make one by reducing expenditure. Popular content is better than public works."

188. In the face of such a strong opposition, the proposal for increased taxation was for a time shelved, unfortunately to be revived again in the summer of 1873.

189. The Bill proposing the increase in duty passed eventually without opposition in the Council, the member for Madras expressing his Government's "appreciation of the careful and favourable consideration which had been given to the Madras views on the question, and which had resulted in a considerable reduction of the increase originally proposed." He made it clear at the same time, that the Madras Government having in view the advantages to be obtained by a much larger portion of the population of the whole Empire, had signified their approval of the measure.

190. In the 1871-72 census statement, the Sanitary Commissioner of Madras reported: "The sales of salt, allowing for the consumption in other districts, are not so large as to warrant the assumption that every individual of the population gets the quantity of salt that is essential for maintenance of vigorous health." In spite of this, the 1878 Budget of Strachey, abolishing the Inland Customs Line increased the duty by 11 annas per maund.

191. Lady Hobart, concluding a brochure on her husband's papers in 1878, thus calculates the incidence per head:—

"The *per capita* taxation in Madras according to the census report is Rs. 2/4/5 *i.e.*, 4s. 7d. per head. The incidence per head. The incidence of salt tax is 5 annas for 7½d. per head. Taking, according to Hobart's 1872 minute, the average income of a family of five at Rs. 120/- or £12, the total taxation upon this income is Rs. 11/4/5 or £1-2-7d. upon £12." She goes on

to say: "It should be remembered that the direct cause of starvation during the recent famine was the high price of food.....it was literally a financial famine. Increased taxation of the poorest classes seems, therefore, a questionable weapon for averting the recurrence of famines in India."

192. The fact that the salt prices had been raised beyond the economic limit, from both the revenue and the consumption points of view, was clearly brought to the notice of the Parliamentary Select Committee, 1871, by Sir T. Pycroft in answer to question 3800 put by Mr. Fawcett. That the duty was subsequently pitched still higher, can in the words of Sir T. Pycroft only prove that along with the bureaucracy in India, the parliament, the supreme arbiter of India's destiny had also developed a callousness of heart, subordinating every other consideration to Revenue."

193. The 1876 Commissioners, requisitioned to "collect information regarding the distribution of salt, the cost of carriage to different parts of the Presidency, and the amount of such salt which is exported to other parts of British India and to native states and give their opinion as to the average annual consumption of salt per head in the Madras Presidency," found that estimates varied from district to district and even in the same district from one statistician to another. Any estimate again was likely to be tentative, and at best, not fully representative of the true state of affairs, because of the constant factor of consumption of illicit salt—an item more or less incommensurable mathematically. The available figures ranged between 10 and 25 lbs. The Commission after a detailed inquiry on the lines directed by the terms of reference, strike a rate of 11.38 lbs. per head for Madras Presidency, Mysore and Coorg, including the tracts, where salt other than duty-paid sea-salt enters into consumption—particularly the Ceded Districts. Taking this as representative of the true state of affairs and judging from the manner in which the Commissioners conducted the investigation, one cannot but conclude that the average consumption was very low for a rice-eating population, and it furnished a clue to the degree of rigour, with which the monopoly pressed on the masses,

Parliament also indifferent to Madras consumer.

Per Capita consumption, 1876, Commission.

Average consumption very low.

194. In the initial period of monopoly, the Company had opened warehouses in many parts of the country, so as to enable people to purchase salt at Government prices.¹ It has not been possible to discover how long this very necessary appendage to monopolised manufacture continued. Towards the seventies however, it is on record that prices to the consumer were materially increased—same as in Bengal, because of the primitive system of communications—in the interior. Sir T. Pycraft giving evidence before the 1871 Select Committee, quoted an official calculation in this connection:—

Q. 3780. Mr. Birley:—You spoke of the enhancement of cost by the transport and cost of carriage; have you any facts with regard to that which you can give us? Can you tell us how much the cost of salt has been raised to the consumer by the great cost of inland carriage in remote districts?—If you mean by the old system of carts, it was reckoned by the Board of Revenue, when they were in communication with the Salt Commissioner, that a garce of salt rose in price one rupee for every mile it was taken.²

Q. 3781. It was tolerably uniform throughout the Presidency, I suppose?— Pretty well.

195. Favoured with a long coast line on the East, the Presidency abounded in marshy swamps of sea water,—peculiarly fitted for the manufacture of salt. Bruce writing on the salt sources of India in 1863, observes:—“In Ganjam Rajahmundry, these swamps abound,”³ whereas Tanjore and Muslipufam “are especially productive of fine quality salt.” In these districts, this spontaneous salt—as it was called—could be manufactured “to almost any extent, of fine quality and at a small charge, probably on an average of about Rs. 4/- per garce of 120 maunds or $\frac{1}{2}$ anna per maund.”³ The great swamps to north and west of Point Galymere, near about Vedaranyam, extending for upwards of 30 miles produced a variety of salt “very white and of peculiarly fine crystals.”⁴ But

¹ Evidence of Thomas Warden before 1830 Select Committee of Lords. Minutes of Evidence, p. 115.

² Bruce, p. 7.

³ Plowden. Report on Salt, p. 83, para. 563.

⁴ Ibid.

the policy of the administration did more serious injury to the spontaneous salt, than even to the Malabar sea-salt, described by T. H. Baber. Its manufacture was automatic and therefore not preventable. The Government, therefore, sought refuge in destroying it wholesale, so as to render smuggling impossible, the reason urged to support such a policy being that the localities, where it was produced were isolated, and inconvenient of approach in the then state of inland communications. The 1876 Commission, however, noted the fact of its being collected at some places, and sold at a discount—against manufactured salt—the Vedaranyam salt in particular. In 1859, the Government circularised Collectors asking for information in regard to their present and proposed attitude towards "spontaneous salt", but no important action was taken upon the replies received, the destruction at some places, and collection at others, continuing the same as ever before. Nor was any action

taken upon Plowden's recommendation that the swamps be rented under excise regulations. The wanton destruction of a commercially useful product cannot, indeed, be condemned except in the strictest terms.

196. There was still another variety of salt Madras produced —Earth Salt—in the saliferous tracts. Contrary to expectations, its quality was by no means unsavoury, despite the crude mode of manufacturing employed. The analysis revealed

Moisture	...	...	...	7%
Sand and dirt	...	...	...	5%
Chloride sodium	...	...	...	81%
Bases and acids	...	...	...	7%

197. Plowden, giving this analysis, concludes that the acids and bases are "both but too insignificant to act in any other way than as a slight stimulant to the renal organs."¹ Mr. Thornhill of the Board of Revenue, appointed to inquire into the taxing aspects of this salt, reported in 1873, with respect to quality :

"The quality of the salt varies greatly in different localities; that produced from the black cotton soil is generally the best, it is pure

¹ Plowden. Report on Salt, pp. 83-84.

white and of well-formed but of small crystals, that produced in red soil is of a dirty red appearance, and the crystals are flat and flaky. The former is largely used for human consumption, the latter exclusively for cattle."¹

198. The fact that this salt was in no way less suitable as an article of consumption than the monopoly manufactured sea-salt, was responsible for the wide prevalence of its manufacture. But it operated against the monopoly, and according to the Salt Commissioner's report, "the injury to the salt revenue involved in this manufacture has been recognised from very early times."² In the absence of any other convenient fiscal method it was taxed on a licensing basis a Mohturfa fee being levied on the number of men employed on each 'moda' or mound of earth put to use. Plowden recommended an excise on the sea-salt principles, to displace the Mohturfa but his recommendations went the same way as other suggestions for the institution of a systematic taxing system and led to no practical results.

An excise recommended but of no avail.

199. Later on, in 1860, the Board of Revenue was asked to report upon the abolition of the Mohturfa, and the substitution of a more suitable system. The Board's recommendations for substituting a monopoly manufacture as in regard to coast salt, or in the alternative, for the entire suppression of manufacture along with the opening of depots of sea-salt in the interior, were both disregarded and "the Government, observing that the manufacture could neither be excised nor monopolised, and consequently that it must be continued on its existing footing or suppressed", adopted the former alternative.

200. Sea-salt prices were put up in 1869, and earth salt found itself in a more entrenched position to compete and undersell Government salt. The licensing system. Finding some action immediately imperative, Government at last did launch upon a definite policy. A licensing system was introduced and was directed towards the gradual suppression of 'modas', beginning with those producing best white salt for human consumption, and indulging for the time being those producing red salt for

¹ Report, 1876 Salt Commission, p. 94 Thornhill quoted.

² Report, 1876 Select Commission, p. 90, para. 272.

cattle, to continue manufacture. Liberal compensation was offered for cessation of manufacture. This policy was adopted on the recommendation of Mr. Thornhill, of the Board of Revenue, appointed specially to enquire into the manufacture and licensing of earth-salt.

201. The 1876 Commission do not find that the scheme so perfect on paper, had gone far to induce discontinuance of manufacture in actual practice. A good deal of salt, they suspected, was still being manufactured in unlicensed modas. They recommended a more vigorous policy—absolute suppression of manufacture, to displace the prevalent scheme of licensing modas; for “as between simple suppression and the present system (licensing), the sole question is, which shall secure that the salt tax shall be paid by the inhabitants of the three districts (Guddapah, Kurnool and Bellary the seats of earth-salt making).” “It is probably”, they go on to observe, “that if stringest measures were taken for a few years, fully taxed sea-salt would gain a permanent footing towards suppression of earth-salt.”¹

Not very successful either.

Suppression of manufacture recommended.

202. The attitude towards these two varieties of salt, also reveals how far Government would go, and how unscrupulous their policy could be, when directed towards the single aim of increasing their revenue.

Revenue the only objective.

203. The earth-salt policy of the Government recently came in for criticism at the hands of Sir Thomas Holland in a speech at the Royal Society of Arts. He alleged that the present restrictions on the manufacture of earth-salt which pressed so heavily on the poor, were even ineffective and undesirable from a revenueal standpoint. On the other hand, he maintained that the policy was responsible for stinting the supply of salt for agricultural operations, and in consequence, was largely accountable for agricultural deterioration. It was elicited from the Government in reply to a question by Mr. Ahmad Ali Khan in the Legislative Assembly, that in view of the very heavy loss of revenue, any relaxation of the present regulations with regard to earth-salt manufacture was likely

Government unwilling to reconsider policy.

¹ Report, 1876 Salt Commission, p. 103, para. 300.

to cause, "the Government of India do not propose to abolish the restrictions";¹ nor did they think it worth their while to institute any inquiries in regard to the extent and the nature of the hardships occasioned to the poor.

204. The Madras monopoly, it should be acknowledged to its credit, was generous in one respect at least when compared to that in Bengal. It did not contribute to the deterioration of the quality of the salt, very probably because of the absence of the institution of auction sales, and its accompaniment, the sub-monopoly. The consumer was thus supplied with an article which was comparatively cleaner. The 1871, Select Committee was informed by Sir Thomas Pycroft that its quality even approximated that of the Cheshire Salt, so far as its value as an article of diet was concerned.

205. In investigating the problem of quality, Plowden subjected the commodity to what can be pronounced as a sincere test. He took 22 specimens of sea-salt, from 22 towns and villages, a hundred miles distant from the nearest salt depots and sent them for analysis to Dr. Mayer, Professor of Chemistry. The report gave this analysis:—

Moisture	...	...	...	7%
Sand and dust	...	...	...	3%
Chloride of Sodium (pure salt)			...	89%
Nitrate of Magnesia and lime			...	1%

i.e., deducting the remaining moisture 89 parts out of 93 or 95 $\frac{1}{4}$ % was found to be pure salt.

206. Mr. Falk, President of the Northwich Salt Chamber of Commerce, with his own axe to grind, of course, made serious allegations against the quality of the Madras salt, in spite of the above authoritative analysis. "The product is a most inferior, dirty, ill-crystallised salt containing full 30% water, sand and other

¹ Q. 697, (a) and (b), 10th March 1924, Assembly Debates.

deleterious ingredients", complained Mr. Falk. "Among the latter", he continues, "must be specially named from 2 to 3 per cent. of chloride of magnesium and other bitter salts, which affect the mucous membrane and the skin most seriously, and must cause a considerable amount of suffering." The 1876 Salt Commission, appointed mainly at the instance of this and other like allegations against the salt policy of the Madras Government, devoted particular attention to the question of quality, and appointed Dr. Hazlet to report upon it. Specimens were taken both from the Government platforms and from the bazars, and were subjected to searching chemical analysis. The impurities found to the extent of just 2% were, the Commission found, in no wise of a nature that bred disease, as alleged by Mr. Falk, though reducing *pro tanto* the commercial value of the salt. With regard to the platform specimens, the Commission conclude:—

"Though the average Madras salt is, we think, capable of improvement, in the respects now indicated (moisture and impurities), we desire to state our opinion that the picture drawn by Mr. Falk is, except in two points, altogether exaggerated."¹

207. Regarding bazar salt, the Commissioners observe: "on the whole, we think we may state with confidence that except in the case of Ceded Districts, where moisture with earth salt is probably more common, wilful adulteration of monopoly salt does not prevail to any serious extent."²

208. Mr. (Afterwards Sir) Charles Pritchard finds himself in disagreement upon this pronouncement of the rest of the Commission on the quality of Madras salt. He, on the other hand, considers "that the objections, Mr. Falk has argued against it, are to a considerable extent well-founded, that the produce of some of the works is of doubtful wholesomeness; and that the salt taken, as a whole, is decidedly inferior in point of commercial value, and unnecessarily dear at the price which Government and the public pay for it." All the hope he can see for an improvement of the quality is in a competitive scheme of manufacture, subject to an excise.

¹ Report, Madras Salt Commission, 1876, p. 125, para. 367.

² *Ibid*, p. 130, para. 381.

209. With regard to retail prices also compared to Bengal, there was little reason to complain. The Retail prices not unduly high. 1876 Commission, not satisfied with the returns of retail prices obtained by the Board of Revenue, ascertained their own rates from the bazars and came to the conclusion :—

“That the prices quoted by the Board are lower than the retail prices which really prevail, but that the difference cannot be very great, and we think we are warranted in reporting that the retail price does not in any locality exceed the Government monopoly price, by more than the cost of carriage, and the legitimate profits of the traders by whom the distribution is effected.”¹

210. Very soon after the introduction of the monopoly system, Madras became the object of the English manufacturers' furtive glances, just as Bengal had been. An attempt was made to capture the market as early as in 1846. But the shipment sent over by the Commissariat department. The English merchants would not, however, give up the case and in 1870 they made another attempt. Though assisted with all possible bonding facilities afforded by the authorities, this proved a more miserable failure, so much so that the whole bulk had to be re-shipped to Calcutta. Nothing daunted, Mr. Falk, President of the Northwich salt Chamber of Commerce, already mentioned above, visited India in 1874, and in his letter, dated the 12th December 1874, to the Government of India, launched a vigorous attack on the monopoly in Madras. This was the subject of a great deal of correspondence between the Provincial and Supreme Governments, and the Secretary of State in his despatch of the 29th July 1875, invited the attention of the Government of India to the allegations made by Mr. Falk. This despatch, after further correspondence with the Government of Madras, who found themselves at issue with Mr. Falk on points very material to his case, fructified in the Secretary of State's directing a fuller investigation of the whole question, “either by a single person or a commission.”

¹ Report, Madras Salt Commission, 1876, page 177, para. 497.

The Government of India adopted the latter course in their resolution 379-381, Department of Revenue, Agriculture and Commerce, of the 18th November 1875, and a Commission of five officials was appointed to conduct inquiries into the question. The Hon'ble Mr. Hope, moving his Bill for the equalisation of the salt duty, in the Imperial Legislative Council, on 27th December 1877, referred to the English manufacturers' agitation and the Commission in this wise:—

"Persons interested in the sale of Cheshire salt, finding that that salt met with no market in the Madras Presidency, while the imports into the Bengal Presidency, where Government itself does not manufacture, amounted to 250,000 to 300,000 tons annually, came to the conclusion that the cause lay in the difference of the system by which salt duties were levied in the two Presidencies. The Salt Chamber of Commerce at Northwich made representations through their President, Mr. Falk, to Her Majesty, the Secretary of State and to the Government of India. The result was the appointment of a Commission, who made an elaborate inquiry last year into the salt administration of the Madras Presidency, and submitted a full and valuable report to the Government of India", action upon which was taken in the shape of instituting a system, wherein "it was impossible for private importers to allege that they are unfairly weighed in their competition with home-made salt."

211. The circumstances in which monopoly administration was first introduced in Madras have already been noted in its broad outlines. The agency entrusted with the task was in the initial stages—from 1805 to 1808—a general agent at the head of collectors. In 1808 collectors were placed in direct subordination to the Board of Revenue, on a commission basis. The Commission plan was, however, done away with in 1836.

The agency of administration soon came in for criticism and in 1852, the Court of Directors themselves suggested the appointment of special officers over salt and *Abkari*, as distinguished from Revenue. Plowden made recommendations for segregation along identical lines. But no action was taken upon either, beyond the attachment of salt deputy-collectors in some districts, though even

there, so far as Malabar was concerned, the office was held in conjunction with that of the sea-customs officer.

212. In its operation of the monopoly, the Company found itself up against a serious problem with regard to the manufacture in foreign territories. So far as Madras was concerned, France was the only foreign power represented in the settlement of Pondicherry. By a convention signed in London on 7th March 1815, between Great Britain and France, the British Government acquired the exclusive privilege of purchasing all salt made in French territories, except for the amount required for internal consumption. French prices were also required to be kept on a par with British Indian prices. The compensation to the French Government was fixed at Rs. 4,00,000.

213. The arrangement was not found quite satisfactory, and just three years later, on 13th May 1818, by a treaty, the French Government yielded to the British another privilege. They undertook to suppress all manufacture within their territory in return for Rs. 14,000 for indemnification to panproprieters. The British Government undertook to deliver such quantity of salt, as might be necessary "for the domestic use and consumption of the inhabitants of the French settlements in India, the purchase, delivery and subsequent sale of the said quantity being regulated according to the stipulations contained in the convention of 7th March 1815." The French Government was again required to maintain prices about the British Indian level for obvious reasons.

214. The above terms of the 1818 agreement were renewed in 1837, the convention signed on 1st June of that year providing for the sharing of transport expenses of salt carried into French possessions under the treaty.

215. John Crawford, in his critical statement submitted to the 1836 Select Committee on Salt, informs us that the quantity of salt allowed per head of the French population was 22 to 23 lbs., *i.e.*, on an average 10 to 11 lbs. higher than what was available per consumer in Bengal. Later on, it appears, the deliveries demanded were in ever larger quantities. "The subject of the excessive deliveries of salt", observes the 1876 Commission, "has more than once

attracted attention." The commissioners calculate the rates of delivery per head as under:—

Pondicherry ...	...	...	24·8 lbs.
Karikal ...	...	...	9·49 „
Mahe ...	...	...	25·4 „
Yanum ...	...	...	11·9 „

216. Smuggling was suspected, and Mr. (afterwards Sir) W. Robinson, when deputed as additional member of the Board of Revenue to examine the inland customs arrangement in 1868, took an opportunity to investigate into the smuggling of salt also. He reported: "The French trade at inland depots had become a retail trade at rates which undersell the bazar retail price on the British side, and the convenience was great. Practically therefore, the small local trade of English villages both within the mixed territory and beyond it, had passed into the hands of the French administration."¹ The Board did not, however, consider smuggling to be rampant to such an extent, as to "render any very stringent measure to repress it desirable."² The Government of Madras also could not agree to Sir W. Robinson's proposal that the quantity supplied to the French Government should be reduced; and the 1876 Commission reported: "Matters stand in much the same position now."³

217. It has been noted in the initial paragraphs of this chapter how the monopoly was introduced in Madras—not because of the peculiar conditions in Madras,—as represented by the District Officers and the Board of Revenue, but in spite of them—on the analogy of Bengal—and in deference to orders from the supreme Government. The system had uninterrupted and even unquestioned sway for half a century; for the Parliamentary Select Committees studiously ignored the monopoly in Madras, restricting their investigation to the Bengal administration only. There is thus very little or no evidence at all, recorded by the 1812, 1830 and 1832 Select Committees, on the Madras Salt monopoly. The 1836 Select Committee of the Commons specially directed "to inquire into the salt supply of British India", strangely enough, also fell into the

¹ Report. 1876 Salt Commission, p. 109, para. 316.

² Ibid, p. 109, para. 317.

³ Ibid.

groove, and had little to record, and nothing to report upon with respect to Madras. Not till the excesses of the monopoly had so far aroused the Commons, as to drive them specifically to order the abolition of the monopoly in the Charter granted in 1853, was interest aroused in the question, and Plowden was appointed to inquire into alternative systems of salt revenue administration. The propriety of a monopoly was then brought into question, as against an excise.

218. The salt monopoly was defended "only on grounds that the same amount of revenue could not be raised so cheaply and with so little inconvenience to the community in any other manner."¹ There could not be any objection to it, in Plowden's opinion, *qua* monopoly, so long as the price was fixed. When Plowden reported, even the Board of Revenue were not hostile to excise, though the District officers did not favour it. He recommended substitution of an excise scheme on Bombay lines—not absolute freedom of manufacture, but a system of licensing in suitable localities. This in his opinion would not materially change the then prevailing administrative system, and the change would be easily and immediately accomplished.

219. The Secretary of State tendered his support to this recommendation. "Her Majesty's Government are accordingly quite prepared to adopt Mr. Plowden's recommendation that immediate measures should be taken for the gradual substitution throughout the Madras Presidency of a system of excise on the manufacture of salt upon the general plan of Bombay salt excise in lieu of the monopoly", he wrote in the course of his despatch. The Government of Madras actually ordered an excise, accordingly, in the two West Coast Districts, and Chingleput, "when suddenly in July 1859 Mr. Forbes, the Madras Member of the Legislative Council of the Governor-General was instructed not to proceed with the Excise Bill, because the Government of Madras had determined at least to postpone the change of system, until the then existing establishments should be strengthened and reformed, and because on the general question as between excise and monopoly, it appeared doubtful whether with a tax 7 times the intrinsic value of the article taxed, it was wise to disturb an old

¹ Plowden, Report on Salt, p. 92, para. 610.

established system in favour of an excise."¹ On a subsequent occasion the question again cropped up with regard to the West Coast districts, but the Board, led in its deliberations by the Bombay reports of Pedder and Pritchard the former of whom was for displacing even the existing Bombay excise by a monopoly, recommended the absolute abandonment of the idea of introducing excise. Sir T. Prycreft summed up the account of the action taken upon Plowden's recommendations in his reply to the 1871 Select Committee on East India Finance thus:—"No, I do not think anything was done upon that (Plowden's Report) immediately.....The thing lay over for a considerable time."²

220. An act was after all passed to give effect to the recommendations in favour of an excise on the lines of the Bombay system, and submitted to the Governor-General for his assent.³ The 1876 Commission taking note of this law—VI of 1871—observes: "it has not been extended to any district."⁴ It was only a permissive measure.

221. Not till Mr. Falk's denunciation of the Madras salt system in 1874, was interest revived in the question of administration. The allegations evoked from the Madras Government a lengthy statement in defence of the monopoly administration, justifying it, both on the score of safety to revenue and convenience to the consumer in matters of quality, price and sufficiency of supply. They said: "Considering that the people are supplied with good and wholesome salt at a very reasonable cost, that a large and increasing revenue is realised with ease and certainty and neither the consumer nor the manufacturer seek any change, it seems to His Excellency in Council more prudent to adhere to a system, which, though theoretically open to objection, has proved successful in practice, than to substitute for it a system which gives no well founded assurance of better results for the people or for the state."⁵

1 Report 1876 Commission, p. 186, para. 515.

2 Answer to Q. 3720 by Chairman.

3 Evidence of Sir T. Prycreft, 1871 Select Committee. Answer to Q. 3721-22.

4 Report, 1876 Salt Commission, p. 9, para. 23.

5 Ibid p. 188, para. 516. Copy of statement.

222. The 1876 Commission was "more specially to engage attention" *Inter alia* upon this question:—

"Are there any, and if so what, practical difficulties attendant on substituting a system of excise for the present monopoly.?"

223. The Commissioners after giving anxious consideration to the many and varied points raised, both in favour and against the two systems, pronounce themselves strongly in favour of excise.

1876 Commission favour
excise.

They recognize that to safeguard the consumer against shortage of supply, the change must be gradual, that there are a few divisions in Madras where, unlike Bombay, competition among manufacturers would not be possible, and the private monopolist would be in a position to dictate terms to the locality. In such a case Government would have to hold reins of administration tight, for quite a long time to come. On the other hand, they establish that the manufacturers are not quite so poor compared to Bombay excise manufacturers, as the supporters of the monopoly try to make out, and they are not unable to finance manufacture on their own account—without advances from Government. The Commissioners recommend that the charges for taxation and preventive establishment should be met out of a cess, calculated upon no less an area than a District, always subject to the condition that a proper capital account of storage works, etc., was to be maintained, for assessment of the cess. They consider competition among manufacturers under an excise an essential condition for the improvement of quality, the necessity of which, was so much talked about by Mr. Falk, and conclude, "we regard it as the most hopeful means of.....giving to the Madras Presidency the share in the trade for the supply of other parts of India and Burma, and adjacent countries, which its natural advantages and geographical situation should enable it to command. We therefore recommend that steps be taken for the introduction of excise." To this end they point out localities most favourable to the working of an excise in the first instance.

224. It should be noted, however, that the recommendation was not unanimous. In the opinion of Mr. Venkaswami Rao, expressed in a Minute of Dissent, the monopoly had worked so successfully that the excise scheme would have to prove its merits by a trial before its adoption, as a policy, could be recommended. President Pritchard,

who also signed a Minute of Dissent, on the other hand, agreed whole-heartedly with the excise recommendation.

225. The Government of India expressed agreement to this proposal, stipulating, however, that "a sufficient number of Government factories should be maintained, side by side with the excise factories, for the regulation of the quality, the supply and the price of salt."¹

Government of India recommend Government manufacture alongside.

226. It was not till after a considerable lapse of time, however, that the excise recommendation was acted upon, for Government acknowledge five years later: "In the former Presidency (Madras) the manufacture is almost entirely a Government monopoly² as against Bombay, where salt revenue was administered under an excise system." "Madras salt which is made by solar evaporation on the coast, had been manufactured as a Government monopoly upto 1884", runs another admission of the Government, which continues, "from that year the business was gradually made over to capitalists, who made salt under an excise system."³

1884—excise manufacture begins in practice.

227. As a matter of fact, when excise was actually introduced, it does not, save in a few instances, appear to have met with the success expected. In Malabar and Kanara, where the first experiment was tried, factories had soon to be closed, on account of bad quality and high price, Goa salt soon displacing local salt. The industry was thus lost to the districts, but perhaps it was not so much the manufacture, as the climate, that worked against it, then as ever before.

Excise not successful.

228. Excise was next introduced—and successfully—in the Tuticorin division of Tinnevelley District, which produced salt at the same price as Government used to *vis.*, 3 annas, but of a much superior variety. It was then extended—in 1883-84—to other districts.

1 Moral and Material Progress and Condition Report, 1886-87, p. 73.

2 Moral and Material Progress and Condition Report, 1881-83, p. 34.

3 Moral and Material Progress and Condition Report, 1888-89.

"Reports showed", the official statement runs, "that the change wrought more harm than good to the consumer."¹ The remaining districts were also brought under excise, all the same, and "the result of these changes was that by 1887 about 87 per cent. of the salt consumed in Madras was manufactured on excise system",² the selling price ranging from 6 to 14 annas. Again, the manufacturers kept no stocks on hand. This induced the Government in 1886-87 to re-establish Government factories, to "keep down the price of this prime necessity of life, and to secure that adequate stocks of salt are maintained."³

229. In 1887-88, indeed, a reversion to the monopoly system was so seriously in contemplation, that applications for further extension of the excise system were not entertained. The reversion would have been justified according to official opinion reflected in the reports. "The result of re-opening a limited number of Government factories is that the price of salt has been reduced considerably in every district" from Rs. 6'1/12 annas to 4 annas, in the course of a year, while the stocks accumulated were sufficient to meet twelve months' demand."⁴ The stocks were desired to serve a dual purpose; firstly, as a reserve of supply against shortage, secondly as a safeguard against undue forcing up of prices by the manufactures.⁵ The quantity contemplated to be thus stocked was increased from 1,050,000 maunds to 3,000,000 in 1890-91, equivalent to more than 1/3 year's consumption.

230. The Madras episode, though on the whole slightly better after the experiences of Bengal, reveals similar troubles. The state revenue being the principal, nay, the only objective, the weal of the common people was set aside. No doubt the evils of auction sales and of sub-monopoly were avoided in this Presidency but the behaviour of Government with regard to "earth-salt" was to say the least of it inexcusable. The scale turned from monopoly to excise and from excise to monopoly and with it the insufficient *per capita* consumption fluctuated.

1 Moral and Material Progress Report, 1883-87, p. 73.

2 Ibid.

3 Ibid.

4 Moral and Material Progress Report, 1888-89.

5 Moral and Material Progress Report, 1890-91, p. 92.

CHAPTER IV.

Bombay—History of Salt Revenue.

231. Problems of salt revenue administration engaged the attention of the authorities in Bombay much later than in other provinces. In fact, "a regular excise upon salt in Bombay dates only from 1838",¹ found Pedder in the course

Pre—1838 Administration of his investigations, when appointed on unsystematic. special duty. Prior to 1838, each of the collectorates, Ahmedabad, Kaira, Bombay Island, Surat, Broach and North and South Konkan, had different systems of management and collection of duty, roughly divisible under the following heads:—

- (i) By the sale of the Government share of the salt produced at works that were owned by the Government.
- (ii) By the rent of Government salt works, that were farmed out for cultivation.
- (iii) By a duty realised on the out-turn of private salt factories.
- (iv) By a proportion of the sale proceeds of the product of some private works.
- (v) By a Land Revenue assessed on some pans and by a quit rent levied on some others.
- (vi) By a customs duty leviable on the import and export of salt by sea, and an impost on the inland traffic of the article by way of transit duties.

232. In fact, so incomprehensible was the scheme of revenue then, that Peacock stated before the 1836 Select Committee on Salt that "it is impossible to say what the system is."²

Further pressed to describe the Bombay system, he expressed his inability to answer any question about the Bombay salt duty. "It is

¹ Pedder W. G., C.S. on special duty—Report No. 103 of 30th July 1870 upon the internal management of the Salt Department in the Southern and Presidency Divisions of the Bombay Presidency with proposals for the revision of establishments (Bombay 1872).

² Reply to Q. 842 by Mr. E. J. Stanley, 5th July 1836.

a mass of confusion", he observed "and I cannot find anybody to give me any explanation of its present state."¹

'Q. 1130. When you mean to state that the Court of Directors have no information of a distinct nature as to the salt revenue at Bombay?—No, I think, I may say none.'

233. Nor was the amount of revenue, when emerged from this tortuous maze, by any means of an appreciable magnitude. It was, in fact, very near to the Madras total before the establishment of the monopoly, Rs. 2,35,424/- in 1836-37, according to a statement prepared by the India House. The charges accounted for Rs. 26,710/- out of this, so that the net realisations were not higher than Rs. 2,08,532/-. This was exclusive of inland transit duties.

234. The idea of a salt revenue on anything like a substantial basis seems to have been first mooted in 1816, when the District Officers were desired to explore the possibilities of an increment in the existing revenue of Rs. 1,46,874 to the level of Rs. 5,99,887. In the opinion of the Bombay Government even this fourfold increase was an underestimate, three times the amount of the higher scale revenue being thought realisable without any heavy burden on the population. In midst of their search for a system to administer such a revenue they were reassured by the Government of Fort St. George, in very favourable terms, of the prospects of a monopoly, both from revenual and commercial points of view. Accordingly, a draft regulation for the establishment of a monopoly at a fixed price of Rs. 1-13-6 per maund was submitted to the Court of Directors, the manufacturing cost being just half-anna per maund. This would amount to a tax of 4 annas per head.

235. The Court of Directors, however, negatived the proposal as premature for practical adoption in the then unsettled state of the Bombay Presidency. "The immediate and prospective advantage from the establishment of a monopoly of salt, did not in the judgment of the Court counterbalance the evils that might be apprehended from the measure at that time", observes Plowden.² To put it in more definite terms, in the territories so recently acquired,

¹ 1129 by Lord Robert Grosvenor.

² Plowden's Report P. 8,

and by that reason not quite settled down to a normal political state; "the taxation of an article necessary to subsistence, must, the Court apprehended, considered as grievous and oppressive."¹

236. For nearly a decade after this avowal, the question of an increased salt revenue did not interest anybody. In 1825, however, the Bombay Customs Committee, then recently constituted, was directed to suggest the best system to derive the highest rate of increase of duty. The Government's profound faith in the monopoly found expression, according to Plowden, in a slight hint in that direction. The question of the capacity of the people to bear an increased duty was apparently taken for granted.

237. Mr. Bruce, a Member of the Committee, after investigation, proposed, in his minutes of the 15th May 1825, and 6th May 1826, the abolition of the transit and town duties and trade and profession taxes, in favour of an excise levy of As. /6/4 on salt. As regards the terms of manufacture, he recommended a general *status quo*, subject, however, to some slight modifications in respect of the method of levy. The new impost, in his opinion, would hardly be burdensome, in view of the simultaneous abolition of transit duties, a third of which had, he found, hitherto been collected on salt.

238. The Bombay Government approved of Mr. Bruce's recommendations, and approached the Court of Directors with a draft regulation prepared by Bruce himself, on 4th June 1828, entitled, "A regulation for realising a revenue from salt manufactured in the island of Bombay, and within the territories subject to the Presidency of Bombay, and for regulating the importation of foreign salt into any part or place within the said island and territories." This they followed up, on 1st August 1829, with another regulation drafted to provide for limiting the maximum rate of levy at 13 annas 3 pies per maund, leaving unspecified, however, the actual rate then proposed to be imposed. The Directors' reply of the 10th June 1829, presumably to the former draft, expressing their approval of the As. /6/4 rate proposed by Bruce, stands unsurpassed in its sentiments of statesmanship and square dealing,

Bombay Customs Committee to explore vistas of increase.

Bombay Govt. approve of Bruce's recommendations.

And Court of Directors' stroke of wise statesmanship.

¹ Plowden; Report on Salt P 8.

perhaps in the whole annals of British History in India. The Directors write:—

“We understand that as far as an increase of the revenue derived from this source is contemplated, it is meant as a commutation merely for the duties of transit which it is your purpose to abolish. In this light we regard the project with favour, as we have a strong conviction of the inconveniences which are attached to transit duties.....Had this been a measure not of this nature, but a proposal for adding to the burdens of the people, we should have entertained very serious doubts of its propriety, for when we take into account, the general depression to which the misgovernment and the revolution of former times have reduced the greater part of the country subject to your Government, our desire must be to afford relief by every means in our power, rather than in their present circumstances to increase the demands upon the people.....”

“It is your declared purpose to raise the whole of the revenue from the duty, care must therefore be taken, in disposing of the salt works belonging to the Government to exact nothing in the way of revenue, *i.e.*, to take the real value of the property of buildings, the pan and other implements.....and nothing beyond this; otherwise the parties who purchase those works or take them on lease will be doubly taxed, once in their extra charge and again in their duties which they will have to pay equally with all other manufacturers.”

The Court of Directors had no partiality for either of the systems—of lease or sale of the Government works and would treat each case on its own merits.

239. Referring to the rate of levy, they endorsed its moderation for another consideration, *viz.*, that it would, of course, render it much less difficult to provide security against the evils of smuggling.

240. Suggestions were, thereupon, invited and information sought by the Bombay Government from their District Officers on the administration of the proposed salt department with a view to drafting a regulation. These were submitted, though after a prolonged lapse of time, by the Revenue Commissioner at the end of 1835, without, however, bringing the draft of the regulations of the Salt Department any nearer to realisation. For, “as the modifications in the Salt Department”, the Bombay Government

But proposal referred to All-India Customs Committee.

found, "were evidently intended to follow and be dependent upon the general revision of Bombay Customs, then under consideration of the Customs Committee for India, in session in Calcutta", the Government submitted all their papers on subject to the Government of India, and awaited their instructions.

241. The Government of India, however, could not see eye to eye with the Customs Committee's recommendation for the abolition of inland town and transit duties, and said as much in their resolution 83 of 31st August, 1836, expressing their conviction that such a measure would be attended with too great a sacrifice of revenue, in the then prevailing state of the Government of India finances. They, nevertheless, made another reference to the Committee to examine the current system of taxation, with a view to discover which of the taxes were the most injurious and obstructive to the smooth rolling of the nation's economic wheels; also how matters could be improved by an extension of sea-tariff or the discovery of new sources of revenue.

242. The Customs Committee, fully appreciating the changed angle of vision of the Government of India, and realising the expediency of unearthing alternative sources of revenue, hit upon the salt duty as best calculated to make up the greater part of the deficit. "The transit duties in the Bombay Presidency", they concluded, "were so injurious to trade and commerce, that they ought to be at once abolished; that the state of the finances did not admit of their being abolished without some equivalent, and that an uniform excise and import duty of 8 annas per Indian maund on salt was the least objectionable method of replacing them, and would make their total abolition finally practicable." The salt duty, they expected, would yield 9 lakhs—the equivalent of the available amount in land customs to the Presidency, barring Guzerat. The Guzerat gap could then be provided for by an import duty on enumerated articles, bringing Bombay's import tariff to the level of Bengal's. The total of salt duties *plus* new import duties, was thus calculated to make up for the loss due to the abolition of transit duties.

243. The Government of Bombay, however, considered the 8 annas scale too high, and even unnecessarily high, for making up the deficit in revenue by the abolition of transit duties, and

communicated to the supreme Government their preference for a 6 annas rate. The latter negatived their suggestion, as unlikely to bring in the requisite revenue, and even contrary to existing practice, themselves submitted to the Bombay Government a draft regulation providing for the 8 annas duty. This, slightly modified, fructified

into Act XXVII of 1837, "nearly thirteen years after the subject was first brought under the formal consideration of the Bombay Customs Committee, and more than eleven years after the preparation of the first draft by Mr. Bruce."¹ Together with Act I of 1838, passed just a few days later, provision was made for :—

- (1) Duty at 8 annas per maund before removal from salt works.
- (2) Licensing of pans by the District Collector and supervision of works, by salt officers; also establishment of salt chowkees.
- (3) Penalties in the shape of confiscation and otherwise for salt clandestinely manufactured or stored or salt removed without license.
- (4) Abolition of transit duties. These had been only suspended by XXVII of 1837, and I of 1838, was responsible for their total abolition.

244. A very short time after, consistently with their previous attitude, the Bombay Government took a more liberal view of the subject of salt duties, though with respect to a certain section of the public only, and considering that the duty was a great hardship upon such of the consumers as lived in the neighbourhood of the pans—mostly the manufacturers themselves—appointed a special committee to devise and suggest means of lighening their burdens. The body, however, found themselves against the expediency of any such relief, as the Government had contemplated, and the question found ultimately a solution in exempting salt fish from import and export duties, on the ground of the salt utilised therein having already paid an excise previously. This could not, of course, go far and was at any rate a very poor substitute for what was mooted at the outset.

¹ Plowden : Report on Salt P. 14.

245. From a strictly financial point of view, the commutation of transit duties into a salt duty proved hardly a success, whatever it may have accomplished in the direction of freeing the community from vexation and annoyance. The results showed are reflected in the following figures :—

	Rs.
Net amount relinquished by abolition of transit duty	16,60,000
Net amount realised by 8 annas salt duty.	
Average of six years	14,09,000
Loss	2,51,000

246. Transit duties abolished, attention was next directed to town duties. Section III of Act I 1838, had expressly reserved these, whilst generally providing for the abolition of transit and inland customs levies. The *mohturfa*-tax on trade and professions-mentioned above in connection with Madras earth-salt, together with these imposts, accounted for about 10 lakhs of revenue, a considerable amount in those times. Nevertheless the Government of India showed themselves very keen on their abolition, holding and rightly holding, that "they were so full of iniquities, anomalies and complications, that it would be vain to inquire from what objections and abuses they were even free." As a *quid pro quo*, the salt duty was suggested to be raised to 12 annas, a rise so slight, in their opinion, as not only to be incapable of pressing upon the people, but even as calculated to be welcomed by them, in view of the simultaneous abolition of town dues. Subsequently, however, the increase proposed, was to a rupee, so that it would be equalised with the Madras duty. This was intended to prevent under-selling of the higher-priced salt in Madras but it was conveniently forgotten this time how it would press upon the people here. In practice, what was done by Act XVI of 1834, which was passed to give effect to these recommendations, was to betray the darker side only, and there was no mention of the suggested abolition of other dues. Feelings ran high at this arbitrary show of authority, and they actually flamed out into riots in Surat. The severity of the burden on the populace needs no further comment than the more mention of this historical fact. Pedder and Plowden both take note

Surat riots.

of these riots, and Mr. Naoroji Furdoonji of Bombay, giving evidence before the 1873, Select Committee on East India Finance, 4th July 1873, vividly described the intensity of excitement consequent upon the rise, on 28th August 1844, in that town.¹

247. Before this act could come into operation, however, the Court of Directors in their despatch of 3rd July 1844 had demanded that the limit of increase of salt duty be put at 12 annas. Simultaneously they insisted upon the immediate reduction of the price in Madras also. As actually operating, the duty was thus at 12 annas only. Indeed, it was not because of the Surat riots that the reduction to 12 annas took place, the Directors having ordained it in anticipation of dissatisfaction and not in consequence of it. Pedder goes out of his way in his anxiety to maintain the prestige of the Government in establishing this, in his report. Not more than a month after the establishment of the duty on the lower scale, the mohaturfa and town dues were also abolished by Act XIX of 1844.

248. Financially the outcome was analogous to the previous one. The results were these:—
Commutation again results in loss.

	Rs.
Net amount relinquished by abolition of town dues and mohaturfa	10,88,000
Net increase in salt revenue accountable to rise of 4 annas in scale. Average of 8 years ...	7,31,000
Loss	<u>3,57,000</u>

Plowden reckons the total deficiency debitable to the two commodities at a lower figure in 1852-53, Rs. 491,114 the salt revenues having apparently increased in a slight measure.

249. Reviewing the effect of the salt duty legislation on the populace, Pedder is of opinion that it has been "exceedingly beneficial to the inhabitants of this Presidency." "Taxation amounting to about Rs. 34,85,000", he goes on to say to substantiate his remarks, "was abolished, and replaced by taxation amounting to only about

¹ Reply to Q. 5926 Minutes of Evidence, P. 471.

Rs. 23,18,000; of the latter sum, a considerable portion was paid by salt consumers not living in the Bombay Presidency, so that the net annual relief to the tax payers of the Presidency must have been close on 15 lacs of rupees per annum. But more than this", and so far as convenience is made the test of the propriety of a tax, we have little reason to differ "a simple, indirect and far from oppressive tax was substituted for a system of taxation, from the times of the Maharattas, which formed an intolerable burden upon trade and industry and in the words of Plowden, was so full of inequalities, anomalies and complications that it would be almost vain to inquire from what objections and abuses it was even free."¹

250. Reporting upon this rate of As. /12/- per maund in 1856, Plowden found it by no means profitable to the realisation of the largest possible revenue. Smuggling was so rampant he recommended

Plowden recommends re-
version to eight annas. a reduction of the 12 annas rate, not because it fell with undue severity upon the populace, but because a reduced rate would not provide so strong an urge to illicit traffic, and in Plowden's opinion, revenue would actually improve under the reduction. The Government of India were of a different opinion and had all their hopes planted in an equalisation of duty to the Bengal level, which Plowden had taken exception to and on very strong grounds. The cost of production was so unequal, that whereas a Rs. 2/8/- duty in Bengal would increase the price only by 500 per cent., even a As. /12/- duty in Bombay would put it up by 1,000 per cent., the cost of production in the two cases being 8 annas and 1 $\frac{1}{4}$ annas respectively. Not more than three years after Plowden made his recommendations, they addressed their circular, quoted above in the Chapter for Madras, to the Local Governments and mooted an increase in Bombay and Madras duties to Rs. 1/8/-. The Government of Bombay, under the stress of financial stringency, also had an increase in contemplation, though on a more modest scale to Re. 1/-, the rate previously provided for by the 1844 Act.

251. The question of the desirability of an increase was finally subjected to an enquiry by a Committee of three officials, two of them Commissioners of Revenue and one the Commissioner of Customs. The former were

¹ Pedder: Report, P. 4 Para 16.

all for the increase to Rs. 1/8/- but the last named, Mr. Spooner, found himself radically differing in his conclusions. Taking his stand on the same firm ground as Plowden, he concluded that a duty of 2,000 per cent. on the cost of production that is what Rs. 1/8/- rate would mean As. $1\frac{1}{4}$ cost—was certain “both to increase smuggling and diminish consumption.” The estimated increase in revenue was, therefore, not likely to be attained. He gave it as his opinion, that a suppression of smuggling was the only key on an increase in revenue, and without the establishment of a monopoly, such suppression was very unlikely.

252. The Government of Bombay found themselves in agreement with Mr. Spooner and represented to the Government of India that though the Bengal duty might appear higher relatively, to the production costs it could not bear comparison with the Bombay rate. The Government of India were, however, hardly in a mood to reason out things, and groaning as their exchequer must have been under the post-mutiny burdens, it is not surprising that they directed an increase to Re. 1/-. This was very soon raised to Rs. 1/4/- by a notification of 13th April 1861, and confirmed by Act VII of the same year, allowing further freedom of scope to the Governor-General-in-Council to raise the duty to a maximum of Rs. 1/8/-. The Government of India had, all through the period of discussion, been backed by the Government of Bengal, vigorously advocating the policy of equalisation, in the absence of which, the Lieut. Governor asserted, Bengal had always been compelled to contribute much more than its legitimate share of the Imperial revenues.

253. The Government of India were hardly content with this increase in 1861. In August 1864, they evinced their desire to increase the rate to the maximum of Rs. 1/8/- authorized under the Statute, and according to Pedder, finding the consensus of opinion favourable, increased the duty to Rs. 1/8/- by their notification of the 9th January 1856. The reasons which impelled the Government of Bombay to shift their ground, as Pedder implies, so soon after the strenuous opposition they had put up, are difficult to discover.

254. In June 1867, however, when the Government of India again betrayed their passion for equalisation, they found the atmos-

phere so completely transformed as to meet with a chorus of disapproval from all sides. A reference has already been made to the strenuous opposition Hobart put up on behalf of

Further increase strenuously
opposed by Bombay Govt.

Madras, and the response from Bombay was no milder. In their letter to the Government of India, dated the 28th January 1868, the Government of Bombay put forward a series of clear and convincing arguments against the proposed increase. "It was pointed out that though the Presidency in general was prosperous and the wages of labour had risen greatly in the preceding decade, the price of the necessaries of life had risen in a still larger proportion; that a succession of deficient harvests had produced much distress among the poorest classes, that though the construction of railways had lowered the cost of carriage of salt along the main lines of communication, this reduction had been at least balanced by the increased cost of carriage by carts on pack animals, where railway carriage was not available, that every increase in the excise caused a still larger increase in the retail price of salt, as equal returns upon a larger sum invested on the wholesale purchase must be obtained, that an addition to the cost of a necessary of life tended to raise wages, already so high as to touch on the legitimate returns to capital invested in individual enterprise, that very heavy taxation, especially for municipal and local purposes, had been of late years imposed in this Presidency independently of an increase of 100 per cent. to salt tax within ten years, that there were good grounds for believing that the different enhancements of the salt tax had greatly diminished the amount of licit and even actual consumption, and that finally, another enhancement would debar absolutely the future imposition of other taxation for local purpose."¹

255. But all pleading was in vain. The Government of India

But Govt. of India over-
ride their sentiment.

had one potent argument to urge— financial necessity—and this weapon could be, and actually was wielded irrespective of whatever effect a measure could or could not produce upon the country. They utilized it and the Governments of Bombay and Madras had to give their reluctant support, the latter, however, stipulating that it was to be the first step towards reduction of duty in Bengal.

¹ Pedder : Report on Salt P. 9 Para 30.

256. An attempt has been made above to trace the history of the rise in the Bombay rate of duty. Relevant statistics go to show that irrespectively of the falling off in consumption, following upon each succeeding rise of duty, the revenue displayed steady upward trend. It was this unfortunate fact, that appears to have provided the impelling force to the Government for the rapid increases and they felt convinced that however keen the pressure upon the populace might be, their revenue was always safe and each subsequent rise was certain to increase it.

257. A comparison of the last year under the 8 annas duty, *viz.*, 1843-44, for which alone accurate figures are apparently available, with 1845-46 under increased duty at 12 annas, yields an interesting conclusion. Concentrating our attention on the interior deliveries, with which our immediate concern lies, figures show a fall of near about 20 per cent. In the year succeeding, the fall is even greater, and in 1846-47, not less than 33 per cent. Making the fullest allowance for the want of reliability of individual years near the points of rise or fall, the significance of the persistently low level of deliveries till 1857-58, cannot be denied.

Analysis. And if we take the figures relating to the increases of the tax to Re. 1/- and Rs. 1/4/-, the trend of diminution in consumption is too obvious to need mention even.

258. The salt duty, therefore, as in Bengal and Madras, did press on the people here. And evidence is not altogether wanting to establish this, even apart from the woeful tale, the statistics disclose; though, may be, it is not as plentiful as in the case of the other two provinces. A petition was presented to the Government by Rustomji Vicaji on 26th November 1852, purporting to be from the cultivators of the Presidency and inviting its attention to the fact that when salt "was made subject to duty, they were obliged to forego even this poor comfort."¹ And Government's own

Govt. Officers testify to pressure.

Officers had not a story much different to tell. Kazi Shahabuddin, for long a Revenue Judicial Officer with the Bombay Government, questioned

¹ Romesh Dutt : India in the Victorian Age.

by the 1871 Select Committee on East India Finance, related his experience thus:—

'Q. 8742: Did you see anything of the working of the salt tax?—I have not paid much attention to the salt tax, but I think, in certain parts of the country, it is heavy, particularly on the lower classes. In the Concan for instance, where I was born, I saw people go to the sea-shore and scrape together the sands with encrusted salt, after the ebb tide, and after washing and straining them, use the salt which they so obtained. These were of course the poorer classes, and I think, the tax operates heavily on those people.'

'Q. 8743. There have been statements made that the salt tax might be increased in the Bombay Presidency; is that your opinion?—If you could put in on classes, the richer classes might bear an increase, but the masses, who live from hand to mouth, I do not think could bear an additional tax of that kind; it is not that the tax itself is heavy, but that their income is small.'

Replying to Q. 8744, witness stated: 'As to the salt tax I have stated that it would be extremely undesirable to increase it, particularly on the poorer classes, who constitute the masses. There are, of course, rich people, who could afford to pay an additional tax.'

259. Mr. Nowroji Furdoonji, deposed to much the same effect two years later, on 4th July 1873, before the 1873 Select Committee on East India Finance. In reply to Q. 5926, referring generally to the principle of a duty on salt, and particularly to the 1869 increase to Rs. 1/13/-, he said:—

"A great deal of evidence has been given before this Select Committee with a view to show that little or no complaints are urged by the people of India against the salt tax." Dr. John Wilson, Sir Cecil Beadon and Mr. Pedder have made a suggestion to the Committee "for raising the salt tax in Bombay and Madras to the level of the duty levied on Bengal, namely 3¼ rupees per maund. I believe their opinions are unfounded; they are attributable to ignorance of the real state of matters; a large majority of the agricultural and labouring classes are so poor that they cannot afford to buy food and clothing sufficient for their healthy existence. Many of them are compelled

to live on half diet, and many are reduced to a state of starvation, they cannot afford to buy salt in quantities sufficient for their wants."

'Q. 5942. How much would go to Government in the way of tax out of Rs. 1/13/- when I mention to you that it is only a half-penny a lb., would it fall heavily upon the earnings of the man?— From the facts that I have gathered, I conclude that it does.'

Mr. Furdoonji cited the example of a Rev. Mackie, who could not think of a better means of disposal of a donation than free distribution of salt among the residents of a village, when Rs. 100/- were put in his hands by a Prince for charity.

"The poorest class of the people" he continued, "are forced to have recourse to the expedient of mixing with their food earth saturated with salt, because they cannot afford to buy sufficient salt for their food."

260. Examined again on the 15th July 1873, by the same Committee, Mr. Furdoonji, in reply to Q. 6905 affirmed that the cost of consumption of salt per head, had gone up from As. 1/12/- in 1863, when the tax stood at Rs. 1/4/- to Rs. 1/1/5 in 1873, when it stood at Rs. 1/13/-.

'Q. 6905. Will you give us the earnings per month of the man described as consuming Rs. 1/1/5 worth of salt?—The earnings per month of that man range between Rs. 2½ to Rs. 3. In 1871-72 the gross salt revenue in Bombay Presidency amounted to £657,288. The population of the Presidency is 13,936,609. Thus the consumption of salt comes to 1s. per head including adults as well as infants. Taking a family to consist of 4 persons on an average, the cost of consumption amounts to 4s. per family.'

Replying to Q. 6907 Witness stated:—"Taking income of a family at Rs. 6/- per month or Rs. 72/- per year the percentage of salt tax amounts to 2¾ on the whole income of a whole family, or nearly the same amount as was levied for income tax 3 years ago..... Their earnings amount to about Rs. 3/- a month per individual, and every farthing of the amount which these indigent people are obliged to pay for salt, must necessarily press heavily on their scanty means."

261. Soon after the Bombay Government had initiated the regular excise, they realised the necessity of protecting their revenue, which was always in danger, through the depredations of illicit trade and manufacture. After numerous representations to the Supreme Government, was passed Act XXI of 1850, tightening up generally the reins of control. The Local Government derived authority over the salt works, along with the power to suppress small works—not producing a minimum of 5,000 maunds per year. Nor would a factory, unlikely to bring its annual out-turn to that amount, be able to secure a license. Customs duties were also imposed on any salt, passing in or out of foreign and European settlements, on a scale equivalent to the excise. Penal provisions were made more severe, so that not only was illicit salt manufacture and traffic made liable to confiscation, but the vehicle, boat or factory, concerned therein, was made equally liable.

262. Frontier lines had already been empowered by section 9 of the 1836 Act. The first of these was imposed in 1836, dividing Gujrat from Kathiawar and Marwar, so as “to keep out of Gujrat, Kathiawar salt and that naturally produced in the Run.” With increases in Bombay rates of duty, the smuggler found it increasingly profitable to bring Marwar salt into Gujrat, so that the frontier lines had to be continually extended to necessitate a wider circuit, till the line finally reached Dohud in 1869. Preventive lines against the Portugese territories of Duman and Goa had been raised long ago, *i.e.*, in 1840.

263. Plowden went into this question of smuggling at great length, and examined the effect, the regulations had upon checking smuggling. In fact, he made smuggling the acid test of the excise system. The extent, to which the salt consumed paid or evaded duty, was to be the measure of its success or otherwise. And the conclusion he arrived at was that a large portion of the salt consumed, evaded duty. The inquiries instituted by the Bombay Government at the initiation of the Court of Directors, urged by the fall in deliveries of salt from 1843-44 to 1846-47, had led to the same conclusion—wide prevalence of contraband trade and illicit consumption; and in reply to Plowden’s inquiries, the revenue

authorities testified to the same state of affairs continuing after a decade. But he does not, for that reason, condemn the excise system. On the other hand concluding his consideration of the wisdom of

the adoption of excise as against a monopoly system, he cannot doubt that the decision then arrived at in preferring the excise, was a correct one. Nor could he doubt that the "excise system, under proper restrictions is calculated to work as beneficially for the revenue as a monopoly."¹ The wide prevalence of smuggling he attributes rather to the defective arrangements of the excise, than to any inherent and inseparable mischief in the system itself. The defects lay according to him, in:—

- (1) the division and diversity of control,
- (2) ill-paid establishments of subordinates,
- (3) inadequacy of regulations, and
- (4) laxity of superintendence.

264. Plowden could very well have added one more item to this list, *viz.*, the high ratio the duty bore to the cost of production, and he does make it his cardinal point in recommending a decrease in rate of duty. W. G. Pedder, in his evidence before the 1871 Select Committee, reveals just how far this factor could be held responsible:—

High duty how far cause of illicit traffic.

'Q. 4257. So that one effect of this salt duty is that you offer very great temptations to a very considerable number of the people to engage in a dishonest and illicit traffic?—The temptation is certainly great, because the duty is large in proportion to the original cost of salt.'

Reduction in duty—the remedy.

'Q. 4258. And that temptation with its demoralising influence will rapidly increase, in fact increase in proportion as the salt duty is increased? —The higher the salt duty, the greater is the temptation, doubtless.'

265. And the worst feature of the system was that the Government knew all the time the duty was in operation that smuggling was actually being carried on (otherwise certain industries would have met their death) and it required no special investigator like Plowden or Pedder to bring the fact to their notice. Such was, for example, the fish curing industry. In his evidence before the 1871 Select Committee, Pedder had the following remarks to make upon the bearing of the salt duty to its prosperity:—

'Q. 4198. Do you think that it keeps down the industry of curing fish?—I think not, as a fact. If the duty was really paid, I think it would put our fishermen at considerable disadvantage compared with the fishermen of foreign territory, Kathiawar, for example; but as a fact, I believe nearly all the salt used on the coast is smuggled, partly that it is removed illicitly from our own salt pans, and partly that it is brought in the fishing boats themselves from the native territories.'

'Q. 4199. You think that the fact modifies the inconvenience that would otherwise result from increased duty?—Yes, I should explain that the inconvenience to the fishermen is this that their fish, which is cured with salt supposed to pay the tax, is brought into competition with foreign fish brought to Bombay, salted with foreign salt.'

'Q. 4210. Mr. Cave:—Yet you say that unless there were smuggling, the tax would be oppressive?—In the special case of the fishermen, and I have given the reason namely, that the fishermen are exposed to unfair competition.'

'Q. 4234. Mr. Fawcett:—So that the effect on the revenue would be that you have a duty so high that you tell all the people that none but the dishonest can engage in it, and it is no use for the honest to compete in it?—I think we made a mistake in not putting a corresponding duty on the import of foreign fish.'

266. As regards the extent of smuggling prevalent for general alimentary purposes, Pedder's calculations led him to still more alarming conclusions. The average sales for the first five years commencing with 1843-44 are 3,039,353 maunds.

Pedder also finds smuggling rampant.

For the last five years ending 1868-69, they are 3,044,240 maunds. Apparently they are stationary. Actually, however, when the under-current of forces is considered the figures for the last five years suffer materially by comparison with the first five—and for two reasons. In the first place, the area fed by Bombay made salt had considerably increased, for even though the exports to Malwa, which constituted an important item previously, had fallen by a lakh of maunds, in Pedder's words, "the export trade to Berar and C. P. almost has been created of late years."¹ This was due in the main to the construction of the G. I. P. Railway, which during the last three years under report carried $4\frac{3}{4}$ lakhs maunds into those districts. Three lakhs might roughly be taken therefore as the increase attributable to the widening of the consumption. So that average sales might in fact be said to have fallen off from 3,039,353 maunds in the first five years, to 2,744,240 maunds in the last quinquennium. To this should be added another and a very natural force, *viz.*, increase of population. If we take the ratio of increase at 1 per cent. per annum, the total increase in 21 years under review, may be safely put at 20 per cent. For a correct comparison of the average sales, therefore, we must add 20 per cent. to the average sales of the first five years of the series, so that they become 3,647,224 compared to 2,744,240; the consumption during the succeeding two decades, thus decreasing by 25 per cent.

267. Could such a phenomenal diminution of consumption actually have taken place in consequence of the successive increase in duty? Pedder answers the question in an emphatic negative. "The present rate of duty is not so high as materially to check actual consumption,"² he opines and urges in support of this view the steady increase in Madras figures of consumption, where the rate of duty had been simultaneously increased, from a 3 yearly average of 4,924,000 commencing with 1853-54 to an average of 6,729,000 ending in 1868-69—an increase of $36\frac{3}{4}$ per cent. in 13 years, and without either the area of consumption or the wages of labour having undergone an increase. Pedder, therefore, in utter disregard of the opinions pronounced by Officers on the spot from their day-to-day observations in reply to Government of India's proposals to increase the duty from Rs. 1/8/-, proceeds to work out

¹ Pedder: Report P. 20, para 71.

² Pedder: Report P. 31, para 110.

the exact measure of smuggling and illicit consumption, by deducting from the supposed necessary consumption of 14 lbs. per head, the amount of actual licit consumption at 10.14/16 lbs. per head, arriving at 3.2/16 lbs. as illicit consumption per head. "This on a population of 16,489,569" he concludes, "gives Indian maunds 628,413, which with a duty of Rs. 1/13/- amounts to a loss of revenue of Rs. 11,38,998."¹ To this he would add on the same proportionate rate of smuggling on exports, bringing the aggregate quantity smuggled to 803,497 maunds and the aggregate loss on excise to Rs. 14,56,337.

268. His conclusions, in direct opposition, it should again be asserted, to those of Government Officers in reply to Government of India's proposals for increase of duty in 1867, *viz.*, their belief that the "different enhancements of the salt tax had greatly diminished the amount of licit and even actual consumption," lead Pedder to recommend a still more drastic measure, a monopoly on

Madras line, which alone, in his opinion, could effectively stop the practice of smuggling. Plowden on the other hand, as has been noted above, though conversant with the grave incidence of smuggling, had opined about the Bombay excise scheme that "whatever may be the case in the other Presidencies, the history of the salt tax in Bombay Presidency, presents no forbidding features."²

Questioned before the 1871 Select Committee on Salt, Pedder explained his reason thus:—

And suggests monopoly system as remedy.
Pedder's Raison d'être for monopoly.

'Q. 4186. Chairman: On what principle do you think it desirable that the Government should be the proprietor of salt works?—I think that where you have a very heavy excise duty, with very large temptations to smuggling, the supervision must necessarily be exceedingly close.*

Replying to question 4187, witness explained where exactly the difference obtained:—".....where the salt is actually the property of the Government", he said, "it can be stored much more effectively and be much better watched, than it can, where it belongs

1 Pedder: Report P. 31, para 110.

2 Plowden: Report on Salt P. 43, para 321.

to a number of persons, each of whom can store it over a large area." It is strange indeed that such minor difficulties as the storage of salt, should have led a civil service officer of the Government to recommend a complete change from excise to monopoly.

269. It has been noted above how Madras dealt with the problem of salt manufactured in non-British European territories, by treaties and compensations, and how Bombay allowed and even today allows its own Non-British European territories to continue to manufacture salt, against which a preventive line operates. Bombay had; however, a stronger force to contend with in the shape of the Baroda ruler. About 1853, the Gaikwar instituted vigorous agitation establishing salt works and opening ports on the coast within his own territories, and even Col. Malcolm, the British Resident, thought it proper to plead for the Gaikwar, that no treaty, prohibiting in express terms, the establishment of such salt works, having been signed between the British and the Indian Prince, there would be little warrant for the former interfering or denying such right to the latter. The Government of India, on the other hand, contending that such rights having never been exercised under the Peshwas, the British had, by treaty, succeeded to "all the land upon which sea side works can be constructed," urged that any move of this nature by the Gaikwar was certain to ruin the British salt revenue, preventive measures being practically impossible without intolerable imposition upon legitimate trade, by reason of the complicated interlacing of the British and Gaikwar's territories. By their letter of the 1st May, 1869, No. 3913 to the Government of Bombay, they declined outright to admit any such privilege claimed by the Gaikwar.

270. Pedder introduces in his report another argument justifying the refusal of the claim of the Gaikwar. The B. B. and C. I. Railway in His Highness's territory, was, he found incapable of paying its way, at the same time as the British subjects were being taxed for the payment of guaranteed interest on it. This, according to Pedder, was tantamount to providing the Gaikwar's people the luxury of railway communication at some body else's cost—in part at least. The salt duty paid by the Gaikwar would, in such circumstances, work as a sort of *QUID PRO QUO*.

271. How far the opening of the salt works at Okha, a concession which the Baroda Government obtained after prolonged negotiation, constitutes a change in the Government's angle of vision; it is difficult to judge. The fact that under treaty, all salt is to be exported to Calcutta, however, indicates that the British Government have made no concession at all in the direction desired by the Gaikwar.

272. The attention of Bombay witnesses before the 1873 Select Committee on East India Finance was pointedly drawn to the apparent anomaly between Bombay and the Bengal Salt Revenue positions, arising out of the fact that the Bengali was seemingly capable of paying a duty at the rate of Rs. 3/- and even Rs. 3/4/- a maund, whereas the Bombay ryot was invariably represented by the unofficial and even by some official witnesses as unable to pay, without great pressure, a levy on half that scale—Rs. 1/8/- and Rs. 1/13/-. The explanation given was not always satisfactory. Mr. Nowroji Furdonji for example, was thus questioned on 4th July 1873:—

'Q. 5956. Chairman: Can you explain how it is that the people of Bengal are able to pay a salt duty of Rs. 3/- a maund, whilst the inhabitants of Bombay are not able to pay, without great pressure, such as you have described, a salt duty of Rs. 1/12/- a maund?—There is one circumstance which perhaps might enable them to pay more duty, or explain why it would not be felt by them so much as in the Bombay Presidency. The land assessment in Bombay is much higher than in Bengal.'

He was further examined on the same point on 15th July 1873:—

'Q. 6904. Do I rightly understand you that the rent paid by the ryots of the Bombay Presidency is more than the rent paid by the occupying tenants in Bengal?—I do not know what they pay to the zamindars, but that is the belief that prevails.'

273. The sentiments of the Bengal Government were identical, and deep-rooted in the belief that Bengal was forced to subscribe much more than its due and legitimate *quota* to imperial revenue. This was urged as a very strong ground for the equalisation of the salt duty, the pet interpretation of which with the Government of India was the pulling up of Bombay and Madras rates. Pedder, however, finds it "generally admitted that Bengal contributes less, not more than its fair share to Imperial revenue." Again, if Bengal has, by the trend of its previous legislation, rendered it impossible to tax its rich, it should not concern other provinces. It is but fair, that "in justice to the rest of the Empire," it adjusts its own internal differences, and subscribes equitably to the all-India services, even though it might mean an inequitable burden on the poor Bengali, as against his rich neighbour.

CHAPTER V.

Salt Revenue in Northern and Central India.

274. Northern India has been endowed by nature in respect of her salt supplies in an abundantly generous manner. In the Punjab, for example, which we propose first to discuss, salt is available for the sheer trouble of digging and picking up, without any further ado, as is necessary in the case of salt works on the sea coast. Just when the treasure in the Salt Range was brought to the notice of man, has not been recorded. In a continental region, however, such as the Punjab is, bay-salt would not only be uneconomic, but in medieval conditions of transport, even impossible to obtain. It may be surmised, therefore, that the Range has been noticed by man in very ancient times, and utilised for his supply of salt.

The Punjab Salt Range.

Possibility of their being exploited from very ancient times.

275. The Mayo Salt Mines at Khewra in the Salt Range is supposed to be the most extensive mine in the world and has been dug, no doubt, for many centuries and can be still dug for many more. The treasure of rich, pure and crystalline and reddish-coloured rock-salt is believed by Geologists to have been formed in certain enclosed bays or lakes formed out of the slowly-receding Tethys Sea, which once covered the whole of the Punjab, the Himalayan region, Rajputana and other parts of Asia as well. When the waters of those lakes gradually evaporated, layer after layer of sodium chloride along with other salts were laid down. These now form the salt seams in the Mayo Hill, three of which are important commercially. (1) The Big Buggy (2) The Sujawal and (3) the Pharwala, altogether measuring about 550 feet in thickness and about a mile in length.¹

Mayo Salt Mines.

276. "The economic importance of the salt deposits is great, as they produce about 130,000 tons of salt every year. Besides the chloride of sodium, there are found other Salts, of use in agriculture and industries. Of the latter, the salts of potassium (*vis.*, Sylvite, Kainite, Blodite, and Langbeinite), which occur in seams underlying

Economic importance.

¹ Memoirs Geological Survey of India, Vol. XVI 1878.

beds of red earthy salts (*Kalar*), are the most important. Magnesium Salts are Epsomite. Kieserite and Glauberite."¹ The cost of excavation per ton is Rs. 1/13/-.

277. This Hill appears to have passed from the hands of one ruling race into those of another, until
 Sikh Owners. Ranjit Sing possessed it for a number of years before it went into British possession. He is said to have earned a revenue of 16 lakhs of rupees per year.

278. "In the past, Indian workmen dug out the mineral in a very crude manner and there were several mishaps within the mine, but since the year 1870, mining arrangements under European supervision are more or less perfect, thanks to the initiative taken by
 Crude Mining. Mountstuard Elphinstone who first drew
 The British on the scene. the attention of the East India Company to it early in the 19th century. Apart from the intrinsic value of the mines, a visit to Khewra would well repay the cost and trouble undergone. The sights presented by the crystalline walls, pillars, arches, hanging roofs and rods all made of pure rock salt are extremely charming in flashes of fire works. In fact it is a wonder of the modern mining world."²

279. The natives of the Punjab believe that this Khewra salt has health-giving and even medicinal properties, on account of the presence of other salts than Sodium Chloride. A sample of this rock-salt gives the following analysis:—

Sodium Chloride	...	...	96.10
Sodium Sulphate	...	...	3.20
Magnesium Chloride	...	...	.06
Insoluble	...	...	.10
		Total	100.00

In fact, the Punjabees prefer this rock salt to any other coastal salt.

¹ D. N. Wadia: Geology of India, P. 93.

² M. B. Pithawala: Marvels of the earth, P. 84.

280. When the English came on the scene, they certainly found the mines being exploited, and very systematically too, so far as the state exchequer was concerned. Mines were farmed out to substantial capitalists, but after that, the product was left to be disposed of by the latter without any control. Salt was, likewise, among the 48 articles subjected to the harassment of town and transit duties. Lord Lawrence, Viceroy and Governor General of India, giving evidence before the 1873 Select Committee on East India Finance, deposed that the levy amounted, under the Sikhs, to Rs. 1/8/- a maund.¹ He did not clarify the terms of the levy beyond that, and it is impossible to say how he could have come to this conclusion, when the mines were farmed out, rather than subjected to an excise.

281. This is the condition as it obtained Cis-Indus. Trans-Indus, there are other salt deposits. In the Kohat district near Bahadur Khel there occurs a salt strata, a thousand feet in thickness and not less than eight miles in length. The salt is dug out of this in open quarries and consequently the cost of its excavation is much less than that of the Khewra salt. The quantity of salt is also good, being pure and crystalline Sodium Chloride, but it has a little greyish tint owing to bituminous impurity.

282. These Kohat quarries were formerly held by turbulent mountaineers, to whom taxation in any substantial form would be nauseating. The farming system did not, therefore, operate there. Instead, the quarry was surrendered to some local chieftain in lieu of a nominal tribute. On arrival at Peshawar, however, this salt would be treated on a par with any other commodity and subjected to the town duty.

283. The Salt Range mines were first taken possession of by the British in 1849-50.² The interior frontiers were abolished under the Council of Regency, and town and transit duties were similarly dealt with. To make up the deficiency in revenue, a toll was imposed on ferries, and excise duties on liquor were increased. The salt duty was also raised to Rs. 2 per maund, Cis-

1 Minutes of evidence: P. 329.

2 Evidence of Sir D. F. Macleod, 1871 Select Committee; Reply to Q. 4513.

Indus. "I believe that is more than ever had been levied by the former Government," said Sir D. F. Macleod, the Lieutenant Governor of the Punjab, before the 1871 Select Committee on East India Finance, "although we endeavoured to approximate it as much as we could to their duty."¹

284. After annexation, however, fiscal reforms were undertaken on a more drastic scale and all other levies with the exception of ferrytolls, liquor excise, and salt duty, were abolished, a stamp duty having been added. Even the exterior frontier lines along the Indus, the Sutlej, and the Jummo were held to be purposeless and abolished, and instead, such lines were imposed as would make the imports from Rajputana and Sind and export to North Western Provinces pay. Cis-Indus mines were also subjected to stricter control under a regular excise system at the pit's mouth, in place of the old farming out system. All other manufacture was prohibited.

285. Trans-Indus mines continued under much the same conditions as of old. Bruce, writing in 1863, gives the levy at Bahadur Khel quarries at 4 annas, at others only 2 annas per maund.² A preventive line was stationed at the Indus to guard the rest of the Punjab against lightly-taxed trans-Indus salt. Bruce even considers the trans-Indus system as lying outside of the Indian system, for all practical purposes, because of the marked difference in the scale of levy. The difference may be easily explained. The tax was surely such a sore point with the people trans-Indus and the response to any attempt at raising it was so violent, that the British Officials were forced to deal gently with the sensitive appetite of the hills-men. "One of the worst wars we had on the border arose from that very circumstance",³ (of an attempt to raise the duty beyond the Indus), stated Lawrence before the 1873 Select Committee on East India Finance. And he went on to describe how the whole country-side was up in arms in consequence of one such attempt, and how a District Collector and his assistants were murdered in consequence of another. It was indeed tantamount to

¹ Minutes of Evidence, Answer to Q. 4513.

² Bruce : Salt sources of India : P. 13.

³ Minutes of Evidence, Reply to Q. 4503, P. 329.

putting a premium upon lawlessness, but then, that is about all that could be said of it.

286. The financial results of the commutations above recounted, were to swell the salt revenue, steadily and even rapidly. The figures showed;—

Under the Sikhs	...	...	Rs. 4 lakhs.
" Regency	...	...	" 6 "
" British	...	...	" " "
October 1849 to April 1850	...	...	8 " (gross incomes).
1850-51	...	...	15 " "
1851-52	...	...	13 " "
1852-53	...	...	17 " "
1853-54	...	...	19 " "

287. Examining the system in his report, Plowden finds the cost of production to be 2 annas. Administration a mono- Cis-Indus, the product was a close poly. Government monopoly, "the manufacture of alimentary salt in that district being prohibited, and its importation prevented."¹ Revenue was collected at the pits' mouth with the incidence of the first transaction, *i.e.*, included in the price quoted to the wholesale dealer. Though a severe critic of the monopoly system in Bengal and Madras, Plowden gives his blessings to the working of the Punjab monopoly, recording his opinion, that no system simpler or less objectionable could be devised.

And a blessing to Government.

288. The consumption was found, in the fifties, at 8 lbs., per head and retail prices 25 lbs., to the *Per capita consumption*, Wages being at Rs. 36/- per year, the purchase of salt for a family meant a direct tax on a person's income of 4½% per annum, irrespective of his ability or otherwise to bear the burden of such a contribution to the State's coffers. But the irony of the whole thing lies in the fact that after making this calculation, Plowden recommends not a decrease in price, but an increase to Rs. 2/2/- with the view to equalise the indigenous duty with the

customs scale of Rs. 2/-, 2 annas being taken as the cost of production. Duty was accordingly put up to Rs. 2/2/- in 1860.¹

289. Nor did the increase stop here. By rapid raising of the price, the duty was brought upto Rs. 3/- per maund in the course of the following decade. Lord Lawrence, questioned before the 1873 Select Committee on East India Finance, had the following observations to make upon the operation of the duty:—

Subsequent increase in rate.
Effect upon people.

“The salt in Rajputana and the salt in the Punjab are obtainable by Government for quite a nominal sum. You sell that salt; by your excise you raise it to an excessive price.....It is not human nature that they should not feel that; they are as intelligent in their way as we all are, and understand what is good for them and what costs them money, and I am persuaded that they feel it very much. There is no doubt that they do not complain, but I do not see how they can complain. They must say to themselves, the Government do this, and what then is the use of going to Government officers and asking them about this? The Government officers will say, “this is the law, and you must pay, and if you do not like to pay, you need not eat salt.....But when they can, they do show their disinclination to the tax, and show it in a very marked way. Attempt to raise the duty in the trans-Indus districts, and you would see what a commotion you would raise.....I have no doubt that in their minds they consider the salt tax a great grievance.”

‘Q. 4504. Is it your view that the present rate of duty is quite the maximum?—I think it is an enormous rateWhenever I had a margin, I would rejoice to see the salt tax reduced.’

290. Further questioned upon the effect of the levy, Lawrence asserted his strong conviction that “it does hurt the consumption very considerably. I am persuaded that it does, and not only does it limit the consumption very much as regards human beings, but I think it limits the consumption very much as regards cattle and I believe myself that a great deal of the loss of cattle from the Murah in India has arisen from want of salt.....I have a very strong opinion on the subject; I know that every gentleman in India who looks after his horses, or his cows or his sheep, if he

1. Evidence of Sir D. F. Macleod before 1871 Select Committee; Answer to Q. 4513.

has them, takes care to give them salt. We all give salt to our horses in England, and I think it is just as necessary, perhaps more necessary, in a hot climate than in this country; at any rate, I think it of great importance that salt should be moderately cheap."

291. In reply to Q. 4509, Lawrence expressed his belief that "notwithstanding that it may be oppressive" the duty could be maintained at Rs. 3/- by the Government; and in answer to Q. 5573, he said: ".....I think that a light salt tax is a very important matter"

292. Such is the story of salt in the Punjab, a Province endowed by nature with one of the richest salt resources in the world. The North Western Provinces were not so liberally gifted by nature. All the same, consistently with the proverbial generosity, with which the earth crust over the whole of India had derived its geological gifts, it could be spontaneously produced by nature for no more ado than "simply for the trouble of collecting it." Bruce reported in

1863 the presence of deep substratas of saliferous earth in Joanpore and Cawnpore and of salt-impregnated earth all over the Province. But the manufacture of such salt, whatever simple process of collection or refinement that may be implied by the term, was prohibited with the advent of the British. Mr. W. Money, Revenue and Judicial Officer in the N. W. Provinces, giving evidence before the 1871 Select Committee on East India Finance was asked:—

'Q.4753. Mr. Fawcett:—So that it is a correct description to say, that in some parts of India, you levy a duty of as much as 2,000 per cent. on the value of an article and in other parts of India, you levy high duty upon an article which is spontaneously supplied by nature and which could be obtained at no cost at all, if it were not for the duty?—Certainly.'

293. The Government were, however, none too sure of the propriety of such prohibition. In 1859 ^{Hardship recognised by Government.} the Government of Oude thus "prohibited all interference with.....the rude domestic manufacture of salt."¹ This, however, resulted in such an injury to the revenue of salt imported from the nearest sources,

1. Evidence of W. Money 1871, Select Committee, Q. 4706 and 4707.

Rajputana and Bharatpore, the imports having gone down from an average of 150 lac maunds to 50 lac maunds, that on representation by the Commissioner of Customs, North Western Provinces, the indulgence was withdrawn for a time,¹ only to be regranted, because it was "considered to be a very great hardship that the people should be compelled to pay a high price for the imported salt, whereas they could reduce that price by making this domestic manufacture, the rude salt out of the earth."² For many years, while these laws were in operation, the Civil Officers of the Government "expressed openly the greatest repugnance" to enforcing the penal clauses, because they were thought to be "a hardship" and were "oppressive to the people".

294. The generosity of the Government, however, appears to have soon exhausted itself, and ultimately all manufacture was totally prohibited. In the conspicuously saliferous tracts, not even on the payment of a duty could any salt be manufactured by the owner of the land, however much he might want to.³ This was indeed a deplorable waste of so much of nature's bounty.

295. Bruce noted in 1863 in his report the fact that Government would not even permit the salt educed in the manufacture of saltpetre or sulphate of soda to be taxed or sold, and it was made obligatory upon all manufacturers of such chemicals to destroy the educed salt. His recommendations, however, for the reopening of some of the largest salt works, so as not to make a part of British India dependent upon a foreign state,—Rajputana—went totally unheeded.

296. Alongside with this prohibition of salt making, which necessitated the importation of all the requisite salt from the Punjab and Rajputana, was levied "a duty collected all over the country at the different large stations, Cawnpore and Futtyphur."⁴ Later, "in order to relieve the country from the vexatious interference of

1 Bruce : Salt Sources in India, P. 4. *et. seq.*

2 Evidence of W. Money, 1871 Select Committee, Q. 4708.

3 Evidence of W. Money, 1871 Select Committee, Q. 4755-56-57.

4 Evidence of W. Money before 1871 Select Committee, Q. 4661.

traffic, in going from one place to another, a Customs Line was formed outside, on the borders of these foreign states, to intercept all the salt that would have been brought into our territory."¹ This was the famous inland customs line, through the instrumentality of which the consumer in the North Western Provinces was made to pay his share of the salt revenue and it had quite a long lease of life, though the previous financiers had worried their heads about fiscal reform and betrayed their contempt for the Mogul and Maharatta taxation schemes, which had admitted of such atrocities as town and transit duties.

297. The rate of duty levied was on, more or less, the same scale as in the Punjab, and the *per capita* pressure also amounted to about the same. The duty, it was repeatedly complained, was too high and was responsible for limiting consumption. Questioned before the 1871 Select Committee on East India Finance, Sir Cecil Beadon made the following statements :—

'Q. 2957. Sir Charles Wingfield: You have heard that in Upper India the salt duties have been complained of as too high, and limiting consumption? I have heard that there are complaints.'

'Q. 3016. You have recognised the principle in a previous answer that one principle of taxation should be as far as possible, to levy it in proportion to people's ability to pay? Yes.'

'Q. 3017. Then bearing that principle in mind, you would have considerably to reduce the salt duty in the North West Provinces, would you not? I really do not know much about the condition in the North West Provinces but if, as I suppose, their circumstances are very much worse than those of the people in Bengal, it might possibly be expedient to reduce the tax on salt there.'

298. The *per capita* incidence of the tax, as it has been stated above, was as high here as in the Punjab. Mr. Fawcett, a prominent member of the 1871 Select Committee on East India Finance, taking statistical data furnished by Mr. W. Money, Commissioner of

Customs, North West Provinces, made his own calculations and thus questioned the witness :—

'Q. 4727. Mr. Fawcett: Suppose a man has a wife and two children under seven, who do not go to work; those two children consume according to your statement about half as much salt as the man; that being the case, he, having also to keep his wife, who from having many children cannot work, the amount, he contributes to the salt duty, represents an income tax of 4 per cent.? It may be so.'

'Q. 4728. But I venture to submit that that is not an answer; I take your own figures, and I draw a certain conclusion, I am anxious to obtain from you whether there is anything incorrect in the figures that I present to you? Not that I am aware of.'

'Q. 4729. Then if those figures are correct, is there anything incorrect in the conclusion that I have drawn from them? No, I do not see anything.'

299. The Sambhar lake of Jaipur in Rajputana is one of the four or five lakes, the salt deposits of which add to the state revenue. It is some 90 Sq. miles when it is full in the monsoon season, during which period alone it is a lake with a depth of about 4 to 5 feet. During the off-season when the lake is dry, salt encrustation is left behind. Sir T. H. Holland and Dr. Christie of the Geological Survey of India are, however, of opinion that "some 130,000 tons of saline matter is annually borne by the winds from the Runn of Cutch to Rajputana during the hot weather months."¹

300. Other salt lakes being the sources of salt in Rajputana are Dindwana and Phalodi in Jodhpur and Loukarasur in Bikaner. But apart from these natural lakes, there are certain brine springs in Rajputana which are also precious. For example, five miles to the west of Rachhadra Town, there is a salt lake about ten miles square and unlike the Sambhar lake depending not on rainfall but on the perennial brine springs. The story goes that some four hundred years ago a Jat called Pancha occupied a small hamlet, when a man of the Kharwal caste named Janja visited the place and

¹ Records of the Geological Survey of India, Vol. XXXVIII, P. 2.

noticed the salt in the bed of the marsh; since that time, salt in manufacture prevails in this locality. This salt is one of the best of Upper India and is also preferred to the Sambhar variety; it is white, clean and has good crystals and contains 97-98% of NaCl.

301. Mention has been made above of these Rajputana sources, feeding the North West Provinces almost entirely after the suppression of indigenous manufacture. During the period under review, these were worked for a short term by the British. The salt lakes of Sambhar, Nawa and Goodah, regionally constituting the same group, were previously owned and worked alternately by Rajput and Mahomedan rulers, being accountable for a total revenue ranging anywhere between $2\frac{1}{4}$ lakhs and 15 lakhs. As between the Jaipore and the Jodhpur chiefs, the lakes constituted a source of perennial blood feuds.

302. In 1834-35, however, the lakes fell into the hands of the English more or less through accidental circumstances. The country was then subjected to frequent marauding by a band of plunderers—the “Sheka-wattees.” The raids proved so mischievous and formidable, and the incapacity or unwillingness of the Rajput Chieftains for thwarting them so futile, that in the end the Government of India deemed it expedient to intervene with the avowed purpose of suppressing the bandits. The agent to the Governor-General, thereupon, submitted a series of demands to these princes, insisting upon reparations for injury in the past and security for the future.

303. This and subsequent moves on the part of the Government of India having proved abortive, they stationed, in the territories concerned, a large British force in 1834-35. “Having effected the object of its assembly” found Bruce “the Revenues of the salt lakes were consigned to us by both the States, until we might repay ourselves the expenses incurred, which were estimated at about 1/4 million sterling.” In a decade’s time, the possession of the lakes had brought in all that stood at the foot of the bill, and in 1844, the lakes were released from sequestration by the British.

304. About the year 1866, the Maharaja of Jodhpur, in response to an invitation from the Government of India, showed his

willingness to sanction a state railway through his territories. He wrote to the Agent to the Governor-General for Rajputana: "I wish you to know that I never wished to disapprove of the Railway. Indeed, I feel how many benefits it will confer on Marwar. What I first wrote regarding the loss of customs duties was founded on this that very little foreign goods are expended in Marwar, and that besides salt there is no other export of importance produced in Marwar, therefore the chief income of this State is derived from transit dues on articles which pass through it (*i.e.*, without breaking bulk) and from the loss of this item my revenue will certainly suffer heavily. Still in deference to your address to me, to the wishes of the British Government and to the benefit of all my subjects, I accede to the Railway passing through Marwar on certain conditions."¹

305. The stock of salt for sale at Pachbadra would be extraordinary—not less than 25 lacs of maunds of it being available at short notice and of the very finest quality. But Pachbadra was in a peculiarly unfavourable position for taking full advantage of the failure at Sambhar. Not only was it off the line of Railway, but between the source and the Railway, a fodder famine and drought prevailed during the greater part of the year which naturally checked the full development of trade."²

306. "In 1870 a treaty (No. LXVII) was concluded with Maharaj Takhat Sing for the lease of the Jodhpur share of the joint jurisdiction possessed by it and Jaipur of the Salt manufactured at Sambhar. The terms of the lease were a payment of Rs. 1,25,000 per annum with a royalty of 20% on the amount of all sales beyond 8½ lakhs of maunds of salt per annum; the annual supply of 7,000 maunds of salt, free of all charges for the use of the Darbar; and the abolition of transit duty on Salt manufactured by the British Government. A second treaty (No. LXVIII) was signed in April of the same year, by which the Jodhpur State agreed to lease to the British Government the Nawa and Gudañ salt lakes which are also situated on the Sambhar

¹ Khureeta from H. H. the Maharaja of Jodhpur, 19th July 1866.

² Report on the Administration of the Northern India Salt Revenue Department for the year 1885-86, P 32.

Lake, at a rent of Rs. 3,00,000 per annum. There are similar conditions, with a royalty of 40% on sales in excess of 900,000 maunds of salt per annum. There were similar conditions as in the former treaty as to the free supply of 7,000 maunds of salt a year and the non-levy of transit duties. In 1879 an agreement (No. LXIX) was concluded with Maharaja Jaswant Sing for the lease to the British Government of the four principal Daribas or salt sources of Marwar, all other salt sources being suppressed, with the exception of two, whose annual out-turn was to be limited to 20,000 maunds. The agreement also provided for the prevention of the import and export of any salt except that on which British duty had been levied, and for the removal of export and transit dues on salt. In return the British Government agreed to pay to the Darbar an annual rent of Rs. 3,91,800; to certain Jagirdars and others through the Darbar Rs. 19,595-5-3 a year and to proprietors and others a sum of Rs. 3,00,000 as compensation for their loss of interest. The British Government further undertook to pay to the Maharaja Rs. 1,25,000 annually in consideration of his loyal and effective observance of the agreement; to grant him 50% of any net profits which the British Government might make from the sale of salt at the leased works; to supply annually 225,000 maunds of good salt at a price not exceeding 8 annas per maund free of duty for the use of the people of the State and to deliver at Pachbadra 10,000 maunds of good salt annually free of all charges for the use of the Maharaja.¹

¹ Extract from Pages 144 and 145 of Vol. III of a collection of treaties, etc., by C. U. Atchison,

CHAPTER VI.

The Inland Customs Line—its abolition and after.

307. The previous chapters have brought the chequered history of salt revenue in different political divisions of the country to the seventies. The rates of levy varied a good deal *inter se*. The table given under will show the position of the duties at a glance:—

Bengal ...	...	...	Rs. 3 4 0 per maund.
Punjab ...	...	...	„ 3 0 0 „
N. W. Province ...	...	...	„ 3 0 0 „
Bombay ...	..	...	„ 1 13 0 „
Madras ...	...	...	„ 1 13 0 „

308. With regard to the effect this pronounced variation, from one part of the country to another, had upon the day-to-day life of the people, we could not do better than quoting a significant admission of the Strachey Brothers, who saw the duties in actual operation. They make a statement which for its ingenuity and diplomatic can hardly be beaten:—

“Although it cannot be truly asserted that there was any part of India, in which the actual supply was insufficient for the preservation of the health of the people, and although it is an exaggeration to say that the salt tax anywhere pressed with extreme severity on the poorer classes, yet it was not open to question that very large numbers of our subjects failed to obtain a full supply of salt and that the system under which high duties were levied on a restricted consumption had not even the merit of being financially profitable. In the Madras and Bombay Presidencies where the duties were lowest and salt was cheap and abundant, the average consumption of the people was larger than that of the people in Northern India where salt was dear, where the duty was high and the supply limited, and financially the results in the former case were far more satisfactory than in the latter. The salt duties yielded, relatively to the population, a larger revenue in Madras than in any other part of India.”¹

¹ Finance and Public Works of India (London 1882) p. 223.

309. The variation in the rates of duty without any other basis than artificial political divisions, resulted in still another economic atrocity—the Inland Customs line. Lord Lytton, the Viceroy and Governor-General of India, speaking in the Legislative Council on the 9th February, 1878, attributed the existence of the line to this fact alone—the variations in rates of duty. Lord Lawrence, giving evidence before the 1873 Select Committee, gave another reason for the establishment of the line. "In order to make up for our loss of revenue in those ways", he stated, referring to the abolition of town and transit duties, "the salt tax was very much increased and a strong frontier line was drawn between our country and those salt producing countries", meaning of course Rajpootana and Bharatpur, the entry of whose salt into British territories, of the N. W. Province, C. P. and the South Punjab was thus subjected to a Customs duty.¹ Sir John Strachey in his budget speech in the Legislative Council on the 27th December, 1877, also described its *Raison d'être* in terms analogous to Lytton's, *viz.*, "in order to bring under taxation the salt imported from Rajpootana into Northern India, and to shut out salt taxed at a lower rate."

310. The line was started in 1843. It was a vigorous growth and developed, in the words of Strachey, "into a monstrous system to which it would be almost impossible to find a parallel in any tolerably civilised country." It consisted of a huge barrier of an impenetrable hedge of bushes and under-growth reinforced by stone and boulders, and in some places even masonry work. Mr. Grant Duff described it from personal observation as comparable to nothing less than the great China-wall. In extensiveness it was simply formidable. In 1869, it ran across the whole breadth of India, west to east, beginning with the Banks of the Indus above Attock and going up to the banks of the Mahanadi in Madras—a distance of 2,300 miles. "If this customs line had been put down in Europe, it would have stretched from Moscow to Gibraltar", and as late as 1879, when it was finally abolished, it "stretched its length accursed of gods and man,"² for considerably more than 1,500 miles, "a distance as great as that from London to Constantinople."

¹ Minutes of Evidence p. 329.

² Strachey's speech in Legislative Council, 27th December, 1877.

311. The Commissioner of Inland Customs in his report for 1869-70, thus described the wall
Its extent and its working. working :—

“The line is divided into 110 beats, each presided over by a patrol, and watched from 1727 guard posts. A very perfect system of patrolling exists and except in some wild portions of the Central Provinces (where tigers bar the way alike to smuggler and customs officer after dark) goes on with unabated vigilance night and day.”¹ A regular army had to be employed for this purpose, 12,000 in number. “It may be easily imagined, what obstruction to trade, what abuses and oppression, what annoyance and harassment to individuals took place.”² Salt passing into British territory was, not the only commodity so penalised, for Sugar passing into Native States, or even from one British territory into another was also subjected to an export duty. In fact, “obstructions were offered to traffic from whichever direction it came.”³ And the still more deplorable aspect of the Customs Line was, that though the intense obstruction and annoyance to trade was recognised by the Government right from the time the line was established, quite up to the end of the sixties, they connived at it, as though they “had little interest in applying a remedy, or in facilitating the supply of salt to the people.”⁴

312. Two measures—John Strachey acknowledged in his
Measures necessary for Government of India, 27th December
abolition. 1877—going deep into the very
genesis of the line, were necessary for the abolition of the intolerable system. The first of these was an arrangement with the Native State of Rajpootana, whereby a duty could be allowed to be levied right at the source of supply, *i.e.*, the lakes. The second essential was “to remove the great inequalities in the rates at which salt is taxed in the different parts of the country.....the equalisation of the duties which now vary from Rs. 1/13/- a maund in Madras and Bombay to Rs. 3/4/- a maund in Bengal.”⁵

¹ Quoted by Strachey, John and Richard—Finances and Public Works of India, p. 213.

² Strachey, John, India, p. 93.

³ Strachey : John, India, p. 93.

⁴ Strachey, John and Richard : Finances and Public Works of India, p. 220.

⁵ Strachey : Speech in Legislative Council, Government of India, 27th December 1877.

313. Lord Mayo took the initiative in both these requisite directions in 1869. The administration of the Rajpootana sources of Sambhar by the British, for a short term of years, has already been noted in the previous chapter. By a friendly arrangement with the Jodhpur and Jaipur Durbars, Mayo leased the Sambhar Lake, the chief source of Rajpootana, for the Government of India. Realising also the responsibility of the authorities for widespread supply, Mayo projected the Railway lines from the lakes to Agra and Delhi, so as to facilitate transport into the North West Provinces "With the means of communication which formerly existed;" among which the Strachey Brothers note the necessary lead of 200 miles through a country without roads or bridges, " it was physically impossible to bring into Northern India a supply of salt sufficient for the wants of the people."

314. Mayo also took the first step towards equalisation of duties between provinces. In the teeth of strenuous opposition by Bombay and Madras, an increase of 5 annas per maund was forced upon them and the duty was raised from Rs. 1/8/- to Rs. 1/13/-. The protests of Lord Robert and the stipulation the Madras Government made, have already been noted above, as also the strong feeling against the rise in Bombay.

315. Lord Northbrook took the next correct and logical step in accomplishing a substantial curtailment of the Customs Line. The barrier in the Central Provinces and Behar was abolished to the extent of 800 miles. Railways were further extended into and about Central India, not only to help in this abolition, but also to enable salt to be supplied to the provinces in which the ban on manufacture operated, on a more efficient scale.

316. Lytton, who succeeded Northbrook, had very strong convictions on the question of the Customs Line. He openly declared its existence a grave political and economic scandal and set himself to work vigorously for its complete abolition. He carried the policy initiated by Mayo to its logical conclusion, and by 1878, had agreements completed with several Rajput States,

under which the Government of India came to be entitled to work the salt sources on lease, in lieu of compensations to be paid in lump sums.

317. One of the causes responsible for the existence of the Customs Line was thus removed, thanks to the efforts of these three Governors-General. Lytton then faced the other and more thorny one of equalisation of duties. The question was: in which direction was the equalisation to be effected—Bengal-ward or Bombay-ward? The former meant raising the duty in Madras and Bombay to almost twice its old level, and these provinces, it had by now been too vigorously asserted, both by local official and non-official opinion, were absolutely incapable of bearing any increase. "Any considerable increase in the taxation of salt in this Presidency would be" ran Honbart's minute of the 27th February, 1873, "(for reasons which have already been explained (by this Government and are considered conclusive by the Government of India) most undesirable and the equalisation of duties could, therefore, be effected by reducing the duty levied in Upper India to the level of nearly that in Madras." On the other hand, according to the Government of India, a diminution to the Bombay and Madras level was out of question. Speaking in the Legislative Council of the Government of India on the 27th December, 1877, Sir John Strachey thus pleaded:—

"Although the necessity for equalising the salt duties has so long been recognised by the Government of India and by His Majesty's Government, action has been till now in great degree prevented by the anxious desire that the object in view should be at least partially effected by a reduction of the salt duties in Bengal Presidency and not only by an increase of those in Madras and Bombay. The state of our finances has never in the past permitted, still less does it now permit, the sacrifice of revenue which a simple measure of reduction would have involved.....If it had been possible, we should have been glad to see the rates of duties on this side of India reduced immediately to those in force in Madras and Bombay, but that I feared it would be found financially impossible to bring about the equalisation in this manner, and that we

must, in the first instance, and at least temporarily increase the lower duties without reducing the higher to the full extent ultimately desired. Unfortunately our financial difficulties continue....It is clear (therefore) that we can do this only to a limited extent."

318. At the same time, what was the professed policy of the Home Government? In his despatch of the 21st January, 1869, the Duke of Argyll expressed, what Strachey regards as a "true doctrine."

"I am of opinion, therefore, that the salt tax in India must continue to be regarded as a legitimate and important branch of public revenue. It is the duty, however, of the Government to see that such taxes are not so heavy as to bear unjustly upon the poor, by amounting to a very larger percentage upon their necessary expenditure. The best test whether an indirect tax is open to this objection is to be found in its effect upon consumption."

319. Consistently with these professions but with greater frankness, Sir John Strachey declared in his Budget speech of March 1877, that the avowed policy of the Government with regard to salt, was not pure unadulterated justice to the people "but to aim at giving to the people throughout India the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt, the quantity of which should be limited only by the capacity of the people for consumption." He also expressed his conviction that "in the interests of the revenue, the best system would be that under which we should levy throughout India a low rate of duty on unrestricted consumption."

320. How was then the rate of duty to which Bombay and Madras were proposed to be subjected *viz.*, Rs. 2/8/- justified, when the existing rate of Rs. 1/13/- was unanimously pronounced by local official and non-official opinion as an important cause of restricted consumption? Revenue was always the prime consideration with the Government of India, and consumption was a subordinate matter. Sir John Strachey's rate of Rs. 2/8/- was thus inspired entirely by the revenue motive and his speech on the

abolition of the Customs Line and an approach to equalisation of duties, is expressive of as such. Said Sir John:—

“It is calculated that a general rate of about Rs. 2/8/- a maund throughout the whole of India would be necessary to produce an amount equal to the salt revenue, which we now obtain, and whatever may be our anticipation for the future, we cannot now propose any measures which would reduce the total amount which the salt duties yield. The step we now propose then is an increase of the salt duties in Madras and Bombay to the extent I have named.”

321. At the same time, in Northern India, the rate was reduced from Rs. 3/- to Rs. 2/12/- and in Bengal from Rs. 3/4/- to Rs. 3/-. Later in the same year, rates in Northern India and Bengal were further reduced to Rs. 2/8/- and Rs. 2/14/- respectively, and Lytton, having by this time, already completed agreements for the lease of Rajpootana sources with the Native States, on April 1st 1879, ^{Customs line abolished 1879,} practically the whole length of the Customs cordon was declared abolished.

322. The measures of 1878 and 1879 could, therefore, neither be acclaimed, as wholly beneficial, nor be condemned as so much unmixed evil. On the one hand, the abolition of the inland Customs system “to which, for extraordinary folly, it would be hard to find a parallel”¹ appeared to be worth purchasing at any price and on the other, Bombay and Madras had their already heavy burden increased by more than 37 per cent. There certainly stands out the fact that, while the burden upon 47 millions of people was increased,” the rate was reduced, throughout the greater part of India, to the relief of 148,000,000,” and

^{Greatest good of the greatest number accomplished.} the greatest good of the greatest number may be urged as a test of a genuinely democratic measure. That was, in any case, small consolation to Bombay and Madras, who had to suffer from the higher burden.

^{But original sin was there.} Besides this, however welcome the relief might be, it does not expiate the original sin of oppressive taxation.

1. Strachey: India, p. 92.

323. The effect upon consumption and revenue, which these reforms produced, is seen in the following figures:—

YEAR.	Consumption in mds. in thousands.	Net revenue in £.
1870-71 ...	23,031	5,686,335
1874-77 ...	Average 24,218	5,739,460
1879-80 ...	27,861	6,895,713
1880-81 ...	27,240	6,572,000

324. There is here a conspicuous increase in consumption as well as in revenue. This was to be expected from the fact that salt prices had gone down for nearly 150 million consumers and had risen for just a third of that number. At the same time a part of the increase in both directions must be due to the general policy of tightening up the reins of the preventive establishment almost invariably following close upon the heels of an increase or decrease. On the other hand, the slight decline in 1880-81 though ascribed by the Stracheys to "the artificial stimulus given to the sale of Sambhar

salt in the previous year, and partly to the ordinary fluctuations of trade", may be connected with the effect an increase of duty in Madras and Bombay was likely to have, in the long run upon consumption. And there are legitimate grounds for this suspicion. For, turning to Bombay and Madras figures of consumption we find that there is a very slight increase *vis.*, 245,000 maunds *i.e.*, 2 per cent. the actual figures being 10,678,000 and 10,923,000, a rise distinctly incommensurate with the general increase in population. The conclusion is inevitable that the *per capita* consumption actually went down. On Strachey's own admission, prices went up from As. 7/12 per maund before the changes in 1877, to Rs. 3/5/ per maund in 1880, though in his opinion they rose to "a smaller extent than might have been expected"; and still the rise could not but have reduced consumption. And besides whatever pains Strachey might have taken to emphasise the importance of the above increase of 2 per cent. to prove that the increase higher rate of duty had no

Though Madras and Bombay suffer by increase in duty.

detrimental effect, Government's own admission, a short timer later, gives the lie to any such conclusion. The implication of the following statement of the Government cannot possibly be mistaken:—

“...The result of these measures (abolition of Customs Line etc.) was to reduce the salt duty by about 36% on 150 millions of the Queen's subjects, and to raise it by 10% on 50 millions. Since the change the consumption of salt in Madras and Bombay, where the duty was enhanced, had regained its old level.....”¹

325. In Bengal and Northern India, on the other hand, the reduction of rates, as might be expected, produced very gratifying results. Consumption rose in Bengal as between the two periods 1875-77 and 1879-81 from 8,014,000 to 8,887,000 *i.e.*, by ten per cent., and in Northern India from 4,517,000 to 6,155,000 *i.e.*, by 40%. Over the whole of India, the average showed an improvement from 24,424,000 maunds to 27,560,000 maunds.

326. In the face of these figures, Stracheys cannot but conclude:—

“...With a uniform duty throughout India, at a rate lower than the lowest now in force, and coincidently with a general reduction in the price of salt to the people, the revenue will become several millions larger than it is at the present time.....we must finally abandon the erroneous notion that it is profitable to levy the salt tax at a high rate on a restricted consumption and resolve to act at all times on the only sound principle that the interests of the people and the public revenue are identical.....”² And writing in 1881, the Stracheys strongly recommended a decrease in the rate of duty in the immediate future, the Government having large surpluses on hand.

327. One of the main objectives to which the measures initiated by Mayo in 1869, had been directed, it will be noted, remained still to be fully realised, even after the abolition of the Inland Customs Line, though, of course, the first step taken by the 1877 Salt Act

¹ Indian administration during the past 30 years, issued in 1889 p. 12.

² Strachey, John and Richard p. 233-4.

considerably smoothened the way to it. Lord Ripon's Government in 1882, took the next and the final step, and with much better grace. He reduced the duty down to a uniform level of Rs. 2/-, reducing the burden in the case of Bombay and Madras by 20%, and in the case of Bengal and Northern India by about 30%. The finances of the Government of India were, then, in an easy condition, and the Government woke up one morning to realise the advisability of putting into practice the lessons that they had learnt. "Previous experience had shown", the justification for the reduction runs, as if it was a revelation, "that it is more profitable from a financial point of view to levy a moderate duty on a maximum consumption than a higher duty on a restricted." The standard of such moderate was fixed at Rs. 2/-.

328. However laudable the reduction of the duty, section 7 of the 1882 Salt Act, which gave effect to it, conferred on the Governor-General-in-Council considerable reserve power and thus provided infinite scope for mischief. The Section ran:—

"The Governor-General-in-Council may, from time to time, by rule consistent with this Act.

- (a) Impose a duty not exceeding Rs. 3/- per maund of 82·2/7 lbs. *avoidupois* on Salt manufactured in or imported by land into any of British India.
- (b) Reduce or remit any duty so imposed, and re-impose any duty so reduced or remitted.
- (c) Fix the minimum price at which salt excavated manufactured or sold by or on behalf of the Government of India shall be sold."

329. The happy state of the finances facilitating the reduction of duty to Rs. 2/- did not continue long. Dufferin's Imperial cravings had found an outlet in the annexation of Burma, and its administration far from profiting India, was proving a great financial liability upon our exchequer. The fall in the gold price of silver added

Troubles ahead: expensive
Burma annexation.

Fall in gold price.

1. Statement exhibiting Moral and Material progress and condition of India during 1891-92 and the nine preceding years.

to the difficulties and the Finance member, Westland, was faced with a deficit of £1½ million Sterling. The Government of India found at this juncture in the 1882 Act an extremely useful instrument. On the plea that the sorry

Duty increased to Rs. 2/8. financial plight was due to a fall in revenues under Opium and Railways, Government put up the rate of Salt duty, by Resolution of the Executive Council, to Rs. 2/8/-. The falling exchange had also been responsible for a considerable diminution in the incomings of the Government of India, and continued to be a source of deficit for more than a decade to come.

330. It need not, however, be forgotten, that an alternative to the increase in the salt duties was available to the Government.

An alternative duty available. The efficiency of a system of taxation is intimately concerned with the extent, to which indirect taxes are avoided, and *per contra*, direct ones are made to contribute to the State exchequer. The Government of India suddenly developed a super sensitiveness for the interests of classes with large incomes and betrayed grave concern at the complaints of the portion of the community liable to such direct taxes, in preference to the mass of the populace. Government, in fact, had for long taken their inspiration in increasing the salt duty from the class of people liable to be hit by income-tax. Questioned by the 1871 Select Committee on East India Finance, the Rev. Dr. J. Wilson, for 42 years in intimate contact with India and her people, asserted that the increase in the salt duty had been recommended by some higher class Indians, in order to evade the burden of the income-tax, otherwise likely to fall upon them.¹

'Q. 7360. You would not recommend an increase of the salt tax as a substitute for the income-tax, would you?—No, certainly not.'

331. Mr. Casels, a business man and a Member of the Government of India Legislative Council, expressed his opinion in an analogous vein. Replying to Q. 7988 before the same Committee, he stated his conviction that the salt duty was a "very heavy burden

¹ 1871 Select Committee Report Q 7360.

upon the poor," adding "the people of India are not quite equally taxed; the rich escape a great many taxes which fall upon the poor....."

The salt duty an injustice to the poor.

The following observation of Lord Dufferin, made in 1886 and setting forth the comparative merits of the salt duty and the income-tax, will be read with interest:—

"The only alternative open to us was to re-enhance the salt tax. But, though this would have been an indirect tax and consequently not so unpopular as the one, we are about to impose, its operation would have chiefly affected the poorer classes of the community."

332. The popular sentiments on this increase cannot perhaps be better expressed than in the condemnation Mr. Gokhale passed on

Gokhale's condemnation. the measure in his speech from the Congress platform in 1890. He character-

ised it as "a cruel departure, a criminal departure, from the wise policy long since laid down by the Government of India, and re-affirmed, strange as it may seem, when Lord Lytton was our Viceroy, and Sir J. Strachey, our Finance Minister."

333. Not till 1903, was it considered advisable to reduce the impost, the delicate state of the finances being put forth as the

Government see light and reduce duty. reason for continuing the high rate of duty. In a fit of enlightened generosity, the rate was in that year fixed at Rs. 2/-.

This reduction, however, proved the first of a series of attempts to make the poor man's salt cheaper. In

The poor man's salt cheaper. 1905, the duty was again reduced by 8 annas to Rs. 1/8/- and in 1907 to Re. 1/-.

334. The Rupee rate continued for near upon a decade, and but for the disturbing influence of the War, might have continued much longer. In 1917, however, the financial stress was found to be so heavy, as to necessitate a more productive tapping of this source, and the rate was put up by 4 annas. The aftermath of the War

War enhancement. brought with it a progressively increased burden upon the exchequer, and deficit budgets became more the rule than the exception. The Assembly was, therefore, asked in 1922, to sanction an increase to Rs. 2/8/-.

The only honourable course a representative house could adopt was to throw out the proposal, in view of the reckless expenditure simultaneously being provided for the Army Department.

Opposition by Assembly to increase.

The next budget fared no better, but the Government was more stern this time. The proposed increase to Rs. 2/8/- having been thrown out by the Assembly, the Government presented the bill to the Council of State. This body agreed to the increase, but the Assembly was resolved to stand firm, when the Bill was referred back to them, and refused to budge from its pronounced decision. It was at last considered expedient for the Governor General to interfere directly with the instrument of certification under

High-handed increase to Rs. 2/8/- in 1923.

Section 67 (b) of the Reforms Act, and the duty was, in fact, increased to Rs. 2/8/-.

The succeeding financial statement for 1924-25, again budgetted for a rate of Rs. 2/8/-, but the Assembly was in no mood to be trifled with. The Finance Bill was

Reduced to Rs. 1/4/-.

refused introduction at the outset, the proposed salt duty being the *pièce de resistance*. The Government found it advisable to eat the humble pie and at last restored the duty to Rs. 1/4/- per maund of 82.2 lbs.

335. It is interesting to note the effect these variations in duty after the abolition of the Inland Customs Line had, upon the consumption of salt. The annual figures showed as under:—

After the Customs Line abolition.

Year ending 31st March.	Consumption in thousands of maunds.	Mr. Gokhale's figures in millions of maunds.
1876-77 ...	25,848	
1877-78 ...	26,441	
1878-79 ...	26,720	
1879-80 ...	28,798	
How Consump- tion fared, 1880-81 ...	28,621	

Year ending, 31st March.	Consumption in thousands of maunds.	Mr. Gokhale's figures in millions of maunds.
1881-82	29,621	28.37
1882-83	31,061	29.79
1883-84	31,574	30.65
1884-85	32,531	33.00
1885-86	32,064	31.69
1886-87	34,074	33.72
1887-88	33,217	33.063
1888-89	33,476	31.351
1889-90	33,448	33.045
1890-91	33,692	33.280
1891-92	34,851	34.429
1892-93	35,451	35.057
1893-94	34,028	33.628
1894-95	34,551	34.150
1895-96	35,187	34.685
1896-97	35,788	34.062
1897-98	35,121	34.524
1898-99	35,770	35.26
1899-00	35,658	35.05
1900-01	36,415	35.72
1901-02	36,180	

Year ending 31st March.			Consumption in thousands of maunds.	Mr. Gokhale's figures in millions of maunds.
1902-03	.4	...	37,265	
1903-04	...	...	38,203	
1904-05	...	...	39,732	
1905-06	...	...	39,200	
1906-07	...	...	41,127	
1907-08	...	...	42,728	
1908-09	...	...	43,617	
1909-10	...	...
1910-11	...	...
1911-12	...	...	49,211	
1912-13	...	...	49,211	
1913-14	...	...	49,211	
1914-15	...	...	47,916	
1915-16	...	...	48,677	
1916-17	...	...	50,344	
1917-18	...	...	44,024	
1918-19	...	...	52,199	
1919-20	...	...
1920-21	...	...
1921-22	...	...	49,346	
1922-23	...	...	50,798	
1923-24	...	...	48,128	

The late Mr. Gokhale, who was persistent in fighting for an appreciable reduction in the salt duty, has a set of figures, slightly different from these, culled evidently from the sources available to him. His consumption figures are slightly lower than those given above from the Statistical Abstracts; nevertheless, they follow the latter more or less at a uniform margin, and are therefore certainly as reliable as the others. In the course of his Budget speech in the Imperial Legislative Council, 1902, he gave them, as set out alongside in the table above.

336. The beneficent effects of the reduction in duty for a greater part of the population in 1878 has already been noted above. Nevertheless Government calculated the *per capita* consumption of licit salt in 1880-81 as under¹:—

Madras	...	...	...	12 lbs.
Bombay	...	...	...	10 „
Bengal	...	...	...	9.1 lbs.
Punjab	...	...	...	7.5 „
N. W. Provinces and Oudh	...	...	...	6 „
Sind	...	...	...	5 „

337. The lowness of the consumption figures was always sought to be explained away, in the Peninsula, by the prevalence of illicit consumption,² and in Northern India, by the difference in the dietary between the two regions. "The comparatively small consumption in Northern India," it is stated, "is frequently accounted for by the fact that the food of the natives consists chiefly of wheat and pulse, though it is perhaps not supported by proof."³ In fact, Strachey had, as quoted above, admitted that the higher rate of duty in Northern India was responsible for the smallness of the consumption there.

¹ Moral and Material Progress Report 1880-81 p. 26.

² Vide Reports of Prichard Commission 1876 in Madras and Report of Pedder in Bombay.

³ Moral and Material Progress Report 1880-81.

338. There is a notable increase in both the sets of figures, following the 1882 reduction to Rs. 2/-, and quite as noticeable a decrease after the reversion to the old rate of Rs. 2/8/- in 1888. Taking either individual years or quinquennial periods, the result is the same, though in the post-1888 period, the reduction assumes greater prominence by reason of the population of Upper Burmah having been added to the consuming population. The fact is recognized by the Government in more than one official statement but the admission quoted below will take some beating for its masterful jugglery. "Subsequent returns, however, proved that the increase in the rate had ultimately had an appreciable though slight effect on consumption."¹

339. Not that these variations and the consequent hardships upon the people passed unnoticed. People's vigilance was constant, and their feelings were vocal. Mr. Gokhale, who had a reputation for keeping an intimate touch with the state of consumption, thus analysed the situation from the Congress platform at Calcutta in 1895 :—

"In 1882, *i.e.*, before the duty was reduced to a uniform rate of Rs. 2/- a maund, the consumption of salt in India was about 2 crores, 90 lacs maunds. In that year, the duty was reduced all round to Rs. 2/- and consumption at once began expanding. And this expansion of consumption, which had gone on so steadily during Ripon's time, at once ceased. And since that year uptil now, *i.e.*, during a period of 8 years, consumption has remained absolutely stationary, the figure for the last year being 341 lacs of maunds.....We thus find that, while under Lord Ripon's reduced duties the consumption increased in 5 years by about 50 lacs of maunds, under Dufferin's enhanced duties it increased by only 4 lacs in a period of 8 years. Population has been steadily increasing and you will at once see that consumption has actually gone back during these 8 years."

¹ Decennial Report of Moral and Material Progress, issued 1891-92, p. 196-197.

Coming to the more specific issue of *per capita* consumption, Mr. Gokhale said:—

“Eminent physicians have laid down that for healthful existence the annual consumption of salt must be 12 lbs. per head. Now during the administration of Lord Lawrence... the consumption per head was about 12 lbs. per head. After that it began to decline, till at the end of Lord Lytton's regime, the average figure per head stood at about 9 lbs. Then came the beneficent administration of Lord Ripon. And the duty on salt was lowered, as I have already mentioned, to a uniform rate of Rs. 2/- a maund. Consumption went up by leaps and bounds and in 1887, the average per head stood at 10.1/3 lbs. The enhanced duties, however, have once more put back the figure, and last year it stood at only 9½ lbs. per head.”

340. It is significant that the heaviness of the incidence at this stage was realised and admitted even by the Secretary of State in the House of Commons on the occasion of the debate on India and he gave an assurance that he would take the earliest opportunity to reduce the pressure so as to restore the rate to its original level of Rs. 2/-.

341. The effect of the series of reduction introduced in 1903 is similarly too conspicuous to need mention. And even after 1907, when for a decade, the rate was stationary, the consumption went consistently rising, evidently due to the low level of duty. The figures for 1911-12, 1912-13 and 1913-14 are apparently averages and the decline in 1915 should have no significance. Figures later than those for 1921-22, are according to the official publications, incapable of compilation, because of the discontinuance of the Inland Trade Returns hitherto supplied by the Provincial Government. Nor do we consider it fair to compile them by an addition of import figures and sales figures. The latter procedure would detract materially from the merits of any comparison made with previous figures. It is regrettable, therefore, that the effects of the 1923 increase to Rs. 2/8/- are not available for comparison. Adopting, however, as indirect, though by no means an unfair mode of calculation, we can still hope to discover the true state of affairs.

342. The gross revenues for the three years round about the increase, are as under :—

1922-23	...	...	7·81 in crores of Rs.
1923-24	...	...	10·12 „
1924-25	...	...	7·86 „

With an increase of hundred per cent. in the rate, the revenue increased not more than 39 per cent. On the face of the figures, consumption should have decreased to the extent of 61 per cent. Making allowance, however, for the obvious unreliability of a short period figure, and admitting that it does not represent the true consumption during the period, one cannot deny the significance of such a large deficit. It would not be unsafe to conclude that consumption must have gone down at least 30 per cent. in consequence of the increase.

343. The administrative policy of Government has continued more or less on the lines which had come to be laid down for it about the eighties. Bengal's administration of salt revenue thus amounts to little more than the protection of Government's incomings from the activities of illicit trade. All the salt consumed in the presidency being imported from abroad, no vestige remains of the large manufacturing establishments of old. All the supervision necessary over private manufacture is in respect of the trifling quantity educed in the manufacture of salt-petre. This is subject to the same rate of duty as the imported salt.

344. In 1897 the jurisdiction of the Bengal Salt Department was extended, by the transference of Orissa to it from the Madras Department. The two factories operating on the Chilka lake in Orissa were closed in that year. Bihar and Orissa was created a new Province in 1912. The salt administration in Bihar is under the control of the Commissioner, Northern India Salt Revenue, while the Commissioner of Salt and Excise, a local Government official, looks after the salt administration in Orissa.

345. We have already traced the history of salt in Madras to the point, where the excise system had its first germs injected in the

absolute monopoly then prevailing. Both the systems now work alongside of each other. Under what is really the relic of the old monopoly scheme, certain factories produce on Government account only, and the disposal to normal trade is effected only through Government. The rate at which Government is supposed to purchase this salt from the actual manufacturers, varies in a slight degree, but in 1918, the rough average was struck at an anna and a half. The duty is payable before removal of salt from the Golahs.

346. Under the excise, the disposal to the consumer is left to the manufacturer, and Government interferes only for the collection and protection of its revenue. Such revenue over and above the duty of a variable cess levied in respect of interest and maintenance charges, consists of a duty on the permanent works erected at Government expense.

347. The West Coast Districts continue to be supplied from Bombay and Goa, as of old. The agreements with the French Government also continue to be in operation, the payments aggregating Rs. 4,40,000.

348. Salt for fish-curing purposes is issued duty free by Government. Fish-curing yards have been established along the coast "in order to reduce the hardship caused by the interference of the preventive operations of the Madras Salt Department" with the use of illicit salt and salt earth for fish curing. Similar concession is given to salt used in industrial processes, the Government issuing salt at duty rates on application by or on behalf of the manufacturer, satisfying conditions laid down in G.R. 28 of 1st October 1927. In the absence of any Government publication of an All-India character that would review the administration of what is an imperial head of Revenue, it is impossible to make a comparative study with respect to the success or otherwise, with which such concessions operate. Nor is it possible to give any further information on the question owing to the fact that the Government are pleased to confine the circulation of such publications, as are at all available, describing the different systems of salt administration, to departmental officers only,—a glaring anachronism indeed for a country

which is supposed to be governed by representative institutions. It has, therefore, not been possible to ascertain what arrangements, if any, have been made to issue salt to agriculturists and stock holders in Madras.

349. In Bombay also, a dual system of manufacture obtains, the Gujarat factories being all Government owned and managed, and the rest on the coast, most of which cluster round Bombay, being privately operated under an excise scheme. The Kharaghoda works in the lesser Runn of Cutch, thus, make salt in large crystals from brine wells under departmental supervision. This salt is bought from the manufacturers as made and is stored and sold at the cost and risk of Government.¹ The sea salt at Dharasna is in a lesser degree Government manufactured, for the interference is restricted to the fixation of prices. Government neither concern themselves with the manufacture nor take it over after manufacture.

350. With regard to the excise salt, Government have made elaborate arrangements for the protection of revenue and several laws have been passed for the purpose. As a matter of fact, as stated elsewhere, the essence of the Madras excise system lies in the fact that the manufacture is not free and unhampered as might be expected at first sight, but is purposefully subordinated to considerations of revenue. S. 2 of Act II of 1890—The Bombay Salt Act, 1890—thus enunciates that “no salt shall be manufactured and no natural salt, and except under provisions of S.14. no salt-earth shall be excavated or collected or removed, otherwise than by the authority and subject to the terms and conditions of a license to be granted by the Collector in this behalf.” And as a further precaution, and in order to render the existence of small works impossible, it is provided that “The Collector may at any time withdraw or withhold a license from the proprietor of any salt work..... if such salt work shall not have produced, on an average, during the said 3 years, at least 5,000 maunds of salt per annum.”² The Collector is further authorized by section 26 to destroy suppressed or unlicensed salt-works by flooding them with water or otherwise.

¹ Statistics of British India, Vol. 2. Financial, 8th issue P, 178.

² S. 17 (2) Bombay Salt Act, 1890.

351. A salt work thus having been established under approved conditions of locale and magnitude, the Government take further precautions directed to the safe collection of their revenue. The Collector may, to this end, "cause chowkies to be erected in such places as he thinks fit within a private salt-work, and the proprietor or licensee of the salt work shall have no claim for compensation for the ground occupied by such chowkies." He may also station such officers of the salt department, as he deems fit, within the boundaries of any private salt work, or establish preventive stations wherever he chooses, in the neighbourhood of any work. Sections 21, 22 and 23 give the Collector of Salt Revenue authority to require the licensee "to construct, reconstruct or repair" any such building, storage work or embarkment, as may be necessary for the protection of salt revenue. In the event of the proprietor failing to comply with the requisition of the collector within a reasonable period of time, the salt officer may proceed with the execution of such works, and recover its cost from the licensee. Finally, for the sake of abundant precaution, all officers of the Police, Customs, Opium, Abkari, Forests and Revenue Departments, besides the regular salt revenue establishment, are obliged to assist the Salt Department officers in carrying out the provisions of the Act, and to communicate any relevant information that they may possess to the latter.

352. The duty is in every case to be collected before removal of salt from the works, such payment entitling the purchaser to a permit required to be produced for inspection at the preventive station.

Conditions of payments of duty.

By virtue of S.2 of the Indian Salt Duties Act X of 1908, however, the Governor-General-in-Council or the Provincial Government are empowered to make rules "providing for the payment of such duty within a period not exceeding 6 months from the date on which payment is due, and for the furnishing of the security of such payment." Subject to the satisfaction of such conditions salt may be transported, as though the duty payable had been actually paid.

353. The Bombay Government, in pursuance of this clemency granted to the purchaser, made rules for the grant of credit for excise duty, by notification 1873 of 24th September 1914, whereby such credit of duty is granted against deposit of Government paper

of Bombay Municipality or Port Trust or Improvement Trust Scrip, appraised at Market value after making due allowances for contingencies and depreciation. The minimum amount for which such credit may be granted is fixed at Rs. 2,000/- and the maximum period, in accordance with Act X of 1908, at 6 months.

354. The question of the export of Bombay salt to Calcutta, has for a long time engaged the attention of the salt officers and perhaps it will be as well to go a little into the history of the attempts made by Government to safeguard their revenue, without obstructing, where possible, the legitimate course of trade. The duty was in the fifties required to be paid in Bombay, four months' credit being allowed on a bond to pay duty on the whole quantity. At Calcutta, a drawback was allowed at Bombay rates upto "quantity manifested." No allowance was permitted for wastage.

Bombay-Calcutta Salt trade ;
Prevention of clandestine
landing before putting on
board the ship.

355. Plowden could not consider this system in a satisfactory light, and strongly recommended exports to Calcutta to be made free of duty, and without bond: for, he argued, Bengal was entitled to credit for full duty at its own rates, and by exacting duty beforehand, or even a bond instead, the capital so used " was exposed to all the risks of the sea transit to Calcutta," to that extent handicapping the Bombay exporter as against the foreign exporter. The Bombay Commissioner of Customs, Mr. Spooner, could not find his way to the adoption of these recommendations, but on the insistence of the Government of India, exports were made free of duty from 1st January, 1860. The resolution providing—this, however, gave discretionary authority to the commissioner—for the exaction of bonds wherever he considered them necessary. Wastage allowance was fixed at 10 per cent.

356. These arrangements, with some precautions later taken for safety of revenue, worked well enough to give a stimulus to the Bombay-Calcutta salt trade. But soon the wastage allowance was sought to be taxed at the Bengal rate of duty, instead of at the Bombay rate and the ship—not the owner or exporter—was held liable for such duty. Pedder, who also went into the question of the Bombay-Calcutta salt traffic, pronounces this as positively putting a premium upon the exporter's dishonesty in as far as he had no interest any longer in putting the full weight specified on

board the ship, the master of the boat being required to pay the penalty at Calcutta, and the exporter not being held liable in any way. The ship, being homeward bound, the recovery of such penalty from the exporter was impossible. Pedder, therefore, suggested that the responsibility should be fixed on the exporter till the ship had been loaded, and upon the Captain afterwards. To this end he recommended that a 4 annas per maund deposit and a bond should be exacted, the latter making the shipper liable for the quantity put on board the ship and not for what was landed in Calcutta, as under the old system. The Master of the ship was to weigh the salt and give the requisite certificate to the exporter. If the amount mentioned in this certificate signed by the Captain, corresponded with that in the removal permit from the pans, allowing for a wastage of 3 per cent., the deposit was to be returned and the bond cancelled. In case of an excess deficiency, the Bombay duty was to be recovered from the deposit.

357. It is not possible to ascertain how far these recommendations were given immediate effect to. S.6 of G. R. 2 of 2nd January, 1927—the latest set of rules by which the Bombay-Calcutta salt trade is regulated—requires a certificate showing the amount of salt shipped to be produced before the officer-in-charge of the salt works, signed, not by the master of the ship as Pedder had recommended, but by the Collector of Customs, Bombay. This would also reduce the chances of landing from open native craft.

358. To minimise the possibility of smuggling, restrictions were further laid down with regard to the size of vessels transporting salt. The Transport of salt Act XVI of 1879, prescribed a minimum size of 300 tons, by making carriage in vessels under that tonnage, punishable by law. Subsequently, by notification 66 of 6th January, 1880, salt carried on board ship for consumption by her crew was exempted from the operation of this law, when the aggregate did not exceed a fixed per head. Fishing boats carrying salt for curing purposes under permit from the customs authorities, were similarly exempted by a subsequent notification. At present, however, the minimum limit imposed is much more rigorous, G. R. 2 of 8th January, 1927, requiring the vessels to be not less than 1,000 tons burden. In spite of the Taxa-

Tonnage of ships; prevention after loading.

tion Enquiry Committee's pronouncement that such a high limit was an obstacle to trade, Government did not deem it expedient to reduce it. The rigour with which this provision presses upon salt traffic becomes all the more intense, when it is realised that such a high minimum amounts to a practical prohibition of the trade in a country whose coastal traffic is undeveloped; and under present conditions, has to be carried on in sailing craft, or not carried on at all, with respect to so many ports, or in the alternative must pay the monopolistic carrier an unduly high freight.

359. To safeguard the revenue further, Government have made, by G. R. 2 of 8th January 1927, the removal of salt for transport to Calcutta, conditional upon the execution of a bond, furnishing one surety, or depositing Government promissory notes of a value

sufficient to cover the duty *plus* possible depreciation in value. This bond is to be

Bond of surety for duty.

cancelled and security returned on the production of a certificate over the signature of Collector of Customs, Calcutta, as to the landing of the salt and the payment of duty on wastage in excess of five per cent. if any. On the other hand, in the event of default in fulfilment of the conditions of the bond, the transporter is to pay a penalty or allow the Collector to deduct the amount of such penalty out of the security deposited.

360. Salt being a commodity which, by reason of its very nature is liable to shrinkage over periods

Wastage Allowance.

of time, the payment of duty upon such

wasted quantity would be so much dead loss to the transporter. A salt transport enactment has, therefore, in every case to make allowance for such wastage. As stated above, there was an amount of indifference displayed with respect to this essential element of salt traffic in the last century, and when Pedder reported, even the allowance had gone. With unprecedented liability on one occasion, the allowance was put as high as 10 per cent. This was reduced to give effect to the Government of India Resolution 3164-4 of 1st June, 1905, which reiterates the principle of allowance in these terms:—

“Under S.7 (b) of Indian Salt Act, 1882, the Governor-General-in-Council is pleased to remit, subject to any rules which the Government of Bombay in Council may make in this behalf, the duty in respect of the actual amount of salt wasted, upto a maximum

of 5 per cent., which is imposed under clause (a) on salt manufactured in the Presidency of Bombay when such salt is exported by square rigged vessels or steamers to the ports of Calcutta, Madras, Mangalore, Cochin, Pohai, Beypur,.....The transporter shall, if required, pay the salary and travelling allowances of any officer specially appointed by Government to superintend the shipment. He shall also, if so required, furnish the officers visiting the vessel with suitable accommodation and conveniences on board the ship." The policy of Government indeed appears much like taking away with one hand what has been given with the other, with the result that the *status quo* is maintained.

The Bombay Government accordingly enacted the following rules:—

1. That duty on the whole amount was to be paid, in the first instance, on removal from the factory.

2. That a drawback of 5 per cent. shall be granted on the quantity removed from the works, less any quantity short shipped, upon which full duty will be recovered in Bombay.

3. That on importation at Calcutta, duty be levied on any excess over 95 per cent. of the quantity specified in removal permit, *i.e.*, the balance on hand for which duty was refunded as wastage but which was not actually wasted in transit.

For the protection of the revenue the transporter has, however, been saddled with a further charge, as has been pointed out above.

361. Salt used "in any process of manufacture" is subject to exemptions from duty, as in Madras. Exemption from duty to industrial salt allowed. Government of India Resolution No. 2112-G.R. of 20th April, 1903, remits the duty imposed on salt manufactured in or imported into India in accordance with rules made with previous sanction of the Governor-General-in-Council. The latest set of such rules made No. 27 of the 1st October, 1927, exempts from duty salt manufactured in or imported into the Bombay Presidency "for any industrial purpose, other than the preparation of refined salt or as an ingredient or

preservative in any article of food or drink," subject to the following conditions:—

1. The manufacturer desirous of such concession to make application to the Collector of Salt Revenue, Bombay, giving particulars of the manufacturing process in which salt is to be employed and the locale of his factory or factories.

2. On application being sanctioned, the Manager to sign agreement in appended form and lodge it with Chief Accountant, Office of Customs, Salt and Opium, Bombay, and pay Rs. 100/- in lieu of supervisory and inspectional charges.

3. The manufacturer, in the first instance, to "provide himself with duty paid salt" from the ordinary sources of supply. At close of each quarter, application to be submitted for refund of duty on quantity actually utilised and the vouchers that effected the purchase, to be produced for verification.

4. Amount of refund to be computed on the basis of duty prevalent on the date of purchase.

5. For Storage of such salt, the manufacturer to provide a separate room, strongly constructed and secured, to the satisfaction of the Collector. It should not be opened except between sunrise and sunset, nor except in the presence of manager or storekeeper of the factory.

6. The factory and works are liable to inspection at any time by any responsible officer of the salt department, to whom all facilities for checking stock or special salt register should be afforded.

7. Manager to furnish return to Assistant Collector every month of quantity stored, used and in stock. He is also to maintain a salt register in the form provided.

362. Complicated and restrictive as these conditions are, the Taxation Enquiry Committee pronounced the analogous ones made by previous resolutions as quite satisfactory. The test of the pudding, however, lies in the eating of it; and the table below

shows how far the industries of the Presidency have been in a position to avail themselves of the concession granted:—

Issues of Industrial Salt on which drawback was allowed¹.

1923-24	...	...	78,104 maunds.
1924-25	...	...	80,552 „
1925-26	...	...	64,965 „
1926-27	..	...	75,800 „

How these small quantities could furnish all the salt necessary for use in the textile factories of Bombay, Ahmedabad and Sholapur and the tanning and heavy chemical industries is difficult to understand. The conclusion is inevitable that most of the manufacturers are either not aware of the exemption allowed, or if aware of it, do not consider it worth their while, in view of the bother attendant upon securing it.

363. Salt used for agriculture is also sought to be made duty-free in the Bombay Presidency. In view of the apparent impossibility of imposing a practical barrier against its use for alimentary purposes—the issues by their very nature having to be in small lots—Government have resorted to the device of the denaturalisation of such salt, so as to make it unfit for human consumption, by mixing it with 2 per cent. of crude oil and 1 per cent. of bone dust. Though the Taxation Enquiry Committee here too give the regulations their blessings, and commend their adoption elsewhere, the failure is more glaring than in the instance of industrial salt. And the worst feature of the system is, that no interest whatever is being betrayed in ascertaining the causes of the failure, and remedying them. G.R. 1190 of 5th February, 1914, first propounded the scheme of duty-free agricultural salt for Thanā, Kolaba, Ratnāgiri and Kanāra. By Bombay Government Resolution P.11 of 27th October 1921, such issues were

Agricultural salt also duty-free.

Not however taken advantage of.

¹ Data gathered from Annual Administration Reports.

extended to the whole of the Presidency with little difference, however, in the quantities issued. The figures show :—

Issue of denaturalised agricultural salt.

1914-15	...	...	2,644 maunds.
1915-16	...	...	2,655 „
1916-17	...	...	2,382 „
1917-18	...	...	2,427 „
1918-19	...	...	Suspended on a/c of shortage.
1919-20	...	...	175 maunds.
1920-21	...	...	402 „
1921-22	...	...	Not available.
1922-23	...	...	772 maunds.
1923-24	...	...	1,304 „
1924-25	...	...	3,021 „
1925-26	...	...	2,407 „

364. We have already noted, in connection with Pedder's evidence before the 1871 Select Committee on East India Finance, the influence of salt laws on the state of the fish-curing industry in Bombay. The Taxation Enquiry Committee point out indeed a theoretical objection to duty-free issues for fish-curing that the consumers of salted fish pay no tax on the salt thus consumed. But then, as they point out themselves as a practical consideration, salt is put into the fish not so much for its being eaten, as for its preservation. Consumption is here only incidental. But when the actual working of the concession is considered, theoretical objections lose their importance still further. It can hardly be claimed that the concession granted does in any way encourage the industry. The duty-free salt is available in Government curing yards established along the coast lines of Ratnagiri and Kanara, 33 in number. It remains problematic why such yards should not be established along the whole of the coast line. The table given below shows the

Free salt for fish-curing.

Concession loses importance here too.

quantity of such salt issued as well as the quantity of fish cured therewith. Little improvement worth mentioning is apparent in the position as betrayed here, and the fish-curing industry, it will be realised, by reason of Government's salt policy, continues in an undeveloped state.

Industry left undeveloped on this account.

Salt issues for fish-curing purposes in curing yards.

YEAR.	Salt for fish-curing.	Fish cured.
1911-12	72,454	187,064
1912-13	62,824	169,087
1913-14	63,327	165,709
1914-15	52,436	129,303
1915-16	76,434	100,383
1916-17	63,477	174,574
1917-18	71,832	184,626
1918-19	63,831	158,482
1919-20	76,645	194,178
1920-21	72,548	201,518
1921-22	64,791	170,390
1922-23	69,983	177,687
1923-24	82,396	217,481
1924-25	89,204	235,360
1925-26	65,818	172,796
1926-27	53,983	143,346

365. The Northern India Salt Revenue Department has its jurisdiction extending over the whole stretch between the Eastern confines of the Sind Department, and the Western ones of the Bengal Department practically the same region as was subject to the exaction under the Inland Customs Department. The Department is under the direct control of the Government of India. It is responsible, however, for not only collecting revenue for the Government but even for manufacturing all the salt consumed in the territories within its jurisdiction. In Northern India, therefore, the manufacture of salt is a Government monopoly.

366. The chief sources of supply as has been noted before are the Salt Range mines in the Punjab, and the salt lakes of Rajputana. Salt manufactured trans-Indus is now subject to the same rate of duty as that manufactured cis-Indus.

Soon after these sources came under their control, the Government of India launched upon a policy of improvement of manufacture, both in the mines and in the lakes, at enormous capital cost. The Government claim to manufacture at the cheapest possible cost, selling it to the consumer with an addition of duty at the prevailing rate. Both the sources are, for all practical purposes, inexhaustible.

367. The Northern India Department also gives concession to industrial salt in the shape of rebate of duty. In 1924-25, 15 Industrial establishments availed themselves of this drawback accounting for 29, 281 maunds of salt. It is, therefore, obvious that, for one reason or another, a large number of factories do not take advantage of the indulgence allowed. It will be worth while, indeed, instituting inquiries to locate the true cause of the trouble. As for concessions in respect of agricultural or fish-curing salt, it is apparent from the tenor of the criticism of the Taxation Enquiry Committee that neither agriculture nor fish-curing is regarded with any favour by the authorities in the Northern India Department.

368. Besides the Salt Departments above recounted, there is the Burma Salt Department. It began its career only after the annexation of the province by Dufferin, when a duty of 3 annas a maund was levied.¹

¹ Moral and Material Progress Report, 1886-87 p. 71.

This was raised to Re. 1 in 1882.¹ The rate, it will be noted, was 150 per cent. lower than that obtaining in the rest of the country. In 1907, with the reduction to Re. 1/- in the whole of India, the rate became uniform.

369. The present system of collecting revenue in Lower Burma is twofold. Manufacture is, in the first place, prohibited except in ten districts all employing the boiling process. In seven of these, the levy is assessable upon the output. In the other three, "the excise duty on locally manufactured salt is raised by a fee on vessels used for boiling brine."² The capacity of the cauldron employed is the basis of calculation.

370. In Upper Burma, the assessment is on a similar basis, with this difference, however, that whereas the duty in Lower Burma is calculated at the equivalent of the levy on imported salt, here it is imposed on a lower scale, presumably because an equivalent rate cannot be levied without totally extinguishing the local industry.

371. Whether we consider the Salt revenue system obtaining in this Presidency or that, the fact remains that even after the abolition of the system of Inland Customs Line, the effect of which has been noticed in the previous paragraphs, all is not well with Madras, Bombay and even Northern India. Even industries such as agriculture, fish-curing, etc., do not flourish under it though such, on paper, are declared to have been exempt from duty. The trouble, perhaps, lies in the Salt Duty.

¹ Moral and Material Progress Report, 1868-89 p. 73.

² Moral and Material Progress Report, 1888-89, p. 59, also 8th issue of the statistics of British India, Vol 2 Financial P. 176.

CHAPTER VII.

Rationale of the Salt Revenue.

372. The Taxation Enquiry Committee criticise the salt duty in the following words: "It falls on a necessary of life and to the extent that Salt is essential for physical existence, it is in the nature of a poll tax. The bulk of it is paid by those who are least able to contribute anything towards the State expenditure. Salt is also required for various industrial and agricultural operations and for cattle. Unless it is issued duty free for these purposes, some burden is thrown upon the industries in which it is used."¹ The history of the salt revenue system in India has shown how "it comes about that 35 per cent. of India's needs is produced by or for sale to Government, 30 per cent. is imported and 35 per cent. is manufactured by licensees subject to a payment of excise."²

The table given below shows the quantity under each of these three heads in recent years:—

Production and imports, in thousands of maunds, of salt into India.

Year.	Government manufactured.	Private manufactured.	Imported.
1914-15	15,223	17,312	13,039
1915-16	20,555	17,708	15,370
1916-17	18,148	18,901	12,471
1917-18	17,934	17,741	9,485
1918-19	28,462	23,464	11,783
1919-20	19,300	21,717	12,494
1920-21	20,054	20,073	17,386
1921-22	19,490	18,316	13,227
1922-23	19,090	20,883	15,379
1923-24	20,349	21,775	13,288
1924-25	17,097	21,044	17,239

1 Indian Taxation Inquiry Committee Report, 1924-25, p. 133.

2 Ibid, p 141.

373. It will be noted that about as much is manufactured on Government account as on private account, whilst the imports are slightly lower than either.

The three sources of Salt Supply.

374. It is interesting to note how each of the areas within jurisdiction of the departments supplies itself with its requisite quantity of salt. The tables below attempt to clear the position with respect to 1924-25.

Supply (production and imports) in each departmental jurisdiction in thousands of maunds.

Department.	Government manufactured.	Private manufactured.	Imported.
Bengal ...	...	...	14,754
Madras ...	1,954	9,123	1
Bombay ...	3,766*	10,458	7
Northern India ...	10,898	816	...
Burma ...	...	647	2,474
Sind ...	479	...	1

* Includes 505,205 maunds purchased from Dhrangadhra state.

375. The Duke of Argyll, Secretary of State for India, in his despatch of 21st January 1869, put the whole economic philosophy behind the salt duty in the following words:—

British philosophy of the Salt Duty in India.

“On all grounds of general principles, salt is perfectly legitimate subject of taxation. It is impossible, in any country, to reach the masses of the population by direct taxes. If they are to contribute at all to the expenditure of the State, it must be through taxes levied upon some articles of universal consumption. If such taxes are fairly adjusted, a large revenue can be thus raised, not only with less consciousness on the part of the people, but with less real hardship upon them than in any other way whatever. There is no other article, in India, answering this description upon which any

tax is levied. It appears to be the only one, which at present, in that country can occupy the place, which is held in our own financial system by the great articles of consumption from which a large part of the Imperial Revenue is derived. I am of opinion, therefore, that the salt tax in India must continue to be regarded as a legitimate and important branch of the public revenue."

This philosophy has so far permeated Indian opinion, official and non-official that the last word may appear to have been said upon it when the Taxation Enquiry Committee with one voice reported: "If any tax which falls on the poorest class is desirable at all, the salt tax is appropriate."¹

376. A detailed examination of statistical data is not necessary to demonstrate the hollowness of the claim implied by these observations. A glance at the figures representing Government revenue is enough to show how the poorer classes of the Indian population make their own contribution to the national exchequer, even when the salt duty is cut out.

The main heads of India's revenue, exclusive of Commercial services, showed in 1924-25 are:—

Head.	Central : Lacs of Rs.	Provincial : Lacs of Rs.
Customs	45,75	.....
Income Tax	16,01	19
Salt	7,39	.....
Opium	3,80	.....
Land Revenue	37	35,46
Excise	42	19,10
Stamps	27	13,00
Forest	16	5,51
Registration	2	1,26
Tributes from Indian States	82	.....
Schedule taxes ... ..	.....	30
Total ...	75,03	74,83

¹ Taxation Committee's Report, Marginal Note to Para 168, p. 137.

377. How many persons are there in India, who do not pay to Government in one way or another, besides their salt contribution? The poorest individual buys his match box, his copper and brass utensils, his kerosene, and as often as not, kerosene tins. Most of the imported grey goods and rough shirtings are consumed by him. These are among the many commodities, on which he pays a customs duty. Leaving income tax, salt and opium alone, the next head of revenue is sufficient in itself to disprove the charge levelled against the poorest subjects of India. For whatever the myteries of land revenue, it cannot possibly be denied, that every grain of rice, wheat or Bajra consumed, has paid a tax to the Government, however small, and such payment must reflect itself in the price. All the excise on country spirits again is paid by the poor man and he pays, if not much at least quite a fair share in respect of stamps, forests and registration. How can it, for a moment, be maintained then, that the tax machinery of India cannot and does not reach the poorest classes except through the taxation of an indispensable necessary of life such as salt? The late Mr. Gokhale, time and again, attempted to point out the fallacy underlying the official view. In his Budget Speech of 1903 he said :—

"Again, My Lord, I have heard the opinion expressed that the duty on salt does not constitute any serious burden on the resources of the poorer classes of our country, because this duty, it is urged, is the *only tax* which they contribute to the State. Here again, I must say that those who express such a view hardly realise what they are talking about. Our revenue is principally derived from land, opium, salt, excise, customs, assessed taxes, stamps, forests, registration and Provincial rates. Of these the opium revenue is contributed by the foreign consumer and may be left out of account. Of the remaining heads the proceeds of the Assessed taxes are the only receipts that come exclusively from the middle and upper classes of the people,.....being less than two crores. On the other hand, the bulk of the salt revenue comes from the pockets of the poorer classes. The abkari revenue is again contributed mainly by them; so also is the forest revenue. Under stamps and registration, they contribute their fair share as the bulk of our litigation is about small sums. I believe they also contribute

their share under customs. And as regards Land Revenue and Provincial Rates, in Raytwari tracts at any rate, a large proportion of this revenue comes from very poor agriculturists. So far, therefore, from contributing less than fair share to the exchequer of the state the poorer classes of our community contribute, as a matter of fact, much more than they should relatively to their resources."¹

378. The exception taken to the salt duty in India is not only of a theoretical character, as the duty has given unmistakable proofs of its mischief-making capacities. The lessons provided by consumption figures relating to Bengal and Madras during monopoly periods, as also after the duty was made uniform in 1882 are too obvious to need any further comment. It is an established fact that a high duty checks and a low duty encourages consumption;¹ and even where the former is not the case, *i.e.*, a rise in the duty does not actually check consumption, the reaction is none the less harassing in so far as it urges the ryot to deny himself other nourishment. This has been generally recognised by official opinion for a very long time. Sir Charles E. Travelyan, examined before the 1873 Select Committee on East India Finance on the 28th February, observed:—"It is popularly assumed that because it is a tax on salt, therefore, there must be a diminution in the quantity of salt which each person consumes. Salt, however, is the last thing in which a native of India economises. He would economise in anything sooner than in his salt, because their diet is chiefly vegetable, and salt is an absolute necessary of life."

¹ Gokhale's speeches : (Natesan), pages 49-50.

¹ Enquiry into the rise of Prices in India, Vol. I, p. 37, para 99.

Figures worked out for the Government themselves by a very eminent statistician are reproduced below in the hope, that they, at least, will never be doubted by the official eye. K. L. Datta taking the period of 1890-94 as standard period, worked out the consumption figures as under:—

Year.				Consumption in decimals of maunds.
1890-94	...	...	...	1540
1895-99	...	...	...	1554
1900-04	...	...	...	1612 Increase of 5% over standard period.
1905-09	...	...	...	1848 Increase of 20% over standard period.
1910-11	...	...	...	1932 Increase of 26% over standard period.

379. It is indeed a myth that the demand for salt in India is inelastic and cannot rise beyond the pet allowance of 12 lbs. per head, however low the price at which the commodity is sold. If the figures worked out in the previous chapter are to be believed—allowance being of course made for the fact that they represent not the actual consumption but the “amount available for consumption”,—the *per capita* increase of 4 lbs. in 40 years gives rise to the legitimate suspicion that even at the higher figure of 16 lbs. per head, the consumption is still stinted, by reason of the operation of the duty. And there are facts from other countries which lend support to this suspicion.

380. In the pre-Industrial Revolution era, when the consumption figures could not be vitiated by industrial or agricultural use, the consumption figures reacted with accurate precision to the rate of duty. The following table will testify to the fact:—

Rate of duty per capita consumption in France.¹

Year.	Rate per kilo or price.	Consumption per head in kilos.
1789	1 France 24c 67 cents	4·6
		5·9
1790	@ price 30 cents	8·0
1793	Duty abolished price 20 cents	10·0
1806	Tax at 20 cents	6·6
1812	Tax at 20 cents	7·4
1813	Tax @ 40 cents	3·3
1814	Tax @ 30 cents	5·3
1848	Tax @ 10 cents	9·0

¹ Table from Ratton : Handbook of Common Salt p. 407.

381. A comparison with the consumption figures for foreign countries lends further support to the plea that the consumption of salt is definitely checked by the imposition of a duty.

Consumption comparison of foreign countries.

Indeed, as the Taxation Enquiry Committee found, "useful statistics are difficult to obtain" in this respect.¹ No country probably suffers from such a salt shortage as India does, and figures of consumption are supposed to be unnecessary. Ratton's figures, though antiquated, have therefore to be resorted to:—

Per capita consumption of Salt in lbs.

England	...	...	...	40 lbs.
Portugal	...	...	...	35 "
Italy	...	...	...	20 "
France	...	...	...	18 "
Russia	...	...	...	18 "
Belgium	...	...	...	16½ "
Austria	...	...	...	16 "
Prussia	...	...	...	14 "
Spain	...	...	...	12 "
British India	...	...	...	12 "
Holland	...	...	...	11½ "
Sweeden and Norway	...	...	...	9½ "
Switzerland	...	...	...	8½ "

Ratton accounts for the disparity in the shares of different countries, by attributing the high consumption figures to the industrial use of salt. "England and Portugal, which are untaxed, lead the way", he says, "but Norway, which is also untaxed, lags far behind. Assuming that the people only require 10 lbs. per head of taxed salt for their own use, everything above that represents so much industrial activity." He forgets, however, that though England and France might be credited with a fair share of industrialisation, there is no such explanation applicable to Portugal, still an industrially backward nation. And Italy, then ranking in the same category, could not have much use for salt in industry either. A very substantial part of the high rate of consumption in England, France and Italy must, therefore, represent the actual alimentary

¹ As the reference books available to the writer proved unsatisfactory, help was sought through the consuls of various countries in Bombay; but no figures could be obtained.

use of salt on the table, in the kitchen or in cured provisions. The Taxation Enquiry Committee, moreover, by giving the following table specifying the actual variation in consumption from province to province in India, contradicts itself, when it lends its support to Ratton's hypothesis of a 10 lbs. rate of alimentary consumption :—

Annual consumption by Provinces in 1921-22.

Punjab	...	...	...	10.26
Sind	...	...	...	10.41
Rajputana and Central India	...	...	...	10.59
Bihar and Orissa	...	...	...	10.97
United Provinces	...	...	...	10.98
C. P. and Berar	...	...	...	11.56
Bombay (Excluding Sind)	...	...	...	13.94
Bengal	...	...	...	15.24
Burma	...	...	...	18.54
Madras (Including Mysore and Coorg)	...	...	...	18.88

382. The consumption apparently rises with a predominantly rice diet, and decreases with a predominantly wheat-eating diet. A flat rate of 10 lbs. which Ratton takes for all the countries above, is therefore, absurd and misleading. The point, however, is that if the colder and wheat-eating countries need such a large quantity for the maintenance of their health and vigour, does not a warm rice-eating people need a greater quantity? And even granting that so much as 10 lbs. per head represents the industrial use in England, the disparity between 30 lbs. and 12 lbs. is too pronounced not to provoke comment. In a scale of dietary laid down by Surgeon Partidge, the Government Medical Inspector of Emigrants at Calcutta, the necessary quantity for a working man in quietude—not labouring—in Indian conditions is laid down at nothing short of an ounce per day, *i.e.*, 22½ lbs. per year.¹ And Ratton himself reiterates a wise principle laid down by Mr. H. King in his Manual of Hygiene, "that excess can do no harm, while deficiency must be injurious, and that it is a mistake to economise by reducing the ration of so cheap and necessary an article of food as salt, at the risk of impairing health."

¹ Evidence of Dadabhoj Naoroji before 1873 Select Committee on East India Finance, 11th July 1873, Minutes of Evi. p. 509.

"It is the duty of the Government to see", wrote the Duke of Argyll in his despatch of the 21st January, 1869, discussing the propriety of salt duty, "that such taxes are not so heavy as to bear unjustly upon the poor, by amounting to a very large percentage upon their necessary expenditure." And he adds, "the best test whether an indirect tax is open to objection is to be found in its effect upon consumption." The application of precisely this test has shown that the duty does "bear unjustly upon the poor" in imposing a check upon consumption, and is, therefore, open to serious objection. On admission of the Government themselves, the consumption in India is 12 lbs. per head.¹

383. As a matter of fact, even historical evidence is not wanting to prove that the abolition of the duty is certain to result in an appreciable increase of consumption. Such indeed, was the effect of abolition in England a hundred years ago. We have already noted above how John Crawford found an increase of 4 lbs. per head in the Liverpool Workhouse. Before the 1836 Select Committee on salt, William Worthington, salt manufacturer, gave his evidence:—

'Q. 132. (Chairman): Do you think that there is a larger quantity of salt consumed now for culinary purposes putting out of question all the salt that is used for manufacture, than there was at the time when the duty existed?—A very much larger quantity consumed.'

'Q. 133. Do you think that the labour consumes more salt now than he did before the duty was taken off?—He certainly does from the circumstance of his being unrestricted by its value and in some instances a greater quantity is wasted.'

'Q. 134. (Mr. Ewart): Since the repeal of the duty, has there been an increase in the demand for that sort of salt which is used for household purposes?—Very considerable.'

'Q. 135. As contra-distinguished from salt used in the Arts?—Yes certainly.'

¹ Budget Speech of the Commerce Member, Sir Charles Innes, in the Assembly, 10th March 1923, Assembly Debates, p. 3742. Jail diet allowance in Bombay is also at 8 drams per day, i.e., 11½ lbs. a year.

Further questioned—'Q. 138—I myself manufacture more than double the quantity of salt which is used for domestic purposes to what I did when the duty was on.'

'Q. 139. (Lord Sandon): And the trade has generally increased in the same proportion?—I should say it has.'

'Q. 135. As contra-distinguished from salt used in the Arts? duty is responsible, is only one its many grave mischiefs. The continuance of the duty has sapped the foundations of what is declared to be India's predominant industry, to-day, *viz.*, agriculture. In this respect, indeed, there is no country in the world whose policy can stand comparison with ours in the intensity of its reactionism. Even Rattou, the official apologist, finds reason for condemning it on this score. "There is nothing to be said in favour of a tax", he says "which is imposed indiscriminately upon all kinds of salt, and which is unrelieved by any concessions in favour of agriculture, fisheries, manufactures, etc.

385. We have noticed how common salt is essential for human existence and how it aids to keep the whole human body healthy and fit in the tropics especially. Its use as an agricultural manure also has been recognised for ages past. There is evidence to show that it was used as a chemical manure long before the Christian era, and its value was recognised throughout Europe. It has germicidal properties, which render it invaluable "to the farmer, the planter, the florist and market gardener."

To the coffee-planter, it proves a great boon in its deadly effect upon the coffee borer—a pest responsible for serious damage to coffee plantations. It kills not only the living organism of this pest, but even its seed, besides many parasitic fungi that starve the growing and delicate plants.

386. These germicidal properties of salt, however, pale into insignificance, when its positive tonal action upon plant life as a nutriment, or rather as an aid to nutriment, is taken into account. This, indeed, is its most important function as a fertiliser. It stimulates the plants, urging the tissues on to increased

nutritive activity. In fact, its use to the plant life is more or less analogous to that to the human organism. Though devoid of any tissue-building value in itself, it assists in the assimilation of other foods, which could not otherwise than by its aid, pass into the system. "Common salt is a fertiliser of grain crops of considerable power", found Liebig after numerous experiments, and "it increases the value of ammoniacal manures in a very remarkable way." He found that the produce of corn was raised by 90%, 100% and even 120 per cent., when salt was mixed—with ammoniacal manures.¹ This is corroborated, though unconsciously by no less an authority than Arthur Young, than whose name there is one more outstanding in the history of English and even European agricultural renaissance. An enthusiastic gentleman farmer himself, in the capacity of Secretary to the Board of Agriculture, he found ample opportunities for experimentation with manures. The result of these he thus gave to the 1818 Parliamentary Select Committee on salt duty in England:—

'Q. On what soils was it (salt as manure) found to succeed?— It was found to succeed upon all the soils, upon which I tried it at certain times, apparently as if it depended in some measure upon the weather: but I conceive that I cultivated no soil, in which it would not be beneficial.'

'Q. Did you observe what was the particular effect it produced, whether in increasing the crop, or in cleaning the ground?—The result that I depended upon was my eye, by sowing what is called a land and then missing one, two or three lands, and then sowing salt in another; there was distinction to the eye.'

'Q. What was the distinction, was the corn more vigorous?— In colour and vigour of growth, I made some very careful experiments that I could depend upon, on a small scale in pots of earth and tumblers of water. They gave the absolute and positive result, because you can depend upon the soil or water of one tumbler or vessel to be the same as the other, whereas when you make experiments upon acres, there may be a difference in soil.'²

¹ Liebig: Letters on modern Agriculture quoted by Ratton pp. 55-60.

² Minutes of Evidence, 1818 Select Committee on Salt duties, p. 47, Vol. V.

387. Ratton, after inspecting numerous records of analysis of plant ashes, summarises:—

"It is impossible to escape the conclusion that salt, as such, is of some direct use and benefit to the plants mentioned, otherwise it would not be found in them."¹

388. One Mr. Robertson, in Government service, was appointed by G. O.-1550 of the 1st November, 1875, to report upon agricultural conditions in Coimbatore. He made an intensive survey in the course of a tour that he undertook pursuant to the order and presented his report, in the course of which he observes:—

"Salt has long been used for promoting vegetation. It is of the greatest value as a manure in inland countries. Land under the influence of sea breezes generally gets, by means of these breezes, sufficient salt for the requirements of agricultural crops. It has been ascertained by direct experiment that the lands near some coasts receive annually as much as 300 lbs. of salt per acre carried to it by the winds. Salt is generally used as an auxiliary manure with lime or other manures. In England as much as 600 lbs. of salt per acre is applied with other manure to land intended for Mangold Wurtzel, and for meadow land a usual top dressing is 200 lbs. of salt with 100 lbs. of nitrate of soda. Heavy dressings of salt are sometimes applied to pasture land to improve the herbage and kill insects injurious to grass."²

Corroborating Liebig, Robertson further observes:—

"Salt is also used to prevent the too rapid decomposition of organic manure, a purpose for which, in this country, where putrefaction is so rapid, it is much needed; fold yard manure when stacked in the field decomposes so rapidly that in a space of four or five months the whole becomes a fine mould, which, though valuable, does not serve the same purpose on the land as fold yard manure in its natural state."³

¹ Page 200. Ratton.

² *Vide* page 40 Robertson's Report.

³ Robertson's Report printed as Parliamentary paper: 11th May 1878.

389. Analogous to the function of salt as a pest killer, is its property of destroying weeds in the field, that struggle so strenuously with the cultivated vegetation for wresting nutriment from the soil.

Destruction of weeds.

Sir Thomas Bernard, Bart., a gentleman farmer and author of a book on English Salt Laws, giving evidence before the 1818 Select Committee on Salt duties, read the letter from Mr. W. Bevin of Chaster, dated the 2nd April, 1818, detailing an experiment made on a farm 'overrun with coltfoot and other weed,' of strewing on it ashes from salt works. The account concluded :—

"The effect on the corn crops besides destroying the weed completely was very great. I do not think I exaggerate in saying, that on the part of the field on which this manure was laid, the crop was nearly treble in proportion and the grain of excellent quality."¹

390. And as with the crop-raising branch of agriculture, so

Salt for cattle.

with the stock-breeding and dairying side of it. In fact among cattle, the salt hunger obtains in such an intense form that cattle are often induced to resort to human or animal excreta by the wayside. Ratton notes this fact in this treatise. "At one time", he states, "I marvelled very much at this abnormal appetite, but subsequently finding that such cattle were depastured on poor grass without any salt whatever either in their natural food, or in the crude state, I ceased to wonder, for these excrements happen to contain an appreciable amount of salt and are often rich in it." "The consequences of the habit," he adds, "are most disastrous." And Ratton goes on to describe how it gives rise to the disease of hytids, and how herds of cattle perishing therefrom had been saved by the liberal use of salt, "not that salt is in any sense a remedy, but it is a prophylactic or preventive of the disease."² In fact, cattle actuated by its instinct betrays such a fondness for the consumption of salt, that it has even been suspected, "that man himself has been educated in its use by observations made on cattle."

391. A liberal use of salt for cattle would not only save them

Good for their constitution.

from disease but positively improve their constitution and increase their utility.

¹ Minutes of evidence of 1818 Select Committee, pp. 93-94.

² Ratton, Handbook of Common Salt, p. 219.

The Rt. Hon. J. Sinclair, Bart., giving evidence before the 1818 Select Committee, professed his absolute faith in this proposition:—

'Q. Have you any doubt that salt would be found highly beneficial to the feeding of all kinds of stock—Sheep, cattle and horses?—It is impossible to doubt it.'

'Q. Do you consider that the use of salt would increase the disposition to fatten and to milk in cattle?—I have not the least doubt of it. I have the authority of Mr. Mosselman in particular, who is one of the most intelligent farmers I have met with and who gave it to his cows for that purpose.'¹

392. For sheep farming also salt has an inestimable value when mixed with feed. It contributes to the betterment of wool, qualitatively as well as quantitatively. Rutton quotes the example of a German sheep farmer, Uberacker, who isolated a certain number of his sheep to discover the effect of stoppage of salt to them in their diet. The experiment cost him not only the wool, but resulted in the death of all the heads so segregated. In England, Arthur Young's experiment in discovering the effect of salt consumption upon rot in sheep, led him to similar conclusions, which he put before the 1818 Select Committee on Salt duty.

'Q. Do you consider that it would be beneficial in preventing the rot in sheep?—I found it so in the years when my neighbours' sheep were generally effected with rot, my sheep escaped, and my land was quite as wet as my neighbours.'

'Q. By the returns of the Board of Agriculture, the number of sheep in Great Britain appears to be estimated at 30 million. The Committee would ask you, whether you conceive that the advantage of 6*d.* a head for the free use of salt would be stating it too largely in favour of the agriculture of the country?

—If any person, at the time I was in the habit of giving salt to my sheep, had offered me a shilling a head to let it alone, I should have rejected it at the very first blush.'²

393. Because of his blindness in later years of life, Young had to depend upon experiments conducted by his friends. One

¹ Minutes of evidence p. 120.

² 1818 Select Committee on Salt Duty, Minutes of Evidence p. 48.

such man was J. C. Curwen of school farm, Workington, Cumberland, a member of the 1818 Committee, and a gentleman farmer of considerable enthusiasm for the improvement of British agriculture. In the course of his evidence before his own Committee, he handed in an affidavit relative to the experiments carried on in his live stock farm with administration of salt to different domestic animals in different ways. It concluded:—

“There is nothing that will promote the health of cattle and their good condition more than salt, when rightly administered and medicine would be little required, if he had salt at command.”¹

394. Referring to his feeding experiments upon cattle in general, Curwen deposed: “Their health has been invariably good and which I attribute greatly to the use of salt given with steamed chaff, i.e., the husk of corn which was of little or no value prior to its being given dissolved in the quantity of four ounces (of salt) in about two stones of that steamed chaff per day to the cattle, this of course makes a considerable saving in the quantity of green food, which would otherwise be required.”²

395. Curwen had estimated the advantage arising from the use of salt for cattle feed at 7s. a head to the country’s farming. Arthur Young thus pronounced upon this estimate of his friend when questioned before the 1818 Select Committee on Salt duty:—

‘Q. Would you think, considering the advantage in health, fattening, and the power of using inferior food in the feeding of cattle and stock in general, that the free use of salt would be an advantage, equivalent to the 7s. a head to the farmer?—I should think it would be worth a great deal more. I think it is invaluable; in short, let my answer be what it would. I am confident I should be under the mark.’

‘Q. You consider 7s. a head very much under the mark?—I should suppose 7s. a head for cattle under the mark.’

‘Q. If upon 30 million of sheep the advantage at 6d. per head to the farming interest of the Kingdom makes an aggregate of £50,000 and 7s. upon 4,521,000 stated to be the quantity of beasts

¹ 1818 Select Committee on Salt Duty, Minutes of Evidence pp. 44-46,

² Ibid.

in the Kingdom, making £1,582,350 and 10s. upon 1,500,000 horses, making £750,000, the total of which amounts to £3,082,350 in estimating that advantage to accrue from the free use of salt, is it over-stated?—I do not think it is over-stated.’

396. No wonder that the 1818 Committee reported with respect to administration of salt to cattle:—

“Your Committee are strongly impressed with the great advantage that may be derived from the use of salt in feeding sheep and cattle, on the authority of Lord Somerville, Mr. Curwen, Sir John Sinclair, Mr. Arthur Young.....”¹

397. To all these benefits derivable from a liberal use of salt in agriculture, Lord Somerville adds a further advantage, and in a letter written to Mr. Vansittart, from which Sir Thomas Bernard quoted in his evidence before the 1818 Committee, he states it as follows:—

“From the practice of several years, I consider the advantage of salt for sheep, and for preserving hay and restoring it when damaged as practically beyond controversy.”² The Rt. Hon’ble Sir John Sinclair, Bart., thus corroborated Lord Somerville’s conclusions in his evidence recorded by 1818 Select Committee:

‘Q. Have you ever seen any experiment made with salt on damaged hay by strewing it upon it in the stack?—I have never seen any experiments myself, but in some of the best authenticated reports of the Board of Agriculture (that of the North Riding and that of Derbyshire) it is stated, as a practice not unusual, and attended with great advantage.....”³

398. It should be admitted indeed that the 1818 Select Committee, though so enthusiastic about the advantages attendant upon the use of salt in stock breeding, considered its use as manure as only in the experimental stage. They report:—

“In their expectation from salt applied as a manure they (the Committee) are much less sanguine, yet believing it possible that in some cases and under some circumstances it may prove beneficial, and feeling the importance of affording every fair chance

¹ Report p. 6.

² Minutes of Evidence p. 92.

³ Ibid p. 121.

for satisfactory experiment to ascertain its value in this respect, they have extended their recommendation to the allowing it on the same conditions for this and other agricultural purposes.”

399. This then is the relation between salt and agriculture.

Salt and Agriculture. The British Government abolished the duty on salt completely on the recommendation of this Committee, in 1825, but it never appears to have entered the head of our “trustees,” that the Indian ryot must also need cheap salt for the improvement of his agriculture, at least as urgently as the English farmer.

So early as 1836, John Crawford of the Bengal Medical Service, in his statement submitted to the Select Committee on Salt in British India, observed:—

“It is a constant argument used by the Board of Customs against an increased consumption of Salt in Bengal that salt neither is nor ever will be used except for mere alimentary purposes. This is not strictly correct, even as applicable to the present state of things. A good deal of salt (not indeed nitrate of Soda, for that being highly taxed cannot be used for such a purpose, but of other impure and untaxed substitutes) is given to horses, horned cattle and even to sheep; pure salt, and in considerable quantity, would no doubt be given, if it could be afforded.” “It is well-known,” says the Board of Customs, Salt and Opium, “that the wretched Bengal bullock scarcely receives from his owner that description of fodder, which requires nothing but the trouble of collecting it: is it likely then that he would give to his cattle anything that costs money?” “In short,” it adds, “all the speculations we have seen respecting the consumption of salt in India, are applicable not to Bengal, but to a country 5 centuries in advance of any part of these provinces. (*Vide* Selection of papers p. 69.) The poorer the bullock of Bengal, the more he stands in need of salt, and I have not a moment’s doubt in my own mind but that the want of salt is one of the causes, which makes the horned cattle, sheep and horses of Bengal, by far the smallest and the puniest and the worst conditioned which I have ever met, in any part of India whatever. The Board of Customs will have it that salt will not be given

Puny Bengal Bullocks
need it.

to cattle in Bengal, as it is in England. The system, of which they are the most strenuous advocates, makes it nearly impossible that any should be given at all, and it need not surprise any one who reflects upon these simple facts, that the price of salt in Calcutta is perhaps not much less than 20 times as much as it is in Liverpool and the value of the Indian cattle, which would consume the salt by more than the same proportion less valuable. The heavy tax on salt in Bengal is a prohibition upon all improvement, and if preserved in, the people of that province at the end of the five centuries alluded to by the Board, would be no more able than they are now to give salt to their cattle."¹

The Salt duty a prohibition on all improvement in Bengal.

400. Lord Lawrence, not quite 50 years later, in his evidence before the 1873 Select Committee on East India Finance, positively attributed the prevalence of murrain in Indian cattle to the want of salt in their food. And just two years later, Mr. Robertson, in the course of his report submitted to Government, on agricultural conditions in Coimbatore stated:—

Cause of Murrain in Indian cattle.

"The high price of salt in India is a serious drawback to agriculture. In England good agricultural salt for the use of stock, or for use as manure can generally be purchased at about 30s. per ton: similar salt costs in this Presidency (Madras) about Rs. 50/- per ton. Live stock cannot be maintained in good health unless they have frequent and regular access to salt....."²

401. And finally, even Ratton inspite of his apology for the Government's salt revenue policy offered in the eighties, could not refrain from condemning the Government's failure to accord special treatment to agricultural salt.

Ratton too condemns the Government failure.

402. But Government were not pleased to listen to any of them—at least not till 1914. Then too, so far as can be ascertained, the recognition that salt was necessary for agriculture, was confined to Bombay Presidency only. By G. R.

Bombay concession not availed of.

¹ Appendix 76 to the minutes of Evidence of the 1836 Select Committee p. 189 Vol. 17.

² Robertson's Report published as a Parliamentary paper; ordered 11th April 1878, p. 40.

1190 of 5th February, 1914, Revenue Department, denaturalised salt was authorised to be issued duty-free for agricultural purposes in the four districts of Thana, Kolaba, Ratnagiri and Kanara. The scope of this concession was extended, as has been stated elsewhere, by Bombay Government Resolution P-71 of 27th October, 1921, to the whole Presidency. And yet it is significant that an examination of the table already given, shows that very little advantage has been taken of this indulgence. The Administration Report of the Bombay Salt Department, recognising this fact, observes:—

“It is curious that this invaluable and cheap manure for mango trees is not more used in Thana and Kolaba, although its use is well established in Goa, the home of the grafted mango.”¹ But though the grievance is laid before the public, the subsequent reports for 1925-26 and 1926-27, do not describe what steps, if any, have been taken in the direction of popularising the use of this salt for agriculture. The quantity issued, at the same time, is 758 and 281 maunds respectively.²

403. One reason, however, for the concession not being availed of, is to be found in the nature of the indulgence itself. The process of denaturalisation—the admixture with bone dust and crude oil, should, we suspect, render it unfit for consumption by cattle. Thus one outlet for its use has been deliberately closed, and the other which is open—manuring—is not perhaps brought sufficiently well to the notice of the ryot.

404. This, however, constitutes but an infinitesimal part of the whole grievance. Bombay is not India, and the concession is confined to Bombay alone. Information of the salt administrative system of other departments is not available, but the following recommendation of the Taxation Enquiry Committee strengthens our belief in this regard:—

“In the case of agriculture, rules have been issued in Bombay, which appear to be on the right lines and the Committee would suggest that they should be extended to other provinces.”³

1 Administration Report 1923-24, p. 15 para 36.

2 Appendix J, Bombay Salt Department, Administration Report.

3 Report, p. 147, para 180. (Taxation Enquiry Committee.)

to cattle in Bengal, as it is in England. The system, of which they are the most strenuous advocates, makes it nearly impossible that any should be given at all, and it need not surprise any one who reflects upon these simple facts, that the price of salt in Calcutta is perhaps not much less than 20 times as much as it is in Liverpool and the value of the Indian cattle, which would consume the salt by more than the same proportion less valuable. The heavy tax on salt in Bengal is a prohibition upon all improvement, and if preserved in, the people of that province at the end of the five centuries alluded to by the Board, would be no more able than they are now to give salt to their cattle.”¹

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² Robertson’s Report published as a Parliamentary paper; ordered 11th April 1878, p. 40.

1190 of 5th February, 1914, Revenue Department, denaturalised salt was authorised to be issued duty-free for agricultural purposes in the four districts of Thana, Kolaba, Ratnagiri and Kanara. The scope of this concession was extended, as has been stated elsewhere, by Bombay Government Resolution P-71 of 27th October, 1921, to the whole Presidency. And yet it is significant that an examination of the table already given, shows that very little advantage has been taken of this indulgence. The Administration Report of the Bombay Salt Department, recognising this fact, observes:—

“It is curious that this invaluable and cheap manure for mango trees is not more used in Thana and Kolaba, although its use is well established in Goa, the home of the grafted mango.”¹ But though the grievance is laid before the public, the subsequent reports for 1925-26 and 1926-27, do not describe what steps, if any, have been taken in the direction of popularising the use of this salt for agriculture. The quantity issued, at the same time, is 758 and 281 maunds respectively.²

403. One reason, however, for the concession not being availed of, is to be found in the nature of the indulgence itself. The process of denaturalisation—the admixture with bone dust and crude oil, should, we suspect, render it unfit for consumption by cattle. Thus one outlet for its use has been deliberately closed, and the other which is open—manuring—is not perhaps brought sufficiently well to the notice of the ryot.

404. This, however, constitutes but an infinitesimal part of the whole grievance. Bombay is not India, and the concession is confined to Bombay alone. Information of the salt administrative system of other departments is not available, but the following recommendation of the Taxation Enquiry Committee strengthens our belief in this regard:—

“In the case of agriculture, rules have been issued in Bombay, which appear to be on the right lines and the Committee would suggest that they should be extended to other provinces.”³

1 Administration Report 1923-24, p. 15 para 36.

2 Appendix J, Bombay Salt Department, Administration Report.

3 Report, p. 147, para 180. (Taxation Enquiry Committee.)

405. Indeed what Ratton said 50 years ago is, for all practical purposes equally true to-day. "It is unfortunately true", he observes, "that there are countries, in which salt is taxed without any provision whatever being made for its free use in agriculture or for cattle. British India is open to this reproach." Referring to the practical side of the remission of duty, he says: "as regards loss, however, it should be premised and it is commonly recognised, that what is lost in salt revenue by the remission of salt duties for agricultural purposes, is gained in the increase of Revenue from other indirect taxes, consequent on the increased prosperity of the peasantry."¹

406. Whilst one may join whole-heartedly in the condemnation of Government's negligent attitude, it is impossible to endorse the proposal for the remission of duty in favour of agriculture alone. Such remission will make little difference, so far as the agriculturist is concerned and the instance of Bombay will support this conclusion.

Will mere remission help agriculturists?

407. Agriculture is only one branch of economic activity in which salt becomes not only helpful, but is also indispensable. Fishing is another. Fish-curing salt.

It would be vain indeed to represent here what bearing the price of salt has on the fishing industry. Significant, however, is the fact that witnesses too numerous to mention recommended before the 1818 Select Committee the abolition of the duty, not only as a handle to check the rot in England's fishing industry on account of foreign salted fish being made available cheaper in England, but even as the first step to enable England to establish an export trade in salt fish to those countries. A valuable article of food is indeed lost to the populace, if facilities are not given for salting the fish.

On the other hand, fish imperfectly cured with an insufficient quantity of salt, is a grave menace to health. During the monsoon especially, when the high seas render fishing in our native craft impossible, salt fish would, indeed, come as a boon, to the maritime countries and the advantages of a properly organised salting industry aided by a liberal supply of cheap salt would be

Fish imperfectly cured is a menace to health.

incalculable to the country, bordered as it is by thousands of miles of sea. Unfortunately, however, the fact is not appreciated by those in authority. Salt for fish-curing has been issued duty-free since the eighties of the last century, but there again consideration of revenue necessitates strict control of the use of such salt. Along the coast in Madras and Bombay, therefore, fish-curing yards have been opened by Government, wherein salt is issued duty-free—at 13 annas per maund—at the rate of 1 Bengal maund per 3 maunds of fish. In Bombay there are such yards only in Ratnagiri and Kanara and the rest of the coast line is left alone, for some reason best known to the authorities. The number of yards is 33, and the amount issued is too meagre to give rise to a developed fish-curing and canning industry. It may be that the rate of 13 annas is too high for the economic working of the industry, and hence the issue is so small. If there are any other grievances, they need be investigated and removed. It should not be lost sight of that inspite of a long sea line about us, we import canned fish from countries so far away as Norway and America.

408. At the present moment of our industrial regeneration, however, the encouragement of the fishing industry can be relied on to aid in another very useful direction. Every advanced country realised, generations ago, the intimate bearing a flourishing fishing industry has not only on the establishment of a mercantile marine, but the maintenance of a regular navy. Every school boy knows how, right from the 12th century, the English kings enacted laws calculated to achieve this end by the encouragement of fishing. The Rothesay Committee of fish curers in their brief filed with Mr. K. Finlay for submission to the 1818 Select Committee, observe:—

“...A repeal of the salt duties would also be of considerable benefit to the inhabitants situated on the sea coasts of these kingdoms (Great Britain and Ireland) as every house-holder would be enabled to possess himself of smaller or greater quantities to cure such fish as come on the coast at any season of the year, by which young men would very early be made acquainted with a sea-faring life habits and traffic formed in their mind.”¹

¹ Read in the course of evidence given by Mr. K. Finlay.

409. The 1818 Committee in the report recommending the abolition of salt duties state:—

“To Great Britain as a naval and commercial power, your Committee consider home fisheries to be of the greatest importance as (independently of the additional demand for labour and means of subsistence and other advantages which they afford), supplying the most economical means of maintaining the British Navy in times of war, and of giving occupation and subsistence to our disbanded sailor in times of peace.”¹ It will be realised that what is necessary for the accomplishment of the desired end in India is, again, to make the manufacture of salt absolutely free from Government control, so that every house-holder on the coast-line can make or purchase his own salt wherever convenient, without having to bear transport costs, and may salt his fish, caught in his tiny craft every day, in his own backyard.

410. The use of salt in modern industries is equally and perhaps more important. It would not be exaggeration to say that salt is absolutely indispensable to industrial advance and at least one of the effective ways of modernising a country is to assure to it a cheap and plentiful supply of salt. This is so, because modern industrial science is in essence applied chemistry, and chemicals are, in the main, salt. For, “from salt, as the parent substance, there spring the huge industries which are concerned with the manufacture of sodium sulphate, Hydrochloric acid, Sodium Carbonate, Caustic Soda, Chlorine, Hydrogen, etc.”² These, in their turn, support the super-structure that enables every modern convenience for a civilised life to be provided. Out of these “spring industries concerned with the manufacture of soap, glass, glycerine, dynamite and other nitroglycerine explosives, bleaching powder, chlorates, etc. These products, in their turn, form the raw materials of great trades, which ramify one into another in a way which is difficult for the non-technical reader to realise.” The lay mind will indeed find it

¹ Report, p. 4.

² Martin Smith and Milson; The Salt and Alkali Industry (Manual Chemical Technology series No. VI) London 1916 Preface,

difficult, for instance, to trace the connection between salt and house-building. And yet a shortage of salt would result in the crippling of the building trade, because window glass would not be obtainable in commercial quantities, sodium sulphate and sodium carbonate derived from salt, not being available. A shortage of salt would again lead to a shortage of coal, for glycerine would cease to be produced and explosives would not be available. The textile and paper-making industries would also suffer because chemicals for bleaching and sizing and cheap soap for scouring—all derived from salt as the basis—would cease to be obtainable in large requisite quantities. And eventually, “these trades would react on the other trades in a way altogether difficult to foresee.”¹

411. Ratton gives a formidable list of industries which are based on cheap salt and its simple manipulation. Besides these enumerated above, there are marine soap (dissoluble in salt water), pottery glaze, assaying solution, galvanic battery, silvering matter, manufacture of ice, tanning, bleaching oils, tobacco curing, forging, preserving timber from dry rot, preservation of steel, and lastly pickling, curing and preserving of food-stuffs.

412. Great Britain recognised this dependence of modern industry on salt more than a century ago, though our rulers just forgot the fact that cheap salt could be just as valuable to Indian industries. The 1818 Committee reported with reference to the regulations for the issue of duty-free salt to manufacturers of glass and oxymuriatic acid as follows:—

“In the present state of chemical science, and the rapid advances it appears to be making, your Committee are far from supposing that new and important applications of salt may not be discovered, highly beneficial to the interests of the Kingdom, and whenever such applications can be discovered, your Committee can have no doubt that Parliament will be disposed to extend to the manufacturers dependent upon them, the same indulgence that is already extended to those above adverted to. One manufacture only has been mentioned to your Committee of this description, which is said

¹ Martin Smith and Milson. The Salt and Alkali Industry, Preface.

to be obstructed by the existing duty on salt, that of mineral alkali, an object of great importance in the manufacture of soap.....”¹

413. But the Government of Great Britain knew better. They did not deem it wise to grant concessions piecemeal, first to one industry and then another. To make the indulgence fully effective, they abolished the duty entirely and this happened at a time when the Bengal populace was writhing in pain for every pinch that effectively negotiated the official barriers of monopoly and auction sales and came into its hands. That such a necessity for cheap salt could arise in India never dawned upon the Indian Government till 1903, when by Government of India Resolution No. 2112-S of 20th April, Salt, “for use in any process of manufacture”, was exempted from duty under rules outlined in the previous chapter.

414. The failure of the concession granted has already been commented upon above. The fact, for example, that in Northern India just 15 industrial establishments availed themselves of the rebate in duty, points to the necessity for investigation into the working of it. One fact, however, stands out above every other, and a Government which profess great solicitude for the welfare of the rural population, agricultural and industrial, ought to take serious note of it. The centre of gravity of India's industry such as there is, is still in the cottage of the handicrafts-man not in large scale factory. Is it not necessary, if industry is really to benefit from cheap salt, that the indulgence should reach him? In the existing conditions and under the present rules, it is unimaginable that it can. The village hide-curer has still to buy his salt, duty-paid, from the local Bania, so also the handloom weaver; and in fact every other craftsman needing salt. The only remedy appears to be again to free the salt supply absolutely from Government control so that anybody might obtain the supply as and when and where he finds it cheap and convenient. It is not the duty alone that makes salt so costly. The measures necessary for the protection of revenue are also in a large measure responsible.

¹ 1818 Committee on Salt Duty, Report, p. 5.

415. In England, as a result of the agitation in the 18th century against the 10s. per bushel rate, a Parliamentary Committee was appointed in 1801. It reported :—

"A commutation of the duties on salt would be productive of many great and important advantages to all descriptions of persons in this Kingdom, and would be highly beneficial to its agriculture, fisheries, trade and manufacture."¹ And the 1818 Committee pronounced in favour of the downright abolition of the duty in no doubtful language. In almost identical terms they recorded :—

"That in the opinion of this Committee the repeal of the salt duties would be productive of the greatest and most important advantages to all descriptions of persons in this Kingdom, and that the present state of the income and expenditure of the United Kingdom alone (the reference is perhaps to the financial strain of the Napoleonic Wars) prevents your Committee from instructing their Chairman, to move for leave to bring in a Bill for such total repeal."²

416. This happened a hundred years ago, and if a more recent example is desired to convince the sceptic as to the value of cheap salt unencumbered by duties, there is the case of Japan which may well be cited. There are many points, in which we could well have followed in her footsteps ere this, and the treatment of salt is just one of them. Though a monopoly was instituted in 1905 for financial considerations and it yielded in 1917-18 a net profit of 10 million Yen, "the idea of realising profit in the salt monopoly was done away with from the view point of Social policies", just a year later, in 1919. And though salt is ordinarily sold at *no more than cost price*, that "intended for use in industry, agriculture, mining and fishery of some kind receives a special treatment, and is sold at a specially reduced price."³

417. In Italy, too, where a profit-making monopoly system of manufacture and sale by Government, is in operation by S.18 and 19 of the salt

¹ Quoted by Batton p. 399.

² Report, p. 8.

³ The Financial and Economic Annual of Japan, 1927, p. 41.

laws of 15th June, 1865, special indulgence is granted to a group of activities. The list of these includes salt for agricultural manure, for live stock, for the manufacture of ice, and icecream, for the incubation of silk worms, for preparation of sparkling wines and host of manufacturing industries to which the Council of State is empowered to add by a Royal decree.¹

418. It is not to be supposed that the feasibility of such an absolute abolition of the duty in India has never been considered in the past. The 1853 Select Committee on East India affairs devoted considerable attention to it. The evidence of Frederick J. Halliday, Secretary to the Government of India, Home Department, however, gives us a valuable insight into the under-currents of thought and feeling in the circles concerned:—

‘Q. 7609. It has been suggested to the Committee that the Revenue might be increased by an increased duty on imports?—The imports are very large from England. If the English people think fit, I dare say it would be a very good thing for India and very practicable.’

‘Q. 7648. What is the average percentage of customs duties in different parts of India?—Probably 5 per cent.’

‘Q. 7650. Are you of opinion that an additional 5 per cent. might advantageously be levied upon imports, in case it should be considered advisable to abolish duties on salt altogether, and to find a substitute in an import duty?—I have said, speaking from the Indian point of view, that it would be advantageous; speaking from an English point of view I doubt whether it would be considerable.’

• 419. Only three years later, Plowden, Special Commissioner, discussing the operation of the salt duties in Bombay, stated in his report submitted in 1856:—

“...It (*i.e.*, Bombay system) leaves the impression throughout its course of an enlightened and beneficent policy, except in the aspect that the taxation of an article necessary to

An unjustifiable and oppressive duty.

¹ Vernon H. A. B., I. C. S., Secretary of Madras Board of Salt manufacture and Revenue (Madras 1912), p. 57 *et seq.*

subsistence is not justifiable upon any degree of fiscal necessity."¹ And not much later, the Rt. Hon. W. N. Massey, Finance Member of the Council of India, giving evidence on 9th July 1872, before the 1872 Select Committee on East India Finance, thus expressed himself on the merits of the salt-duty:—

"...I think it a most oppressive tax upon a class of people, who have no means of defending themselves and who contribute quite as much in proportion to the revenue of India as any other class; or even more."²

420. The duty at the present rate of Rs. 1/4/0, on Government's own admission, presses at the rate of 3 annas per head. Commerce Member, Sir Charles Innes in his budget speech of the 20th March, 1923, ridiculed the suggestion that a 3 annas burden could press with undue severity upon any region in India, on the strength of his analysis, which gave the pressure at 1 pie per family of four, every 2½ days.³ But as Rai Sahib Laxmi Narayanlal, M.L.A., said:—

"This could be said, if this 3 annas per head per annum was the only tax the poor had to pay, every tax directly or indirectly affects the poor. Then they have to pay direct taxes of the local bodies and the local Government. Poverty does not admit of any sort of taxation whatever. It is difficult for the poor even to make both ends meet and the Government should never contemplate imposing any sort of tax whatever upon the poor."⁴

421. Even indirectly the salt duty has been and is responsible for a pernicious setback to its industrial advance. It has meant, by reason of the numerous 'don'ts' enacted for administrative convenience and the protection of revenue, a complete loss of the salt industry itself to a large part of the country. This has been the opinion of even some official spokesmen who had the courage of their convictions ever since the first boat-load of English salt was landed

1 Plowden, Report, p. 43, para 321.

2 Minutes of Evidence, Reply to. Q. 8789.

3 Assembly Debates, 1923, p. 3742.

4 Speech in the Assembly 20th March 1922, p. 3416.

in Calcutta. The Hon. Andrew Ramsay expressed his convictions in this regard in no uncertain terms to the 1830 Select Committee of the Lords on East India affairs:—

'Q. Do you know whether the price at which salt imported from Europe was sold, was one that could have come into competition with the price of salt made in India, had the manufacture of salt there been free?' "—No, I am sure it could not. If the manufacture of salt in India was free, there would be very little salt required, for the natives would make it in every district of the country."¹

422. And this precisely was the opinion of Frederick J. Halliday, Home Member of the Government of India, when his evidence was recorded by the 1853 Select Committee. By this time it should be noted by the way that the imports had gained a much stronger footing:—

'Q. 7627. It has been stated to the Committee that it is impossible to manufacture salt in India at a profit: I understand from your evidence that you are of a different opinion. You believe that under a free system of manufacture, subject only to an excise, a sufficient profit would be obtained from the manufacture of salt to induce persons to enter into that employment?—I think so; under a free system, with no excise, I am quite certain of it. The restrictions necessarily belonging to an excise system might affect the manufacture and would doubtless be found to do so in practice.'

423. Romesh Chandra Dutt quotes the following statement made by the same witness before the 1853 Committee.—

"...It has seemed almost certain under those circumstances to persons informed upon the subject, that if the Government were to withdraw and if there were no duty imposed, and the whole were left perfectly free, the native manufacturers in Bengal would forthwith completely and entirely undersell the imported salt and there would not be a grain of salt imported into Bengal²

424. It has been noted above that of the total salt supply of India, about a third has to be imported over the seas. Such imported article is consumed chiefly by the Eastern Provinces—Bengal, Behar, Assam and Burma. And it is, at least in part,

¹ Evidence recorded on 29th April 1830. Minutes of evidence p. 266.

² India in the Victorian Age (By Romesh Dutt).

attributable to the fact of the excise duty imposed on salt, that these provinces have to depend upon the imported article. Regulations made for the safety of the revenue are, by their very nature, obstructive to the freedom, convenience and economy of trade.

Salt duty encourages foreign import.

And they are in no degree less so to-day, despite the administrative experience gained in the course of the last eighty years, of steadily growing rigidity of the control of the salt department. The Taxation Enquiry

Regulations mainly for the safety of revenue.

Committee, to whom, of course, very reliable information was available as regards the operation of excise regulations, unanimously reported:—

“...The Indian manufacturer is handicapped in his competition in these markets by a limitation on the tonnage of the vessel, in which he may transport, by regulations regarding transport in bond, by a charge for duty on losses on the voyage, by high rates of steamer freight and still higher rates of railway freight, by the exclusion of salt transported by rail from the bonded warehouses, which receive only salt imported by sea, and by the absence of any inland bonded ware-houses for salt transported by rail.”

425. A few of these handicaps were removed after the publication of the report and this matter will be referred to later. The fact remains, however, that the existence of regulations for the protection of revenue has been responsible for the imports of salt into India to the tune of 30 per cent. of her requirements, though “so large a dependence on imported salt results in a danger of shortage of supplies such as occurred during the war and in discouragement to an Indian industry.”¹

426. It is likely, however, that inspite of the advisability and even the urgency of the absolute abolition of the duty having been established beyond the shadow of a doubt, exception may be taken to the adoption of such a measure on grounds of its impracticability just at the present moment. The proceeds of the salt duty constitute about 5% of the total revenue of the Government of India, and even an enterprising Finance Member may hesitate to frame his budget without including in it this source of revenue.

¹ Taxation Enquiry Committee Report, page 143, para 176.

427. It may be pointed out, however, that the Government of India has recently abolished Provincial contributions at a greater cost to the Central exchequer, and the Inchcape Committee did not hesitate to propose the reduction of the military expenditure of a like amount. If such a measure of abolition is considered too drastic, an immediate reduction and a gradual decrease in the rate should be accepted as the next best remedy. It has always been recognised by the authorities that a reduction in the rate of duty does no more than only temporarily result in a deficit to the revenue, which is, however, more than made up with the increase in consumption. In fact, the following paragraph from the Report of the 1818 Select Committee can, with little change, be applied to India in her present state.

Investigating the prospects of an immediate reduction of duty as a temporary measure in lieu of absolute abolition, the report observes :—

“The Principal demand for salt, which the Committee can venture to look to in case of a considerable reduction of the duties is in respect of sheep and cattle; the application of salt for this very beneficial purpose is general in many parts of the world and the circumstance of its not being used in England may principally be attributed to the excessive tax imposed on the article. The use of British salt in the Netherlands and in the United Provinces has long been known, and in Spain and Portugal also its value is fully appreciated; it appears therefore not too much to presume that what is frequently applied in other countries at considerable expense of carriage, might soon be brought into general use by more enlightened farmers in the United Kingdom. Should this happen, and the application of salt to agricultural purposes become general in the United Kingdom, it might ultimately so extend the consumption of

it, as to enable Parliament without any sacrifice of revenue to make such a reduction in the duty as would destroy every temptation to fraud and evasion, remove every alleged grievance that is now ascribed to the salt laws, and furnish the means of realising every advantage to the different classes of the community and the great interests of the nation, which are dependent on the use of salt to an unlimited extent.”¹

¹ Report, p. 7, 1818 Select Committee.

428. As a matter of fact, such a lowering of the duty is an indispensable preliminary to the fostering, in the peasantry of spirit of enterprise, and induce them to experiment on their cattle or their land with the administration of salt to either. This was in fact discovered to be the case in England, and the Rt. Hon'ble Sir John Sinclair Bart., in his evidence before the 1818 Select Committee, explained it thus:—

‘Q. Contemplating the advantage which you state, as arising from the use of salt, do you think that it would be highly advantageous to any farmer to use it for his cattle, under the present duty?— I am inclined to think they will not try any experiments under the present duty, but if they were once aware of the importance of salt and found the advantages resulting from it, they might perhaps be tempted to go on, though the price be increased.’

‘Q. Do you believe, from your experience of the disposition of farmers, that without they were previously satisfied by the experiments of others that they would be induced to try salt at all?—I think if the duty was considerably modified, that a spirit of experiment might be roused amongst them, which would induce members to try, who will not under the present system.’¹

429. Granting, then, that a reduction is necessary in the interests both of the consumer and the revenue, the question is, what should be the measure of it. Dr. Paranjpye, a member of the Taxation Enquiry Committee, proposes a rate of 8 annas per maund in order to induce larger consumption, though what his calculations for arriving at this as the most effective rate are, is not stated. It would be better not to put any absolute standard upon the reduction, and after an initial reduction of a substantial amount, to say 12 annas per maund, its effect on consumption may be watched. Any small deficit in revenue for a year or two can then be easily accommodated, though it is not unlikely that even in a couple of years, consumption will so bounce up, assuming that there will be a fair amount of agricultural propaganda, as to fill up any gap in the salt revenue that might apparently be expected to occur. Even if

¹ Minutes of Evidence, 1818 Select Committee p. 120,

such be not the case and deficits continue, the shortage will be comparatively small in a budget of 120 crores, and by the process of gradual reduction, the entire duty may ultimately be reduced to zero. In the long run, the abolition will contribute to increased material welfare of the people and will afford a more productive source of taxation,—more systematic, scientific and equitable.

430. There is, often, a sincere doubt expressed by public men as to whether a reduction of the duty, Price, duty and consumption. such as is here suggested, will at all reflect itself in a diminution of price to the consumer. Many members in the Assembly have, in recent years, questioned the desirability of a reduction in view of the fact that the ryot, buying his salt in small quantities, does not stand to profit in any way, so that it is the middleman, who pockets the difference between the rate previously prevalent and the lower one. This is by no means a novel attitude to take up. No more effective reply could be given to it, than perhaps in the words of Strachey :—

“...Although, in some particular place and province, the price of salt may be as high after the reduction of duty as it was before, this affords no evidence that the reduction was unwise. Whatever may happen for a time, it is certain that if trade be free, and the means of communication sufficient, every reduction of duty must ultimately contribute to a reduction of price and to an increase of consumption.”¹

¹ Finance and Public Works of India, p. 235.

CHAPTER VIII.

The Salt Industry—Recent Developments.

431. We have already seen how the salt duty in India could be abolished with advantage both to the consumer and to the central state revenue. It now remains to be shown that India can be made self-supporting in the matter of her salt requirements. It has been stated in a previous chapter that "30 per cent., of India's needs is imported"¹ from foreign countries including Britain, as is shown in the following table for the last 5 years²:—

Countries of consignment.	VALUE.				
	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.
	Rs.	Rs.	Rs.	Rs.	Rs.
United Kingdom ...	23,20,140	27,80,566	19,55,076	14,08,024	24,92,897
Aden and Dependencies ...	39,99,333	45,70,132	32,57,622	39,55,912	53,20,628
Straits Settlement ...	620	1,084	582	377	1,310
Other British Possessions ...	558	445	316	334	463
Total British Empire ...	63,20,957	73,52,247	52,13,596	53,64,647	80,15,288
Germany ...	6,71,748	9,33,143	9,06,864	15,13,161	16,81,305
France ...	...	462	...	...	28,800
Spain ...	3,31,142	6,20,102	9,13,793	14,09,039	23,56,227
Siam ...	566	995	1,377	638	512
Tunis ...	...	1,21,390	...	...	...
Egypt ...	18,77,284	37,66,393	23,09,736	30,02,366	34,71,650
Italian East Africa ...	18,25,624	10,49,752	8,86,228	11,53,675	15,17,068
Portuguese East Africa ...	...	...	...	...	1,97,236
French Somaliland ...	...	4,33,022	2,17,587	1,74,737	2,06,324
Other Foreign Countries ...	442	510	491	1,611	1,874
Total Foreign Countries ...	47,06,910	69,25,769	52,06,076	72,55,227	94,68,996

¹ Report of Indian Taxation Enquiry Committee, 1924-25, p. 141.

² Annual statement. Sea-borne Trade of British India Vol. I. p. 432 (1929).

Share of Provinces. 432. The share taken by the various provinces of India in these foreign imports is shown as follows¹ :—

Province.	VALUE.				
	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.
	Rs.	Rs.	Rs.	Rs.	Rs.
Share of Bengal ...	92,42,236	1,17,85,814	83,39,441	1,03,11,836	1,47,50,802
„ Bombay ...	41,319	84,702	24,307	42,426	37,594
„ Sind ...	2,039	3,368	9,151	18,132	19,332
„ Madras ...	5,623	4,082	6,233	2,782	8,472
„ Burma ...	17,36,650	24,50,050	20,40,540	22,44,698	26,68,084
Total ...	1,10,27,867	1,42,78,018	1,04,19,672	1,26,19,874	1,74,84,284

433. There is even a gradual increase of imports from year to year, there being a distinct increase of 10 per cent. in the year 1927-28. Over the figures of the previous year 90 per cent. of the salt consumed in Bengal is imported from foreign countries and that is fine, white crushed salt which people in that province themselves prefer to the Indian variety, which is sometimes of an inferior darkish type unpalatable to the Bengali. But that India herself can supply both the quality and the quantity required appears to be beyond doubt.

434. Several of the most reliable Indian sources of salt manufacture have been considered in the foregoing chapters. In fact, it is no exaggeration to say that Indian soil is, in a large or small measure, impregnated with salt, and there is also ample raw material for the agriculturist to manufacture his own earth-salt. The prevalence of this manufacture in the United Provinces and Madras and the vigorous suppression by Government of the same have been already noted. There is evidence to prove that by one process or another salt can be manufactured in almost

¹ Annual statement (1929) Sea-borne Trade of British India Vol. I.

any part of India. Bruce, for example, notices the existence of salt works even in the province of Berar, viz., wells in North Berar and the Lonar lake (vulcanic) in South Berar, the produce of which was extensively utilised for cattle and for manuring of Sugar fields, each "Capable of much improvement and increased yield."¹

435. We have also referred to the possibility of developing the Pachbadra Salt Works in Rajputana side by side with the Sambhar resources.

But it has been complained by merchants of Pachbadra that proper facilities are not offered to them by Government; on the contrary hitches are placed in their way. In their petition dated 12th October 1926, they write:—

"The Sambhar lake, whose salt yielding capacity was in the beginning calculated for 16 lakhs of maunds despite large capital expenditure on its improvement several times failed to produce sufficient quantities of salt to meet demands of the various provinces depending upon it for their supplies of salt and it became necessary in the interests of the British Government to supplement those supplies.

"Pachbadra salt was admittedly of better and finer quality than that of Sambhar.

"When Pachbadras was induced to manufacture larger quantities the selling price of salt at Sambhar was raised from -/4/- to -/8/- annas per maund. It has now been relowered at Sambhar to annas -/4/- per maund, while raised at Pachbadra from -/1/6 to annas -/3/6 per maund. Formerly railway freight from Pachbadra to Saugor per waggon was Rs. 225/3/-. But now it is raised to Rs. 302/8/- per waggon. The cost of manufacture of salt at Pachbadra was formerly paid -/1/- per maund against approximately -/1/- per maund at Sambhar whereas it is -/1/3 per maund at Sambhar against -/2/3 per maund at Pachbadra."

"Work at Sambhar during recent years has been conducted by means of electric power, which has enabled the authorities to accumulate over 11,767,000 maunds of salt and lower the price of its manufacture to -/2/11 per maund."

"Sales of salt at Pachbadra are totally at a standstill and all trade has vanished from the place."

¹ Salt sources in India, by Bruce, p. 11.

436. We thus get an insight into the wretched state of the salt industry inland. Properly patronised, the salt works in India are bound to yield even more than the 30 per cent. of India's need which is being imported from abroad.

437. The Government works at Khewra, Kharagora and other places are really in a good state and can be further developed. "The salt issued from the sources is of uniform quality and it is issued at cost price, generally on indents received for issues by rail. The system has the advantage that it facilitates large scale production, which in the case of salt conduces greatly to cheapening of cost, that it eliminates the private profits of the manufacturers and to some extent that of the dealers and it enables the Government to regulate the supply to meet the demand and to place a reliable article on the market at cost price plus duty. Nor, so far as the Committee are aware, is it open to the objection so commonly raised in the case of Government enterprises that they are expensive and badly managed. The department has a reputation for cheapness and efficiency."¹

438. The Khewra mines have indeed a great future in India, we have seen how the deposits extend over a mile and over 600 feet thick. They would take innumerable years to exhaust. Only the other day Sir George Schuster, Finance Member to the Government of India, in his discussions with the Public Accounts Committee on the working of the Northern India Salt Department, expressed his opinion that "Khewra mines had a great bearing on the question of salt supply into which the Tariff Board would shortly inquire. He thought that if they crushed Khewra salt it would be suitable for consumption in the Bengal Market. Whenever there was a shortage of salt in any circle, such had taken place in Sambhar, due to recent rains the speculators came in and put on the price. In order to prevent this happening it was likely that Government would decide to increase the production at Khewra and have it landed at Delhi for delivery to places south-east in the direction of the United Provinces although this might be at a slightly un-economic price."² The only trouble at Khewra,

¹ Report of Indian Taxation Enquiry Committee 1924-25 Pages, 141-142.

² Associated Press telegram dated Simla 14th August 1929.

as has been acknowledged by the Central Board of Revenue is sometimes "a certain amount of unemployment."¹

439. Not only are the Indian manufacturers of salt in other parts of the country hampered by circumstances and Government regulations, but on the other hand "the importer has the advantage of very low freights, which result from the fact that the vessels which bring the salt to India would otherwise have travelled on ballast. He is able to import his salt in bulk and pays no charge on account of duty on what may be lost on the voyage. On arrival he is able to put his salt into a bonded warehouse, and in the case of Bengal he can transfer it from there to an inland bonded warehouse and so again defer payment of duty until he actually issues it on sale."²

440. Given similar facilities for introducing Indian salt into Bengal this Indian industry is bound to be flourishing and self-sufficing.

441. Now let us consider what steps, legislative and technical, should be taken in order to place the Indian manufactured salt on a good footing so as to replace the imported salt entirely. The Taxation Enquiry Committee recently focussed attention on the question and made the following recommendations with a view to the establishment of the industry on a sound footing:—

1. "That an enquiry should be made as to the extent to which the handicaps on the Indian manufacturer in the Calcutta market can be removed by altering the existing rule, under which salt cannot be carried from Madras or Bombay to Calcutta in vessels of less than 1,000 tons and by modifying and making uniform in the provinces of Madras and Bombay the regulations regarding transport in bond and the charge of duty for losses on the voyage;
2. That the possibility should be examined of giving lower rates of railway freight for salt, loaded in returning

¹ Report by the Central Board of Revenue, 1928, p. 28.

² Report of the Indian Taxation Enquiry Committee, p. 142.

coal wagons and opening inland bonded warehouse for salt imported by rail;

3. That every encouragement should be given to the manufacture, in the provinces of Madras and Bombay, of salt suitable for consumption in Bengal and among the means adopted to that end should be the pioneering of such manufacture by Government, the leasing of Government pans to capitalists who are prepared to develop such manufacture and the grant of an allowance to the local manufacturer of a sum equal to the cost to which the license is put by reason of Government control;
4. That it is desirable that India should be made self-supporting in the matter of salt supply, if this end can be secured by the granting of a strictly temporary advantage to the local manufacturer, whether by way of rebate of duty, or of a differential duty on imports, or both, and that an enquiry should be made into the aspect of the question by the Tariff Board.”¹

442. The Committee rightly concluded: “So large a dependence on imported salt results in a danger of shortage of supplies such as occurred during the war and in discouragement to an Indian industry.”² The Government of India, strange as it may appear, could not trust the findings of a body created by themselves and consisting of men of their own choice. A Civil Service Officer, Mr. Strathie of the Madras Salt Department, was appointed by them to “examine, *inter alia*, these proposals of the Taxation Enquiry Committee.” Nor was it considered advisable that Mr. Strathie’s

report on these recommendations should be made public. What eventually came out at all was in fact, a Government Resolution constituting the interpretation on the Central Board of Revenue elected to put upon the report of that officer. This insipid of the Finance Member’s assurance in reply to a question by Sir

¹ Taxation Enquiry Committee Report, p. 148, para 176.

² *Vide* G. I. R. 20 of 12th May 1928.

Purshotamdas Thakurdas in the Assembly that Mr. Strathie's report would be made available to the public.

443. With regard to the recommendations of the Committee, the desirability of taking action upon which is the main subject dealt with in the Government Resolution, the Central Board of Revenue decided that no further measures than those already taken, were necessary in the true interests of the country. Such measures consisted of the removal of special handicaps with respect to transport, in bond and storage in bonded warehouses. The Board, however, considered that the legal requisite of the minimum capacity of vessels for transport of salt, *viz.*, 1,000 tons burden, did not in any way handicap Indian salt in competing with foreign salt, and therefore they did not favour the removal of

A real handicap—the size of vessels.

what the Taxation Inquiry Committee expressly described as a handicap. It has been already pointed out that in the absence of a developed shipping industry, the transporter would necessarily have to pay freight at whatever rate the present monopolistic carriers would dictate, when sailing craft is thus ruled out of order and limitations are placed upon the size of the vessels, so that only ocean-going craft can venture upon what is purely a coastal business. "It is impossible to allow non-duty paid salt to be carried from Madras or Bombay to Calcutta in small sailing ships and at the same time to give an allowance for wastage", argued the Board. The presumption is that in order to pocket an illegitimate profit equivalent to duty on just 5 per cent. of the cargo, every transporter will necessarily go on landing salt clandestinely along the coast, despite Government's preventive establishment and the risk of being black-listed in the

A lower tonnage still desirable.

matter of concessions with regard to transport in bond. A transporter, with any permanent interest in his business, would, indeed, consider the game not worth the candle. It is necessary to reduce the minimum tonnage at least as a temporary measure and notice its effect upon the revenue, so as to adopt it later as permanent policy.

444. Nor did the Board find it practicable to adopt the second recommendation of the Committee—"to give lower rates of railway freight for salt loaded in returning coal wagons." There is, indeed, an amount of practicable wisdom in this suggestion, in view of the fact that it is

Lower railway freight too.

the identical district, that gives rise to coal traffic, which is hungry for salt and at present satisfies its wants in a manner, which constitutes a source of weakness to the Indian Industry. The quantity of coal despatched from the main coal fields in India in 1926-27 by Railway brings out the fact very conspicuously¹ :—

Coalfields.	Tons despatched.
Umarea ... ...	... 108,109
Singerini ... ...	... 320,781
Pench Valley ... ...	... 416,708
Bengal, Behar and Orissa ... ...	... 19,080,092

445. Granting that the Board's calculations are correct and that lowering of the freights on the Madras-Calcutta route would enable the Madras Manufacturer to compete in the Bengal market, necessitating a reduction even of the present special rate of 8 annas 3 pies by 33 per cent., there is no reason why such a concession should not be granted. The Indian rail-road Manager is not necessarily a

model of business impartiality, and in cases of competition, it is not unusual with him to resort to discrimination, which may at times be not fair. Such, in any case, has been the lesson of the Railway Rates Committee proceedings. How could it, then be considered flagrantly uneconomic to give lower rates to the commodity not for wiping out another business, but for promoting the strength of another industry.

The way in which the Government of India revised the Schedule of rates applicable for the carriage of coal from coal mines from 1891 is a sufficient indication of the manner in which the Government have given assistance to the coal industry for encouraging the consumption in the far-off districts of the country. The 1891 Schedule of freight was revised by the Government of India in 1895 for specially reducing the rates for large consignments. These rates were further reduced in 1902. In 1905 a very substantial reduction in the coal rates was sanctioned with a view to encourage consumption of coal for the use of industries situated at various places in India at long distances from the coal-fields. Besides these reductions in the freight, the question of shortening the distances between the coal-

¹ Report of the Railway Board 1926-27 Vol. 1 p. 51.

fields and centres of consumption also engaged considerable attention of the Government of India and the Railways concerned and we find, in Northern India, a net work of railways specially constructed with a view to shorten the distances as far as possible to a minimum. Thus the coal trade got the advantage not only of reduced rates but also of shortage in the distance between the coal-fields and the places of consumption. The results of the Great War brought along with it an enhancement in these rates that were prevalent up to 1907, and high rates prevailed during the period of 1921-28. With effect from 1st June 1929, these high rates have been substantially reduced for very long distances and the table given below will give an idea as to how the new rates in force from 1st June 1929, compare with the rates of 1907 :—

	From Jharia from 1907 up to the time of war.	From Jharia in 1928.	From Jharia from 1st June, 1929.
	Rate per ton.	Rate per ton.	Rate per ton.
	Rs. As. P.	Rs. As. P.	Rs. As. P.
Benares	4 2 0	6 1 0	6 1 0
Cawnpore	5 15 0	7 3 0	6 10 0
Delhi	7 15 0	9 7 0	8 10 0
Lahore	9 13 0	12 0 0	10 12 0
Bombay	11 4 0	13 12 0	12 6 0
Karachi	12 10 0	15 13 0	14 0 0

In addition to the reduced rates for coal introduced with effect from 1st June 1929, for long distances, the Railways had already granted rebates on export of coal. The Central Board of Revenue may well impress upon the Railway Board the necessity of substantially reducing the railway freight rates with a view to encourage consumption of salt and it is presumed that if the present rate is reduced by 33 per cent., the industry would get a good encouragement at the hands of the railway authorities and consignments of salt for consumption in Behar and Orissa and Bengal by rail route may substantially increase.

446. Elsewhere the Board ruled out the possibility of Northern India sources supplying the Bengal market because of "the long railway lead and consequent prohibitive rates." A considerable amount of salt is, in fact, however, transported by rail to Behar and Orissa even at present, as the table given below will prove:—

Rail-Borne Salt to Behar and Orissa.¹

YEARS.	From Sambhar in thousands of maunds.	From Khewra in thousands of maunds.
Average for 1911-12 to 1913-14 ...	41	1,73
„ 1914-15 to 1916-17 ...	5,06	6,08
„ 1917-18 to 1919-20 ...	8,94	10,53
„ 1920-21 to 1922-23 ...	1,91	8,49
„ 1923-24 ...	79	1,08
„ 1924-25 ...	1,04	6,99

Northern India is not thus an impossible source of supply even on such a long lead as to Behar and Orissa. On the other hand, the following figures of coal traffic classified by Railways, will show that given proper facilities, the Punjab sources can very effectively supply the East India markets:—

Coal traffic on Railways in India.

Railway.	1925-26. Tons.	1926-27. Tons.
East Indian Railway ...	12,868,819	13,411,401
Bengal Nagpur Railway ...	5,710,489	6,308,162

447. As regards the direction of coal traffic, it may be presumed that the E. I. Railway transports a fair amount of coal to the Punjab, not only for industrial and household use, but for Railway consump-

¹ Table compiled from Northern India Salt Revenue Department, Administration Report, Appendix IX on pp. 37-38.

tion also. Cannot, then, an arrangement be made for the transport of about a hundred lakh maunds of salt to Bengal per return of these wagons to the coal fields not at a rate flagrantly uneconomic, but at one which the traffic will bear?

448. Even granting for the sake of argument that transport of salt in the coal empties is not possible, for one reason or another, that the Board may choose to furnish, it is patent that there are spare wagons available on every railway during seasons of slack traffic. The Railway Board Reports have always made an apologetic reference to them. The latest report to hand states—

“Reference was made in the Report for 1925-26 to the difficulty of disposing of the empties which at certain times of the year were surplus on every railway.....”

On enquiry from the Railway Board, it was ascertained that the demand for wagons was subject to seasonal fluctuations and that the slack season generally set in before the South West monsoons, August being the peak month of the period. It will, indeed, be the most natural course to adopt, without obstruction to the Export Trade, to transport salt during this period of slackness, when their maintenance is so much dead burden upon the Railway finances.

449. The Board maintained that the policy supported by the third recommendation had actually been
Bombay salt capable of unlimited expansion. in operation at Karachi and Madras. Bombay, however, was conveniently forgotten here. The production of salt along the Bombay coast line, indeed, appears capable of unlimited expansion in view of favourable climatic conditions and there was no reason why Government should not pioneer, as the Committee desired, the manufacture of white salt, which might later be pulverised in a central crushing factory or at several small crushing plants. The possibility at least of such measures needs to be investigated.

450. It was, however, the fourth recommendation of the Committee making India self-supporting in respect of her salt supplies, which constituted the *piece de resistance* with the Board. The problem resolved itself into that of supplying with Indian made salt the East India markets, at present catered for
The alleged “salt prejudice” of the Bengalee.

by foreign manufacturers. And the question has its genesis in what is called the salt prejudice of the Bengalee for the finest white powdered variety, which India's salt resources are either unable to produce, or by reason of the long railway lead necessary, are incapable of putting on the Bengal Market at prices competitive with foreign salt. This, again, takes for granted, that Bengal herself is not able to manufacture the salt necessary for home consumption. "The possibility of manufacturing salt on a commercial scale in Bengal and Orissa", asserted the Board, "has been examined by the Government on many occasions only to be rejected. It is rendered impracticable by the low density of the sea water due to enormous discharge of fresh water from the great rivers, the prevalence of damp, cloudy weather, the scarcity of fuel, for one method of manufacture (Pauga) which in any case could hardly yield an output of any magnitude, and the occurrence of storms at the critical season." And this, indeed, was the opinion of a consulting chemist of repute, Mr. Kapilram H. Vakil, who examined the possibilities of manufacture in Bengal on behalf of the Tatas

and submitted a report unfavourable to economic manufacture, north of Lake

Chilka. The point, however, is that despite these natural handicaps salt had been *manufactured for centuries on the Bengal Coast*, under conditions competitive as well as non-competitive. Even with the advent of the British, and inspite of the efforts of the 'home' manufacturer to oust the Bengal molunghee from his occupation, the Company carried on manufacture for no less a period than a century. And what is more, under *the crude wasteful molunghee system of manufacture*, the cost was even less than the present price of foreign salt in India-which at the Board's calculation is $10\frac{1}{2}$ annas per maund, testified before the Parliamentary Select Committees, and showing that the cost previous to the dabbling of the Company was 4 annas per maund and even under the expensive agency system where the Agent's salary and commission alone accounted for thousands of rupees every year, it was not more than 8 annas a maund.¹

451. This compared very favourably with the present rate of $10\frac{1}{2}$ annas for foreign salt. And the advantage in favour of Bengal

¹ It should be noted that the Bengal process was in the main of boiling the brine artificially, as against exposing it to the sun in other parts. This made for higher costs than elsewhere.

becomes all the more pronounced, when it is borne in mind that economies due to the advance in the science of manufacture are at its command together with supplies of coal 'practically next door. The manufacturing costs, in the event of an up-to-date plant being installed, may be expected to come down to the level obtaining in pre-Company days.

452. This, it should be noted, stands irrespective of the question of quality. Granting for the moment that Bengal is in fact addicted to one particular variety of salt

Even Bengal Salt can be of good quality. and will not take to another, there is

little reason to believe that Bengal cannot supply herself with the quality she appreciates, and herself cater to her fastidious tastes. In fact, the fine white variety is but the outcome of the boiling process, necessarily employed to make up for the loss in hours of sunshine attributable to the peculiarities of climate. And there is authoritative evidence available to prove that even the crude Molunghee process of boiling did not detract materially from the quality of the salt. On the other hand, as the evidence of the Hon'ble Andrew Ramsay, an employee of the Company, before the 1830 Select Committee of the Lords, shows there was a lot to be said in its favour.

'Q. What is the quality of the salt; is it refined?—No, it is not refined; it only undergoes one boiling.'

'Q. Is it to be compared to the salt eaten in this country?—I think it is very far superior.'

'Q. In what respects?—It is not so bitter as the English salt.'

'Q. Are the crystals large?—It is very fine; it is not in crystals at all.'

453. This opinion is corroborated if not strongly supported, by the Rt. Hon'ble Holt Mackenzie, in his reply to circulars by the Commission of Indian Affairs, 1832:—

"As to the quality of Bengal salt, I believe there has been no small misapprehension:.....when delivered from the Government

ware-houses is decided superior in quality to the Bay salt on the Coromandal Coast. The boiling, indeed,

Even superior to the Bay salt on the Coromandal Coast. being effected in small pots supplied with clear brine and skimmed from time to time as impurities rise to the surface, struck me when I saw the process, as peculiarly favourable to purity, though laborious and expensive in the use of fuel, and I am not aware that the notion (possibly an ignorant one) has been contradicted by an analysis."¹

And even so redoubtable a critic of the Company's salt policy as John Crauford admitted in reply to question 348, put by the Chairman of the 1830 Select Committee on salt, on the quality of the salt :—

"As it is seen in the Company's stores, or before it is sold to the purchaser at public sales, it appears tolerably pure....."²

454. As an earnest of their sincerity, will it be too much in view of this historical evidence as to the possibilities of Bengal for the manufacture of her own salt, to ask the Government of India to establish an experimental salt factory on the Bengal coast, where at least pioneer work could be done, so as to ascertain how far the recent scientific and technological advance can overcome the natural handicaps, so dreaded by the Taxation Enquiry Committee as also by the Central Board of Revenue as to make them rule out Bengal as an unsuitable source?

455. For the present, however, till such a factory is established and it has proved its possibilities, it will be but fair to assume that Bengal has to be supplied from factories not within its own confines. The position of India in regard to imports of salt has this peculiarity that practically the whole quantity imported is consumed by the Eastern Provinces. If the foreign sources of supply are examined, it is found, that while the share of United Kingdom has decreased in the course of the past fifty years from 86·5 per cent. to just 10 per cent. of the total imports, that of Aden has increased from naught to 33 per cent., that of Germany from almost nothing to 10·7 per cent., that of Egypt from nothing to 24·3 per cent., and of Spain and Italian East Africa from nothing to 10 per cent. In the order of importance, Aden, Egypt, Germany, Spain, Italian East

¹ Copy of reply to circular given by Plowden, Appendix E. No. 3.

² Evidence of 10th June 1836, *vide* Minutes of Evidence.

Africa and the United Kingdom hold the Indian market. The issue of India's self-sufficiency, therefore, narrows itself down to the possibility of ousting, by one method or another, the supplies from these countries and substituting indigenous salt from them.

456. Here, however, is another thorny problem. What should be the quality of this salt? The Taxation Enquiry Committee and the Board proceeded upon the staunch belief that Bengal did suffer from that elusive malady of a prejudice-

Ousting the supplies from foreign countries. for the finest white salt. Is this a fair proposition to maintain. Historical

evidence is against it. It will be remembered that the Company put forward the same claim for the maintenance of its monopoly, when the English manufacturer threatened to assail their position in the Bengal market. The argument then put forward was of a religious

The religious character of the Bengali notion goes in favour. character-the Hindu preferring salt made from brine in which the holy Ganges had discharged its waters. We have quoted

from reliable sources above, to prove that some claim of this nature was indeed justified. But soon "it had been observed; that the strong prejudice of the people against Liverpool salt was rapidly disappearing before the low prices at which it had become available in the Calcutta Market."¹ Could it not

Prejudice even disappears before low prices. be possible to avail ourselves of this key once again to open the doors of varieties

other than Punga, in Bengal? There is no reason, indeed, that we can perceive, why "this possibility may be dismissed at once" as the Board stated.² In fact, if the Cheshire manufacturer had dismissed such a possibility a hundred years back, foreign salt would never have found a market in India.

457. Neither it was possible, the Board maintained, to adopt the converse process of raising the price of foreign salt, so as to make the consumer by the ordinary Bombay or Madras variety, by artificial means; for, the Board agreed that, "the process of raising the price of the foreign salt would have to be pushed very far indeed before any appreciable portion of the consumers forsook it." And besides, Aden, which has been, for the purpose of the enquiry, taken for a foreign source, can afford to cut its prices to a considerable extent. As regards the first of these arguments, we need only mention it to

¹ Bruce: Salt sources in India p. 10.

² Government Resolution No. 20, 12th May 1928, para 11.

point out its futility. East India, by no means, stands apart from the rest of India in its standard of life, so that its populace can afford luxury salt as against any other part of the country. It takes the finest variety not because of choice but because it has little in the way of an alternative. Indeed, it would betray but the gravest ignorance of Indian economics to maintain that given two varieties of the same article of reasonable purity, the bulk of Bengal's and Assam's population will prefer the high-priced one, just because of its quality of being white and fine. And with

Indigenous substitutes for foreign imports must be found. regard to the second argument, relating to Aden, the contention loses all the force it has, when it is pointed out, that Aden, is responsible for only 33 per cent. of the imports, and at the most liberal calculation, taking the Board's figure, not more than 40 per cent. There is sufficient scope, therefore, for the substitution of 60% or at least 85 lakhs of maunds. The possibility of a rail haul from the Punjab ranges should be fully explored in this respect.

458. Even, if it were not possible to do anything of the sort, it will be worth-while to examine the India's future centres of salt manufactured. Boards trend of reasoning further. So far as the quality demanded in Bengal was concerned, they concentrated on India's future possibilities of a good supply at Tuticorin and Karachi. Of these, the former can compete at most with the uncrushed imports from Aden, and the latter source can manufacture a quality competitive with the foreign variety. Both are, however, found unsuitable so far as the quantitative aspect of Bengal's supply is concerned.

459. The uncrushed variety Tuticorin can produce was, the Board found incapable of increase, by The case of Tuticorin. reason of the fact, that pit brine and not sea brine is utilised as the basic raw material, and its supply is liable to exhaustion. The possibility of utilising the limitless resource of sea brine is again dismissed as expensive on the authority of a Madras Salt Department Administration Report of 12 years ago. The Board, indeed, appeared to consist of men with poor imagination, when they discounted the possibility of any scientific technological advance in the course of 12 long years. The possibilities at Tuticorin needed to be further investigated in the light of the latest methods.

460. Because two crushing machines at Tuticorin and at Coconada failed to cope with the difficulty of supplying the quality, which the Bengali is so fond of—the fine white crushed variety of salt,—it does not follow that people there are at the very end of their resources altogether. If “salt of the quality required, has, it is true, been produced, departmentally on a very small scale”,¹ it is unreasonable if not foolish to suppose that it cannot be manufactured at Tuticorin on a commercial basis.

461. The Sind Salt Department cannot claim to have a history of its own, as Sind itself is a newly-born province. It is backward in this respect as it is in others. It may also be called a neglected Province. For so early as the year 1847, one of the Government's own employees drew the attention of the authorities to an immense source of ready-made salt supply on the left bank of the Indus. There was no need of elaborate manufacturing works then to be established. No doubt there was no facility of transport and the consequent increase in the cost and also the inhospitable nature of the desert land during the greater part of the year were the drawbacks. But against all this, the advantages were to be weighed and a fair trial was to be given.

462. It appears that one Lt. Burke R. E., Executive-Engineer, P. W. D., Sind Division, in a letter dated the 7th March 1847, to Major Peat, Superintending Engineer, Sind, invited his chief's attention to the possibility of salt, other than Cheshire sources, being in a more advantageous position to supply Bengal with salt. The sources in question were beds of salt in the Sind desert, one beginning about a mile eastward of Goonee, and after running for 15 miles terminating at Kotree, between Latitudes 23°—24° and longitudes 69°—69°; another between Juffee and Sirgundah. The first of these, is described by Burke thus:—

“For the first few yards, it appears as a ridgy layer, with bunches and is but a few inches in thickness; but the thickness rapidly increases, and the structure is so hard and crystalline, that it requires some little time and labour to detach the smallest fragment,

¹, Government Resolution No 20, dated 12th May 1928, para 16.

with the only available tool, I had with me, *viz.*, a strong hunting knife. The hoofs of a horse made no impression on its surface. This was of a sandy colour, owing to the presence of a very slight film of drift dust or sand which has been absorbed by the deliquescent quality of the salt. Crystallised knobs or bunches of the same exterior colour as the general bed occasionally rose about the surface, and a few of these, having been recently detached shewed the dazzling and highly crystallised interior structure of the mass; less homogeneous and compact but perhaps clearer and more brilliant than that of Cheshire or of the Punjab."¹

463. As regards its quality, Burke quotes the following analysis of a professional chemist:—

".....It is just the same as the salt obtained by evaporating sea water—the salt that is called bay-salt. It is not so pure as rock salt, because it contains a little sulphate of soda—very little and of no consequence and also some muriate of magnesia, which latter renders it a little bitter, but it can be readily removed by washing the salt in fresh water. As it is, I have no doubt it would find a ready market, for it is very much cleaner than what is made in the Government salt pans about Bombay."

464. The dimensions of the bed, as estimated by Mr. Burke are 20 miles by 15 miles by feet, mean workable thickness, *i.e.*, 929,280,000 cubic yards of contents or "25,090,560,000 cubic feet of perhaps as pure bay-salt as any in the universe." Taking the specific gravity of salt at 2.130, each cubic feet would weigh 132½ lbs. and the produce of the whole bed 332,449,920,000 lbs. or 1,484,151,430 tons. "This quantity at an annual

Salt to last 1,662 years. allowance of 20 lbs. per head would supply a population of one hundred millions for one thousand six-hundred sixty-two years."

465. Burke calculates this salt to reach Panwell at 5s. per ton untaxed, whereas the local salt from Panwell pans, "a dirty mass when compared with that obtained from the bed under consideration," sells in Panwell bazar for 6s. 5d. per ton.

¹ The letter has been published as a selection from Records of Bombay Government, p. 8.

466. Making out a case for exploiting this source to supply the Bengal market, Burke says, "with

A good case made out for reference to the recent proceedings of the Bengal market. certain parties in England on the subject of the introduction of Cheshire salt into Bengal and other parts of India I shall now briefly allude to the chance of Scinde salt meeting with a ready and profitable market at Calcutta, compared both with that of the produce of Cheshire and that of Bengal manufacture.

"Cheshire salt can, I understand, be shipped at Liverpool for 12s. a ton. Scinde salt can.....be shipped at the mouth of the Indus for 3 or 4s. a ton, all expenses included. Add to this the difference in mileage to be covered *vis.*, between 3,300 and 12,000, and Sind salt can certainly undersell Liverpool salt."

Re. Bengal Government manufactured Salt, "Friend of India", 29th April 1847, gives the following rate per 100 maunds excluding duty:—

Depots.	Price in 1844.	Price in 1847.
Hidgelle ...	75	62
Trinlook ...	85	78
24-Parganas ...	95	97
Chittagong ...	87	81
Bulwa ...	87	80
Cuttack ...	113	100
Ballsore ...	118	87
Khoorda ...	119	98
Madras ...	62	56
Average ...	.....	82.1/9 C. R.

82.1/9 Rs. per 100 maunds—£24s. 8½d. per ton.

"Allowing shipping expenses at the mouth of the Indus to amount to these 4s. and odd pence per ton, the table and its deduced results will show, that whenever the charges for freight, insurance, etc., from the mouths of the Indus to Calcutta, shall not exceed 40s. a ton, that salt could be profitably exported to Calcutta" again irrespective of markedly superior quality of Sind salt compared to Bengal.

467. No action appears, however, to have been taken upon this plea of Burke, inspite of the apparently strong case made out by him. None of the records, we had access to, contain any reference to these sources, except for Plowden's Report in 1856. And he on the other hand, a critic of Government monopoly manufacture, positively stands against the development of the beds by the Government, even though Bengal's indigenous production was seriously threatened by foreign salt.

Burke's attempt failed as no action was taken by Government.

On the other hand Plowden went against development of Sindh beds.

468. Dark ages, then so to say, set in for these precious natural salt deposits of Sindh, and over three decades, India never heard of any salt works started in the unhappy valley of Sindh. Knowing that Sindh was also peculiarly fitted by nature for the manufacture of sea-salt by the process of evaporation, the Government at length generously opened the Maurypur Salt Works in 1878 in the vicinity of the Karachi harbour. These constitute to-day the major source of the Sindh supply, though two other minor sources were also opened at Saran and Dilyar in 1879 and 1882 respectively.

These rich deposits forgotten altogether.

Maurypur Salt Works started 1878.

469. Not only does the inland situation at Maurypur makes the works fit centres of supply to the interior of Sindh, Thar Parkar, Hyderabad and other districts, but the really good quality of this salt, approximating to the fine white crushed salt of foreign countries, makes it quite a saleable commodity in the Bengal markets. The

Quality of the Sindh Salt,

Maurypur Salt analysis. following is the chemical analysis of a sample of Maurypur sea-salt by the Chemical Analyser in Sindh :—

Insoluble matter	{	Inorganic	%	...	0.060
		Organic	%	...	0.020
Sodium chloride	(Na Cl ₂)	%	...	93.747	
Magnesium chloride	(Mg Cl ₂)	%	...	0.359	
Magnesium Sulphate	(Mg SO ₄)	%	...	0.623	
Calcium Sulphate	(CaSO ₄)	%	...	0.933	
Moisture (H ₂ O) by difference		%	...	4.259	
Moisture (H ₂ O) actual		%	...	4.800	

To some extent, this salt is better than Khewra rock-salt. The insoluble matter is even less by 20%. Instead of 3.2% of sodium sulphate there are traces of mag. chloride, mag. sulphate and cal. sulphate. It is not at all bitter but on the contrary healthy on account of the trace of Epsom Salt.

470. So the quality is quite good and what about the quantity? "The existing Government factory at present produces about four lakhs of maunds per annum. There is ample space for new factories but labour is very scarce indeed. There are only about 120 Muari families and it would be many years before skilled labour was forthcoming in sufficient numbers."¹ So

The required quality as well as quantity can be supplied.

goes the report of the Central Board of Revenue on the undesirability of making India self-supporting in the matter of salt supply. Recently private manufacture of salt is also established at Maurypur and it is extremely unkind of the Board to summarily dismiss Karachi as a source. When all requirements of the Board were met, it was flagrantly uneconomic to reject the potentialities of Sindh on the illusory and unfounded belief that "labour is incapable of expansion there." The salt industry at Karachi can only be said to be in its infancy. It is capable of considerable expansion and improvement both from the points of view of quantity and quality. About its potential strength in this matter, it is significant that so far back as 75 years ago, Bruce reported :—

"Along the sea shore, bounded by the outer branches which form the delta of the Indus, there is a sufficiency of salt to supply the

¹ Government Resolution No. 20, dated 12th May 1928, para 19.

world, and were it not that there are no very suitable places of shipment, from the want of sufficient depth of water, it is probable that the marine salt of Scinde would find its way into far distant foreign markets.¹ And even to-day those hopes remain unrealised.

471. Now granting that Tuticorin and Karachi are a capable source of salt supply, the question is asked:—

“At what price Indian salt could be placed on the Calcutta market, and whether to enable it to compete successfully with the imported salt, any assistance or protection would be required.” The Board’s inquiry leads to the elimination of Tuticorin again, on the ground that owing to high cost of manufacture as well as of freight to Bengal, it is not in a position to compete with foreign salt, unless subsidised to the extent of $4\frac{1}{2}$ annas per maund. With regard to Karachi, however, the prospects are definitely brighter, and fine crushed salt can be put in the Calcutta market at $10\frac{1}{2}$ annas per maund—the rate at which foreign salt of the same variety is sold there. But the Board, again, ruled out the source, for “there is reason to believe that the price of the Aden salt could be substantially lowered.” In view of this, they were afraid that assistance would be needed even for the Karachi salt to enable it to compete. It was ascertained on inquiry that the fear entertained by the Board was substantially justified, and that the Aden manufacturer could afford to cut his prices as much as 40 per cent. This would indeed make it impossible for the Karachi manufacturer to establish a foot-hold in the Calcutta market, without artificial aid against his Aden competitor. But then Aden is not the only “foreigner”, if it can be so called in India. In fact, on the Board’s own figures, eliminating 40 per cent. which is Aden’s share, there is
 Their removal possible. 60 per cent., or as previously stated,
 85 lakhs of maunds, which Karachi may strive to capture. As far as freight would prove a determining factor as regards prices in the Calcutta market—and the Board maintained that it “is always the chief element in the selling price of salt”, as against cost of manufacture—Karachi’s position is very hopeful.

472. Further, granting, for the sake of argument, that Bombay is incapable of improving its present quality and Calcutta will in-

1 Bruce; Salt sources of India p. 23.

spite of all inducements, have nothing to do with her salt, this source being eliminated from the list of potential suppliers, Karachi's position becomes all the more secure. For there will be no limit to the tonnage available for the transport of salt to Calcutta. The following table shows what tonnage was available at Bombay and Karachi, for returning to Bengal. It will be but profitable for the empty tonnage at Bombay to proceed to Karachi and load salt there for Bengal instead of going in ballast back to Calcutta :—

Import of coal and export of salt.

Imports of coal from Bengal into the ports of Bombay & Karachi.

Year.	Bombay in tons.	Karachi in tons.
1920-21	401,452	84,617
1921-22	348,416	84,684
1922-23	89,289	35,560
1923-24	128,072	68,489
1924-25	176,754	72,794
1925-26	238,219	122,112
1926-27	366,655	.....

Considering the heavy fluctuations at both the ports it will be but fair to strike an average at 2 lakhs tons for Bombay and one lakh at Karachi, *i.e.*, 3 lakhs of tons. This gives approximately the required quantity of salt at Calcutta—Aden excepted—84 lakhs of maunds. It can be fairly argued that so long as there is any need for coal at Bombay and Karachi, all the salt that is needed in Calcutta market can find tonnage—war or no war.

473. The Board themselves were of opinion that "Tuticorin possesses considerable natural advantages. The climate is dry and the working season consequently extends to 10 months, compared with only four months in the work of Madras Presidency. The skill of the

The Board supports it.

Tuticorin salt makers is not surpassed in India. Tuticorin is therefore bound to help India to become self-sufficing in the supply of salt to Bengal."¹

474. The Board had a complaint that Tuticorin has its supply of labour limited. Granting for a moment that it is so, labour can be easily imported from the neighbouring provinces. And even if in the beginning this imported labour is inefficient, there is no reason why a salt manufacturer from one district should be unable to adapt himself to the process of manufacture of another. As a matter of fact, some of the Bombay lessees import their Agarias from Gujarat. The point is that a reasonable lapse of time would suffice for the imported labour to be trained, and there is therefore little justification for the assumption that such labour "would be very inefficient for many years."

475. That India can be and must be made self-sufficing in the matter of salt supply is an important conclusion which can be drawn. In this respect, our enquiry differs materially from the enquiries made by the Central Board of Revenue, and even from those of the Indian Taxation Enquiry Committee. One can whole-heartedly endorse the sentiments of the Taxation Enquiry Committee that India should be made self-supporting in respect of her salt supply in view of the overwhelming importance of a well-developed salt industry to any country for its economic advance.

476. But:—

(1) It is not possible to argue with them or with the Central Board Revenue in eliminating completely the possibility of Bengal supplying her own people with at least a part of the requisite amount of the commodity. The possibility of salt manufacture in Bengal ought to be investigated by the authorities in the first place.

(2) The Taxation Enquiry Committee appear to exaggerate the salt prejudice prevalent in Bengal, and there is no

¹ Report of the Central Board of Revenue, para 16.

warrant for the belief that it will not disappear before the inducements afforded by considerations of competitive economy or of national well-being.

- (3) Khewra hills and Rajputana Salt Lakes can also cope with the demands of Bengal. The latest researches, inventions and machinery and the organisation of labour in these regions have not yet been sufficiently tried. In the event of the salt prejudice proving a really unsurmountable obstacle, salt of the requisite quality can be supplied to a certain extent from these sources, the transport there being effected in the empty coal wagons returning to the Bengal coal fields. If these are not available during the slack season, the commodity could be transported at nominal rates when the demand for wagons is the lowest and the disposal of empties becomes a problem to the railway authorities.
- (4) If even this step is found impracticable or if the Khewra sources are found not able to cope with the whole of the quantity requisite in Bengal, Karachi should be developed, quite apart from its own merits, as a source of supply for Bengal; easy conditions of freight presumably being available already, any other artificial aid necessary should be granted in the first instance.
- (5) The competition of Aden salt is no doubt a factor to be reckoned with. The Aden manufacturers are Indians—two of the largest ones at least. Aden, is, besides, for administrative purposes, considered to be a part of India. In view of this fact, the desirability and practicability of restricting the competition of Aden in the interest of the industry nearer home deserves to be carefully considered. In any case, immediate agreement can be reached with respect to measures for ensuring the supply of the 85 lakhs of maunds of salt for the present. Steps should be taken to provide this supply from Indian sources, and any artificial encouragement of a reasonable character should be rendered to the realisation of this end.

477. No elaborate enquiry is needed as a preliminary to such steps. But if an investigation is thought essential for the discussion of any technical points, the Tariff Board or a body specially constituted for the purpose, may be asked to undertake the work without delay.

Not much scope for further enquiries.

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