THE CEYLON JOURNAL OF HISTORICAL AND SOCIAL STUDIES

Vol. 7 January-June 1964 No. 1

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THE ROYAL NAVY AND TRINCOMALEE

THE HISTORY OF THEIR CONNECTION

c 1750 - 1958

H. A. Colgate

The value of Trincomalee harbour as a place of shelter during the north-east monsoon was known to European seamen in the sixteenth and seventeenth centuries. It had been occupied in turn by the Portuguese, Dutch and French. Captain Robert Knox, Master of the British Ship *Ann*, and his son put into the bay on 19th November 1659 and were taken prisoner by the Kandyans. The younger Knox's book on Ceylon enjoyed a wide circulation in England during the first decades of the eighteenth century.[1] Towards the end of that century, the strategic importance of Trincomalee came to be realised.

> "The Harbour alone renders the island so valuable as a protection to our Indian commerce. The Harbour from its centrical position and easy ingress and egress which it affords at all seasons, is better adapted for being made a marine depot and rendezvous for His Majesty's Squadron than any station in India"[2].

These views, expressed in 1800, are typical of many writers on Ceylon. Expressions such as the "key to the defence of India", and a "second Gibraltar" occur again and again in despatches from Admirals. These estimates of the vital importance to the British of the possession of Trincomalee at the turn of the century have been accepted by historians as applying throughout the eighteenth and nineteenth centuries.

In the days of sail, the harbour owed its importance to the variations of the monsoons in the Indian Ocean. A squadron defending India had to lie to the windward of the continent in order to intercept an enemy attack on the Coromandel Coast during the north-east monsoon. It also required a safe harbour in which to shelter during the violent weather caused by the change of monsoon in October and, to a less extent, again in April. Only Trincomalee could fulfil these conditions. Thus its use was the key to the defence of India and of the inestimably valuable British trade with India and China. When the harbour fell

1. Knox, Robert. *An Historical Relation of the Island of Ceylon*, 1681.
2. Cordiner, James. *A Description of Ceylon*. p. 266.

into French hands in 1782, Madras was lost by the British and their hold on India seriously threatened. Therefore, most writers have assumed that the British seized the port at their next opportunity and then retained Ceylon, until the middle of the twentieth century, solely for reasons of strategy.

Such was not the case. Trincomalee's vital strategic importance was limited to a short period in the eighteenth century. It was not until 1781 that the need for a base on the east side of India became essential. This situation lasted only until 1783 and did not arise again until 1795. Then, France overran Holland, and forced the British to seize Trincomalee so as to forestall the French. Almost as soon as they did so, its importance diminished. India was made secure, not by a fleet based on Ceylon, but by Nelson's victories in the seas nearer to Britain. After 1822, the Colonial Office in London, the Ceylon Government in Colombo and even the British Admiralty lost interest in the port. Whilst it is true that from time to time, ambitious admirals re-echoed Cordiner's remarks, they found little support in Britain or in Ceylon.

These conclusions have been reached by tracing the history of Trincomalee in relation to the East Indies squadron.[3] The work of the Royal Navy takes place beyond the horizons of the bases which serve it. Their sole function is to maintain the ships at sea. Naval history is therefore usually written from the ships' side, as it were, looking inwards towards the base which lies beyond the horizon. Seldom are the details filled in by telling the story from the harbour wall, looking out to sea. This side of the story is inevitably less exciting. Often the breeze does not fill the sails sufficiently to make it an essential part of the wider Naval history. Yet the history of Trincomalee is a vital part of the story of sea-power in the Indian Ocean. If the salt-spray is often missing, there is the compensatory warm, spice-scented breeze from the land. The history of the naval base forms part of the history of the locality in which it is situated and, to a degree, is part of the history of Ceylon.

The East Indies Squadron came into being when the eighteenth century conflict between Britain and France spread to India. The British East India Company's factories ashore and its valuable cargoes afloat became likely targets for a French attack. To meet these dangers, a naval squadron was despatched to Indian waters in 1744. The ensuing naval struggle lasted intermittently until 1815. The history of both the naval and commercial operations of those years has been well covered by Admiral Sir Herbert Richmond in *The Navy in the War of* 1739–48 and *The Navy in India* 1763–1783 and by Professor C. Northcote Parkinson in *Trade in the Eastern Seas,* 1793–1815 and *War in the Eastern Seas,* 1793–1815. However, both writers give the impression that, except on rare

3. Colgate, H.A. M.A. Thesis. *Trincomalee and the East Indies Squadron* 1746 *to* 1844. University of London. 1959.

occasions, the possession of Trincomalee by the Dutch for the greater part of the eighteenth century prevented its use by the British as a refitting port. Quoting the orders issued to Rear-Admiral Watson in 1754, directing him to retire to Bombay as soon as the north-east monsoon set in,[4] they assume that the British qiuit the Coromandel coast every October and retired to Bombay, leaving the vital east coast of India exposed to the danger of a French attack. These orders were issued to Watson after particularly heavy losses had been experienced amongst shipping at Madras during a gale in 1749.[5] There does not appear to have been any repetition of these instructions which were obeyed for only four years. Watson's experiences at Bombay in 1754 and 1755 showed how unsatisfactory the arrangement was. Because the docks were so small, he had to lay his ships ashore on the mud. Stores were scarce, artificers hard to come by and disease swept the ships' companies.[6]

It had been in July 1746, that the British squadron first put into Trincomalee and refitted.[7] The word "refit" today suggests dockyards, cranes and squads of skilled workmen swarming over a ship. This was not the picture in days of sail. Provided they carried sufficient stores, ships could refit rigging and repair upperworks wherever there was a safe anchorage. Repairs could be effected below the water-line whenever conditions permitted the lightening of the ship. She was then either heaved down to expose her bottom by shifting the ballast, or careened by hauling over one side by means of tackles and the capstan of another ship. This work could be undertaken by the ship's artificers and the only requirements from the shore were fresh provisions, water and firewood. These were to be found at Trincomalee; the last two in plenty, the first in smaller quantity.[8]

This type of refit became the regular pattern in Trincomalee winter after winter. Orlando Cove was probably first used and then possibly the passage between Great and Little Sober Islands. In 1748 a ship-of-the-line was put out of commission there and used as a careening hulk.[9] By 1760, the British had built themselves a careening wharf on the edge of the harbour. The Dutch raised no objections to the British using the port even although they were not involved in the war themselves. Salutes were exchanged between the fort and the visiting ships. During the Seven Years War, in which the Dutch were also neutral, they obligingly warned the British ships in harbour if their signal tower sighted any sail on the horizon. They also lent the British the few artificers they had at Trincomalee.

4. I.O. Home. Misc. Series 93, p. 165.
5. P.R.O. Adm. 1. 160 (2) Boscawan to Sec. Admiralty. 20.4.49 and 20th Sept. 1749.
6. P.R.O. Adm. 1. 161 (1) Watson Sec. Admiralty, 8 Dec. 1754; 7 Oct. 1755; 14 Dec. 1755; 1 Feb., 1756; 17 Mar. 1756.
7. P.R.O. Adm. 1. 2288 Section 12. Peyton-Sec. Admiralty, 28 Nov. 1746.
   P.R.O. Adm. 1. 2288 Peyton-Sec. Amdiralty, 28 Nov. 1746 and
8. P.R.O. Adm. 1. 160 (1) Griffin to Sec. Admiralty, 12 Feb. 1747 (48).
9. P.R.O. Adm. 1. 160 (2) Boscawen to Sec. Admiralty, 13 Feb. 1748 (49).

All this took place during the period when it has been assumed by historians that the British were forced to flee from the Coromandel Coast every October. The British fleet spent 40 winters in Indian waters between 1746 and the capture of Trincomalee in 1795. Of these, fifteen were spent at Trincomalee, fourteen at Bombay, five at Calcutta and the remaining six in the East Indies or Andamans. For three of these years, 1782-4, Trincomalee was in French hands and thus denied to the British. During the petty monsoons, which mark the change from the north-easterly to the south-westerly in April, Trincomalee was used eleven times, Madras eight times and Bombay seven.[10] In addition, frequent calls were made at Trincomalee for repairs, wood and water. Recourse had to be made to Bombay however, whenever ships required docking as distinct from careening. Alternatively, if the nature of the campaign made it preferable, they would dock at Calcutta. Furthermore until 1816, Madras remained the official headquarters of the Royal Navy in Eastern waters.

The British made themselves thoroughly at home in their Dutch base. In 1762 William Nicholson, Master of *Elizabeth* surveyed and drew a chart of the whole harbour. This is the earliest one I have seen.[11] Not only did he give his name to Nicholson's Cove but presumably named York Island and Sunder land Cove after ships of those names which refitted there in 1760. A survey of a neutral harbour by a belligerent was unusual but the British went further than that. They took the opportunity to open secret negotiations with the King of Kandy, who was at war with their hosts, the Dutch. John Pybus set out on this mission in 1762. Lennox Mills[12] considers that these negotiations were an attempt by the Government at Calcutta to secure a naval base on the east side of India. The instructions issued to Pybus, however, make it quite clear that the primary concern for such a port was not as a naval base but for trade in cinnamon. Nor did Pybus press the question of a port whilst he was in Kandy.[13] He was expressly forbidden to offer the King of Kandy any assistance against the Dutch and the King would only consider granting a port in return for such a promise. As the British were perfectly happy to continue using Trincomalee, they were hardly likely to entangle themselves in a conflict with the Dutch for the sake of another unspecified port. If Mills had not been so convinced that the British were desperately seeking a naval base, he would not have misread the instructions issued to Andrews, for the rejection of the treaty by the Madras Government.[14]

10. Calculated from Admirals Reports and Journals. 1746 to 1795.
11. Adm. Lib. VZ7/6 Plan of Trincomalee drawn by Wm. Nicholson.
12. Lennox Mills, *Ceylon under British Rule* 1795-1932, *with an account of the East India Company's embassies to Kandy* 1762-1795, p. 2.
13. C.R.O. C.R.I. Instructions to John Pybus, 6th April, 1762, p. 203 and pp. 209-11.
14. Mills, Lennox. *op. cit.* p. 3.
C.R.O. C.R.I. *op. cit.* pp. 197-8.

The British used Trincomalee again during the War of Amercan Independence until 1781, when the Dutch joined the French. The entire situation had then been changed. What the British had been accustomed to taking for granted was likely to be made available to the French. Plans were made for the capture of Trincomalee and Negapatam. The British invasion was undertaken in January 1782 by seamen and marines aided by troops. The forts were taken and another attempt made to win over the King of Kandy. The East India Company still did not regard the port as of vital importance to India.[15] It would spare so few troops and those of such poor quality that the garrison was disastrously weak. Instead of being a tower of strength behind the British fleet, Trincomalee became a liability. Its subsequent capture by the French under Admiral Suffren was however a grievous handicap to Admiral Sir Edward Hughes. He was forced to leave the Coromandel Coast exposed whilst he withdrew to Bombay. Madras was then captured by the French. It was only then that the East India Company came to realize the importance of Trincomalee.[16]

Nevertheless, the British Government was quite content to see it restored to the Dutch by the Treaty of Versailles at the end of the war. The French, on the other hand, realised its essential importance and were loth to hand the port back to the Dutch.[17] Once the French left, the British continued to use it again as before the war. They were probably only willing to see it restored to the Dutch because they knew that this would again give them effective use of the harbour. In the next few years the situation was, to some extent, confirmed by diplomatic activity amongst the European powers. The French wanted an alternative to their base at Pondicherry which was too close to the British at Madras. Trincomalee was the obvious choice if the Dutch could be persuaded to part with it. The Republican party in Holland might well have done so in return for French support. On the other hand, the Orangist party in Holland was striving for a British alliance and might have given Trincomalee to Britain. When William IV of Holland temporarily lost his throne, the French prepared to attack Trincomalee. After the unhappy Stadtholder had been restored by an Anglo-Prussian force, an alliance was concluded between Britian, Prussia and Holland. By one of its terms the British and Dutch promised to aid each other on the outbreak of war in the East without waiting for orders from Europe.[18] The British thus gained the right to defend Trincomalee in the event of war against France. The restoration of the unpopular Stadtholder, however, had not endeared them to the Republican party in Holland. These manoeuvres were later to form the background to the second British invasion of Ceylon.

15. P.R.O. Adm. 1. 164 Hughes to Sec. Admiralty, 20 Oct. 1782.
16. Ibid.
17. P.R.O. Adm. 1. 166 Hughes to Sec. Admiralty, 10 Sept. 1784.
I.O. Home and Misc. 608 (1) p. 41.
18. P.R.O. F.O. 94 130.1. Treaty between United Provinces and Great Britain ratified 7 May 1788.

The British also looked for an alternative base to Trincomalee during the years between the two great wars with France. The search went on for four years and ranged from Sumatra to the head of the Bay of Bengal and down the Coromandel coast to Ceylon as well as to the Andamans and Nicobar Islands.[19] Of all the harbours examined during this extensive survey, however, only Penang ever developed into anything like a rival to Trincomalee. There was nowhere which had comparable advantages for a fleet defending India against the French and the squadron continued to use it at will.

In July 1795, news reached India that the Netherlands had been over-run by the French. In accordance with the treaty of 1788, the British were authorised in the name of the Stadtholder to occupy Trincomalee against a possible French attack.[20] It was not surprising that Dutchmen of republican sympathy ignored the Stadtholder's request. After playing for time the Dutch Governor at Colombo rejected the British summons to admit their troops to the forts at Trincomalee. The British then took them by force. Fort Frederick surrendered on 22nd August and Fort Ostenberg on 1st September.[21] The Dutch made only a token resistance to satisfy their honour. The deeper significance of this exchange of shots appears to have been missed at the time. Instead of Trincomalee being entrusted by the Dutch to Britain for safe-keeping during the war, it was taken by force of arms and thus became one of Britain's conquests which might or might not be returned at a future peace conference. As the war years passed it became increasingly evident that Ceylon would not be returned. It was retained at the Peace of Amiens in 1802 in preference to the Cape of Good Hope.

When the invasion of Trincomalee had been planned in 1795, the East India Company was still thinking partly in terms of trade. Operations were to continue to include all Dutch possessions in Ceylon. A third attempt was made to establish a treaty with Kandy and yet again there was mention of factories for the purpose of trade.[22] The Company was still aiming to break into the Dutch monopoly in cinnamon. It continued to negotiate with the King as late as 1798, although as time went past, the military aspect dominated the commercial, particularly when it was realised that the ships and garrison at Trincomalee depended upon the goodwill of the King for supplies of fresh meat.

The reason for the retention of Ceylon in 1802 was purely strategic. In the debate on the peace settlement in the House of Commons, Pitt declared that, of all places in the world, Ceylon added most to the security of Britain's East

19. P.R.O. Adm. 50.31. Journal of Cornwallis.

20. I.O. B.P.S.C. 33 Minutes of Council Meeting, 11 Sept. 1795.

21. P.R.O. W.O. 1. 356 Stuart-Braithwaite 27 Aug. 1795 and 1 Sept. 1795.

22. I.O. B.S.C. 33 No. 6. Hobart to Stuart 19 July 1795.
No. 2. Hobart to Robert Andrews 24 July 1795.

Indian possessions[23]. He has been criticised for this on the grounds that the Cape was the more important. But from Mauritius and Seychelles the French would have been able to move on to the Dutch East Indies and Ceylon. The only way to break out of this ring of enemy strongholds was to centre naval power upon Trincomalee. This reasoning was sound in 1802. It was no longer sound in 1810 when the decision was taken to move the headquarters of the British fleet from Madras to Trincomalee nor in 1813 when plans were drawn up for a first class naval base at Trincomalee. By 1805, French naval power had been broken. It was no longer a practical proposition for them to mount an invasion of India. The Cape and Ceylon, though both useful were no longer vital strategic necessities. It would not be going too far to say that even as early as 1798, three years after the capture of Trincomalee, the real threat of a French invasion of India had been surmounted. Nelson's victory at Aboukir Bay was probably the turning point. Nevertheless Trincomalee still remained the only harbour to the east of India in which a squadron could shelter with safety during the north-east monsoon. Contemporaries could not be expected to see that the strategic situation had changed for ever, of course. When the nature of the naval campaign in the years 1798-1815 is analysed, however, the truth becomes evident. Even the composition of the East Indies Squadron reflected the change. The squadrons in previous campaigns had comprised line-of-battle ships; those of the latter part of the Revolutionary War and Napoleonic War were chiefly frigates and sloops which were employed on escort duties against the French privateers.

When Nelson's victories prevented a sea-borne invasion of India, the French turned to commerce raiding in the hope of dislocating the valuable British trade with China and the less valuable but more ostentatious trade with India. In this way they hoped to disrupt Britain's whole economy. By 1805, the United States of America was taking one-third of Britain's exports including tea from China. This trade with America was essential for Britain's survival and enabled her to buy the raw cotton which kept her looms working throughout the Napoleonic War.

The monsoon winds and the currents in the Indian Ocean to a large extent dictated the routes which the East Indiamen and Chinamen took on their outward and homeward voyages. The Chinese tea-crop was not ready until November each year. The Viceroy at Canton would only allow the East India Company to trade with the Hong merchants between August and March. Outward-bound ships had to arrive during that period[24]. As the ships had to make the outward journey in the south-west monsoon and the homeward in the north-east, the times of the convoys were also dictated rather than chosen. Thus the pattern of British shipping in the Indian Ocean did not vary greatly from year to year

23. Speeches of Right Hon. William Pitt in House of Commons, Vol. III. 3 Nov. 1801 p. 271-73.

24. P.R.O. Adm. 1. 171 S1 Plan for the protection of our commerce 1801, probably written by Wellesley.

throughout the twenty years of the war. It was impossible to provide, always, close escorts for these convoys in the way in which they were provided in the World Wars of 1914-1918 and 1939-45. Escorts were despatched to those areas in which shipping was most heavily concentrated. One of these was in the seas around Ceylon. For ships on this duty, Trincomalee was a valuable base and probably indispensable if regular cruises were to be maintained off Friar's Hood. The other areas were in the north of the Bay of Bengal, the Straits of Malacca, Banca and Sunda and on the Malabar coast. For these ships Trincomalee served as a useful base but it was by no means essential. Escorts could be despatched from Madras, Penang or Bombay to these stations. Trincomalee had thus lost its vital importance.

It was for partly economic, partly political and partly personal reasons that the naval base at Trincomalee came to be built. All that the East India Company touched was shot through with corruption. Its servants' hands were in very pocket they could reach; the public pocket was deepest and most easily reached. Exorbitant charges forced up the cost of refits in Calcutta, Madras and Bombay; private merchants and the East India Company made handsome profits from the sale of timber, canvas and rope to the Royal Navy. The big commercial houses of India took their share of the riches by supplying the fleet with food and drink. The long war caused scarcities and forced up prices. Sooner or later a halt had to be cried to all this expenditure. In 1809 strict economies were ordered. One of the more obvious was to transfer the refitting of ships from the money-making concerns of India to Ceylon where the government could control prices and regulate supplies. Those who favoured such a move even persuaded themselves and others that Ceylon could produce the timber, canvas, rope and victualling supplies required by the Navy.

Politically the move had its advantages. The relationship between the British Government and the officials of the East India Company is a subject of study in itself. There were sufficient anomalies to annoy any Commander-in-Chief, commanding a squadron thousands of miles from Whitehall. Admiral William O'Brien Drury would brook no interference from officials of the East India Company. It so happened that he was on the station when the economies were ordered. What better solution could there be than to move out of the jurisdiction of the Company, which he disliked so much, into Ceylon which in 1802 had become a Crown Colony? If this were not enough to persuade him, he found Sir Thomas Maitland, the Governor of Ceylon, to be a wily Scot, who was shrewd enough to realise that a naval base would inject life-blood into the economy of Ceylon. The Dutch, and before them the Portuguese, had made no attempt to develop the island in any way. They were content to deal in cinnamon but this only formed a small part of their general trade in spices from the East Indies. Cinnamon alone could not support the island and was, in any event, bound up with the intricate and delicate situation in Kandy. A naval base, on the other hand, would bring capital into the island. It would attract secondary industries and encourage the opening up of the barren hinterland around Trincomalee. Maitland and Drury convinced each other. Drury coloured his despatches so as to convince the Admiralty.

In October 1810, the decision was taken in London to break up the naval establishment at Madras and transfer it to Trincomalee[25]. The magnitude of the work intended was reflected in the navy estimates. The buildings were to cost over £45,000 besides the huge sums to be expended on residences for the commander-in-chief, the commissioner, the officers and workmen of the dockyard, a hospital and a victualling depot[26].

The plans for these buildings are reminiscent of the present naval dockyards in England. They make it clear beyond all doubt that the intention was to create a first-class naval base on similar lines to that later built at Malta[27]. The money voted for Trincomalee in the naval estimates between 1819 and 1821 was the highest allowed for any yard in those years, whilst the wage-bill for the same period accounted for one-fifth of all such expenditure on foreign yards[28]. Had this grandiose scheme ever been completed, Trincomalee would have ranked with Gibraltar, Malta and Singapore as one of the great British naval bases in the world. The subsequent history of Ceylon would then have been different. Trincomalee might even have become a great centre of commerce like Singapore, able to survive when the ships of war were withdrawn. It (rather than Colombo) would certainly have become the leading port of Ceylon.

The plans for the dockyard were drawn up in 1813. The Madras yard was closed and the stores and personnel transferred to Trincomalee in June 1816. Building proceeded very slowly however chiefly because labour was scarce. It was unfortunate that, apart from the all-essential store houses, the greater part of the effort was concentrated upon the residences for the Commander-in-Chief and for the Naval Commissioner who was in charge of the base. The result was that these were the only buildings which had been anywhere near completed by 1822, when the British Government began reducing expenditure on foreign dockyards. Fear of another war with France was then receding. In India the Maratha had been finally defeated; the influence of the East India Company was waning. In Ceylon, Kandy had been subdued. All that materialised of the proposed first-class base was the row of buildings nestling along the shore below Ostenberg Ridge. These changed very little between 1822 and 1905 when the yard was first closed and, indeed, were not very different during the second world war. Outside the yard stood two monuments to the grand design, the Admiral's

25. P.R.O. Adm. 2. 937 Sec. Admiralty to Drury, 1 October 1810.
26. Mar. Mus. Adm/BP/35B Navy Board to Sec. Admiralty, 12th Sept., 1815.
27. P.R.O. Adm. 106/3216 No. 212. 3 May 1813 and seq.
28. Parl. Pap. House of Commons 1817-21.

house and the Commissioner's house. These were palatial beyond all comparison with the remainder of the buildings and in the style of the residences built in Madras and Calcutta[29]. It is perhaps the most fitting commentary upon Trincomalee that the Commissioner's house was never occupied by any more exalted officer than a storekeeper!. Instead of the magnificent careening wharf and capstan house, the base had to be content with the services of a careening hulk. The reduction ordered in 1822 undoubtedly marked a turning point in the history of Trincomalee.

One of the greatest problems facing those who began the building of the yard was the acute shortage of labour. This was particularly so after the severe monsoon rains of 1812-13 which resulted in widespread disease and won Trincomalee the undeserved epithet of the 'pest-house'. Workmen were recruited in Madras and sent to Ceylon with their wives and families[30]. By 1819 numbers of local workmen were also being recruited but they were mostly coolie labourers. Very few of the local inhabitants were artisans. The census return for 1824 shows that in the whole district of 19,000 people, only 95 were blacksmiths, 88 were carpenters, 11 brassfounders and 304 silversmiths[31]. Furthermore there were only 214 fishermen in the whole district. Unlike Surat, Cochin and Madras therefore, Trincomalee could not draw on a skilled body of local artisans accustomed to marine work. The carpenters were house-carpenters not shipwrights.

Several attempts were made with some success to overcome these difficulties. From 1815 onwards boys were recruited in Madras and sent to Trincomalee for training as apprentices under the European artisans[32]. Later, boys were also recruited locally[33]. This scheme worked reasonably well but was no sooner producing results than the reduction of the yard was ordered and the labour force disbanded. At that time about 1,300 men were employed in the yard, two-thirds of whom were probably Ceylonese. These figures can be calculated from the Yard Lists of 1819 and 1820[34]. Although these only list the names of the workmen, they do show those who were receiving a rice allowance which was given to Madrasees but not to local workmen. There is also evidence showing that the number of Ceylonese employed was considerable, in the orders that they should be discharged gradually because there was no other employment for them in the Trincomalee district. The Madrasees were sent home to India. There remained in the area a very small reserve of Ceylon shipwrights, carpenters and caulkers upon whom the Navy called in the years after 1824. It was never large enough to meet the demands of an emergency however.

29. Adm. Lib. D.A. 038 Cape of Good Hope, Ascension and Trincomalee, pp. 170-82.
30. P.R.O. Adm. 106/3216 No. 225 Enclos. Puget to Hood 1 June, 1813.
31. B.M. Return of Population of Island of Ceylon, 1824.
32. P.R.O. Adm. 1. 189, S80 No. 60 Puget to Burlton, 15 Sept., 1815.
33. P.R.O. Adm. 106/3216 No. 83 enclos. Wellington to Upton, 5 August, 1820.
34. P.R.O. Adm. 3216 No. 30. 25 March, 1820; No. 13 18 January, 1819; No. 162 3 December, 1819.

When the transfer of the naval base from Madras to Trincomalee had first been mooted, Maitland and Drury had expressed wild hopes that Ceylon would be able to supply items of naval stores and provisions at rates very much lower than those charged by the big commercial houses in India[35]. The long war with France had thinned out the oak forests of England and, with supplies from the Baltic severely restricted, a search for alternative timber ranged from Canada to Burma. The forests of Ceylon were inspected for suitable trees, again with over optimistic forecasts from the supporters of the proposed new base. Some Ceylon timbers did prove useful when building the dockyard and on occasions for repairs to boats and ships. The contribution was, however, negligible. It was always easier and cheaper to import timber from Malabar or Pegu. A number of attempts had been made to use Indian hemp for cordage and canvas, usually with little success; it was hoped that Ceylon hemp might be used. Some Ceylon coir rope was in fact exported to Britain during the 1820's but the bulk of the stores used by the navy continued to be shipped out from the United Kingdom.

Forecasts that the area around Trincomalee would be able to produce fresh meat and vegetables once the dockyard attracted settlers, proved equally optimistic in the early years. The Ceylonese did not breed cattle for slaughter and the strained relations between Britain and Kandy added to the difficulties. The dockyard attracted labourers but not settlers in any number; the hinterland remained for the most part barren. These hopes were not altogether illfounded but took two decades to fulfil. By 1844 the area was supplying the navy with fresh meat and vegetables but by then the squadron consisted only of a flagship and three frigates. Ceylon rum and arrack were the only items ever supplied in any quantity.

During the second quarter of the nineteenth century Trincomalee, although limited in size and scope as a dockyard, remained the principal British stores-depot of the east and the harbour upon which the East Indies Squadron was based. British supremacy at sea was unquestioned and could therefore be maintained at a minimum cost. It did not matter that Trincomalee could no longer cope with the requirements of a squadron on a war footing. It was not expected to do so; it was adequate for the small East Indies Squadron. Rigid economy was the watchword in the British Treasury and in consequence the dockyard buildings steadily deteriorated. The defences of the port which was supposed to be the 'Gibraltar of the East' remained much as they had been in 1812 before the Madras yard had closed. A hostile force could have landed with impunity, out of range of the guns of Forts Ostenberg and Frederick. As an enemy was unlikely to appear over the horizon however, questions of strategy were quietly forgotten[36].

35. P.R.O. Adm. 1. 183 S187/42 Drury to Sec. Admiralty, 10 Feb., 1811.

36. P.R.O. Adm. 1. 205 S86 /304 Owen to Sec. Admiralty, 5 Oct., 1831.
P.R.O. Adm. 1. 203 S275/196 Owen to Sec. Admiralty, 15 June, 1831.

The Colonial government appears to have lost all interest in Trincomalee after 1822. Merchant shipping made little use of the harbour. Between 1830 and 1834 and for a period after 1837, attempts were made to clear the rocks and deepen the Paumben Channel so as to provide a shipping lane between India and Ceylon. Had these been successful Trincomalee might have been used more extensively[37]. After the failure of this proposal it becomes increasingly difficult to find any references to the port in Colonial Office papers.

The first Burma War and the first China War brought the navy back to the port; both gave it a few more months of glory. It was the forward supply-base during the China War. That war marked its last important role however. The East Indies station now stretched from the Red Sea to China and Australia.[38] One admiral could no longer supervise so vast an area. The Indian section was placed under a Commodore and its squadron reduced to four ships[39]. Although in 1844, Trincomalee again became a victualling depot, there was another reduction in the staff of the dockyard. Henceforth Hong Kong surpassed it in importance as the naval depot of the east.

As the years passed, sail began to give way to steam thus robbing Trincomalee of its particular value as a place of shelter during the north-east monsoon. The Bombay Marine was converted to steam in 1838. The spectacle of steam-ships putting into Trincomalee for a month's shelter because they could not cope with the currents off Ceylon became a thing of the past. Yet it remained unquestionably the best harbour in Ceylon. Its reputation was still sufficiently high in 1844 for the P & O Steam Navigation Company to seriously consider it as the postal and coaling station for their ships plying between Suez and China and Australia and Suez and Calcutta[40]. In 1846, the coffee planters experimented by sending their produce to Trincomalee for shipment instead of Colombo. At that time the railway was still at the project stage and could easily have been diverted to Trincomalee. On the other hand, the coffee warehouses were already built at Colombo. The collapse of the coffee market in 1847 ended the experiment however[41]. The mail packets did in fact call at Trincomalee occasionally[42] but Galle became the great rendezvous for the P. & O. ships. It might have been smaller and difficult to enter but it was nearly 300 miles nearer the main sea-route from China to Aden. By 1850 so little merchant-shipping was using Trincomalee that the Ceylon Government withdrew the Master Attendant's Department which had looked after the berthing of ships. In 1858 the P. & O. steamer

37. Parl. Pap. House of Commons XLIII (C611) p. 3–5 and (C521) 1-15.

38. P.R.O. Adm. 1. 2205 S115/91 Maitland to Sec. Admiralty, 6 Aug., 1839 Adm. 50/262 Journal of Bremer 6 February, 1840.

39. P.R.O. Adm. 2. 1602 No. 108 Sec. Admiralty to Cochrane, 29 June, 1844.

40. Parl. Pap. House of Commons 1847 XXXVI (117) p. 17.

41. Parl. Pap. House of Commons 1847 XXXVII (869) p. 215-16.

42. P.R.O. Adm. 50.262 Journal of Collier, 5 June, 1849.

Ava ran aground and was wrecked 12 miles from the port. The disaster was caused because her officers mistook a light ashore for the light-house. Their error was not altogether surprising because it was merely a miserable light attached to a pole[43]. Sir Henry Ward had refused to provide a proper light-house or to metal the road between Kandy and Trincomalee because the future of the base was uncertain[44].

In the 1860's, there was a renewed flicker of hope for Trincomalee; strategic and commercial interests again temporarily spluttered into life. The war-scare of 1859 brought a reappraisal of its strategic value; the defences were re-examined. The India Station was given an Admiral of its own; the Straits of Malacca were transferred from the China Station thus increasing the number of ships using Trincomalee[45]. The electric cable reached India in 1861 and by 1864 it was extended to Trincomalee. The port was now in direct communication with the provincial and central governments of India and with the centres of commerce. It could thus be considered as a likely centre of naval operations and merchant shipping. The building of the *Great Eastern*, which would have been too large to enter Galle, raised hopes that Trincomalee would become the coaling station of the P. & O. route to Australia. Such speculation encouraged a local inhabitant to build a Great Eastern Hotel at Trincomalee. Unfortunately, the *Great Eastern* never saw service with the P. & O. The nearest she came to Ceylon was when laying the Bombay-Suez cable. Galle retained the coaling station and its own Great Eastern Hotel. The Trincomalee Company, the only commercial concern to take an interest in the harbour, was formed in 1865 with the idea of building a slipway on which iron ships could be taken out of the water for repair. The Company was an utter failure.[46] Nevertheless the use of more and more steam-vessels did make the harbour a naval coaling station for all war-ships bound for China.

Steam had come into general use by 1870's; iron and then steel ships replaced wood. These changes dealt the final blow to Trincomalee. Not only had it lost its advantage during the monsoon winds, but fewer hands were needed to work a steamship. There were therefore fewer men to carry out repairs in harbour; more and more assistance was required from dockyards. Trincomalee could not provide these workmen. With the reduction in crews, the demands for provisions and naval stores were correspondingly lower, and therefore the quantities of stores maintained at foreign dockyards were reduced. The advent of iron-clads meant that hulls could no longer be repaired by careening. Docks and machinery were essential; Trincomalee lacked both. It had lost its place as a naval base in the changed circumstances and was reduced solely to a coal and stores depot.

43. P.R.O. Adm. 1. 5696 Cptn. W. 59/58 Watson-Sec. Admiralty, 9th March, 1858.

44. Parl. Pap. House of Commons 1857-58 XL (8) p. 315.

45. P.R.O. Adm. 1. 5790 S206 Kuper to Sec. Admiralty, 15 March, 1862.

46. Board of Trade Register of Companies 2260c Trincomalee Company 1865.

In 1881, 11 million tons of trade to and from Madras passed within 20 miles of Trincomalee, 50 million tons to and from Bengal within 80 miles and 25 million tons to and from Singapore within 150 miles. In peace-time, the proximity of all this shipping meant nothing because few, if any, of the ships ever called at Trincomalee[47]. In war-time it would have been necessary to provide naval escorts for this volume of trade and these would have been based there. It would, however, have required half-a-million pounds to turn the depot into a first class naval base[48]. As war was no more than a vague threat from time to time, nothing was done. The opening of the Suez Canal in 1869 led to a revival of the scheme to clear a channel between India and Ceylon. This would have brought the main trade routes to the vicinity of Trincomalee. Nothing came of the scheme however[49].

During the last two decades of the century, the port slipped further and further back, both from the naval and commercial viewpoints. The establishment by the Royal Navy of anti-slave trade patrols off the East African coast, in the Red Sea and in the Persian Gulf meant that the ships were employed on the west side of the station furthest from Trincomalee. As a result, in 1872 Bombay was made the headquarters of the squadron. Its docks and berthing facilities were increased and plant was provided to deal with steam-machinery and iron-clads. After the Suez Canal had been widened and deepened, it was economical to send the larger warships back to Malta for refits.

In the Indian Ocean, and adjacent seas, rivals to Trincomalee grew apace. The building of the breakwater at Colombo in the seventies enabled it to shelter ships during the south-west monsoon and established it as the main port-of-call on the route to China and Australia. The inadequacies of Galle nolonger mattered. Further afield, docking and other harbour facilities were provided at Karachi, Kilindini (Mombasa), Durban and Singapore. In 1897, plans were prepared to make Mauritius the chief naval dockyard of the East.

Yet, the age-old reasons made it worth-while retaining a stores and coal depot at Trincomalee as long as it did not cost too much. It supplied places as far away as Zanzibar. It was healthy and was used as a place of recuperation for the ships returning from the anti-slave trade patrols. This would no doubt have surprised those who had called it the 'pest-house' earlier in the century. Admirals seem to have enjoyed staying there with their wives; small wonder, when one remembers the park-like domain in which they lived. The harbour was a useful place in which to carry out exercises with the new methods of propulsion and the new weapons of war. Gunnery, torpedo and mining exercises and steam trials were held there because there was plenty of space and merchant shipping did not get in the way. None of this required much in the way of service ashore, however.

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47. Mar. Mus. Milne Papers MLN/141 bundle 23.
48. P.R.O. Adm. 1. 6579 SA 298 No. 559 enclos. 2.
49. Parl. Pap. House of Commons 1872 [C611] p. 3-5. XLII.

On 18th July 1887, during the debate on the Naval Estimates in the House of Commons, Randolph Churchill attacked expenditure on useless depots and yards ashore. Trincomalee was one to come under attack; it was then costing £1,000 p.a. on maintenance and a further £5,000 p.a. on wages[50]. It survived another eight years. By then the navy which it served was undergoing a further radical transformation. Steam-frigates and gun-boats were giving way to cruisers, more powerful but fewer in number. In 1905 Trincomalee was closed and its garrison withdrawn on orders from the First Sea Lord, Admiral John Fisher who had been born in Kandy, 64 years earlier. Halifax, Jamaica, St. Lucia, Ascension and Esquimalt all shared its fate.

The closing of the base and the withdrawal of the garrison threw about 700 men out of work and forced them to emigrate to other districts of Ceylon. There was a 14% fall in the population of a little over 11,000[51]. The Census of 1911 marked the closing of the naval yard as the most important event of the decade in the district.

> 'It may be safely predicted that unless Trincomalee becomes once more a naval station, it will cease to be included among the towns of importance in Ceylon and that its buildings will alone denote its former prosperity.[52]

In 1920, the railway was extended to Trincomalee and thus linked it to the line between Colombo and Jaffnapatam. In 1923, the naval dockyard was re-opened. During the second world war, when the Japanese took Hongkong and Singapore, it again served as the base for the British East Indies Fleet and gave employment to about ten thousand Ceylonese.

The association of the Royal Navy with Trincomalee, covering a period of over two hundred and ten years, thus forms a chapter of the British and Ceylon history which closed when the Ceylon Government took over the base in 1958.

Spellings, dates and footnote form

Wherever possible, the present day spellings of place-names and the generally accepted spellings of proper names have been used.

The dates of the years prior to 1751, have been adjusted so as to conform with the modern Gregorian calendar. The despatches however, used the old Julian calendar until 31st December 1751; in this, the year ended on 24th March and not 31st December. Sometimes despatches bear two years, if dated between 1st January and 24th March, e.g. 3rd January 1746/47. In footnotes, the dates shown are those actually on the document but so as to avoid apparent contradiction with the text, the modern date has been added to the footnote in brackets e.g. 13th February 1748(49) means that the document is actually dated 13th February 1748 but that the year according to the modern calendar was 1749.

50. Brassey. *Naval Annual* 1887 p. 24-5.
51. Census of Ceylon 1901 and
Denham, E.B. *Ceylon at the Census* 1911, p. 92.
52. Denham, E.B. *op. cit*, p. 92.

The following abbreviations have been used in footnotes:

P.R.O.	Public Records Office, Chancery Lane.
MAR. MUS.	National Maritime Museum, Greenwich.
ADM. LIB.	Admiralty Library, Whitehall.
B.M.	British Museum.
I.O.	India Office Library.
C.R.O.	Commonwealth Relations Office Library.
Parl. Pap. H.C.	Parliamentary Papers, House of Commons. This is followed by the year, the volume in Roman numerals, the sessional or command number and the page.

(i) **MS. SOURCES.**

Public Record Office:

Admirals' Despatches (Adm. 1).
Secretary's Out-letters (Adm. 2).
Minutes of the Board of Admiralty (Adm. 3).
Secret Order Books (Adm. 7).
Journals of Admirals, etc. (Adm. 50).
Ships' Logs (Adm. 51 and 52).
Navy Board In-letters (Adm. 106).
Victualling Department In-letters (Adm. 109) and Registers (Adm. 113).
Colonial Office records for Ceylon (C.O. 54, 55 and 416).
War Office records (W.O.1.) and Foreigh Office records (F.O.94).

National Maritime Museum, Greenwich:

Navy Board to Admiralty (ADM/BP)
Admiralty to Navy Board (ADM/A/3097)

India Office Library:

Bengal Secret and Political Consultations (B.S.P.C.).
Bengal Political Consultations (B.P.C.).
Bengal Secret and Military Consultations (B.S.M.C.).
Home Series Miscellaneous.

Commonwealth Relations Office Library:

Papers on Ceylon, CR 1, 2, 3, 25 and 54.

(ii) **PRINTED SOURCES.**

Parliamentary Papers: Navy Estimates, Blue Books for Ceylon, P & O S.N. Co. Contracts, Statistical Reports of the Health of the Navy.
Census Returns for Ceylon.

Supplementary Despatches and Memoranda of Field Marshal Arthur, Duke of Wellington, K.G. India 1797-1805. Edited by his son the Duke of Wellington. (15 vols, London 1858-72)
Diaries and correspondence of James Harris, first Earl of Malmesbury. Edited by his grandson, the third Earl. 1870.

Admiralty Library .. Orders-in-Council 1816, 1819, 1822.
Navy Lists and Lists of Sea Officers, Charts and pictures.
(VZ 7 Series, D.A. 021, 024, 026, 036, 038).

A NOTE ON INTEREST RATES IN THE TEN YEAR PLAN*

D.M. KANNANGARA

In recent years, a considerable amount of public discussion and official energies in Ceylon have been focussed on problems of economic planning. The most concentrated official effort hitherto made in this direction is to be found in *The Ten Year Plan.*[1] This Plan, like most development plans, embodies what is primarily a supply approach to the problem of economic growth, and is conducted almost entirely in "real" (non-monetary) terms. Money-market variables have virtually been ignored. To be sure the Plan does not entirely ignore monetary forces, for this bulky volume of 490 pages devotes two pages to a discussion of "the interest rate".[2] But this brief discussion is in the nature of an afterthought which has not been properly integrated with the rest of the analysis. Moreover the main fault of this discussion is not so much that it is incomplete but that it is confusing, and leaves the reader with a gnawing doubt whether the planners really mean what they say, or alternatively, say what they mean. The purpose of this note is to consider critically some of the interest-rate prescriptions embodied in the Plan.

There is, first of all, a surprising failure in the interest-rate discussion of the Plan to make a proper distinction between the *level* of interest rates and the *structure* of interest rates. The discussion passes freely from the one to the other as if the two concepts were identical. Given the legal, conventional and institutional parameters of the system, the level of rates, at least for the organized market, will depend on the supply of money in relation to the demand for money. The structure of rates will depend, in addition to the supply and the demand for money, on the relative supplies of claims of different varieties and maturities. While it is true that in practice, a change in the structure of rates cannot often be achieved without some change in the supply of money, in theory at least it would be possible to achieve such a change, by a judicious and skilful policy of debt management by the Treasury and the Central Bank without a change in the money supply. This failure to distinguish between

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* The ideas expressed in this note do not in any way reflect the views of the Centra Bank of Ceylon.

1. National Planning Council, Planning Secretariat, Colombo, 1959.

2. *ibid,* pp. 138-139.

the level of rates and the structure of rates—an inevitable result of the reluctance to adopt any clear-cut theoretical position—serves only to add confusion to an intrinsically difficult issue. It is never made clear whether what the planners desire is a rise in the entire family of rates or merely a rise in a particular part of the rates structure. A careful study of the interest-rate analysis of the Plan *suggests* that what the planners had in mind is probably a rise in the entire span of rates coupled with a rise in the long-term rates in relation to the short-term rates. But it is readily conceded that what the planners intended may be something quite different. Such ambivalence can only lead to confusion in the formulation and implementation of policy measures.

Do the planners advocate a once-for-all increase in the level of rates (or some specific rate or rates) or do they desire a series of upward changes? The Plan provides no answer, but the answer will depend partly on whether importance is being attached to the *level* of rates or to *movements* in that level. There are many economists who believe that the effect of a once-for-all change is likely to exhaust itself within a relatively short period of time. In that case, a once-for-all change may not be enough. In any event, if the intention is to influence expectations, movements or rates of change may be empirically more significant. It can, of course, be argued that movements are likely to be more important in short-run models than in long-run problems. But the long-run aim may be to achieve a series of short-term effects spread over a period.

Although there is no explicit discussion of this theme in the Plan, the planners appear to be aware that a policy of raising the bond rate may not prove palatable to the government. But they appear to attribute such government distaste solely to the increase in the national-debt service charge that would result from the rising bond rate. They dismiss the entire problem of the increase in the national-debt service charge as a mere "transfer payment", not deserving further consideration.[3] Most people will find this position difficult to accept. First, a rising bond rate is certain to pose some knotty problems to the government of the day quite apart from the increase in the national-debt service charge. Second, even "transfer payments" are not without economic implications.

For instance, suppose that the bond rate has recently risen, or is rising, at a given moment. Now if bond holders expect bond prices to rise still further —this is not an unreasonable hypothesis if expectations are based on recent past behaviour of interest rates (on what else can they be based?)—they may decide to reduce their bond portfolios in order to avoid further capital losses. This will give rise to further increases in the bond rate which may generate further fears, and so on. This type of selling pressure has so far not been

3. *ibid*, p. 138.

important in Ceylon partly because, by and large, observed rate changes have not been very large even when the supply of money has fluctuated rather widely, but mostly because bonds are usually in the hands of firm holders who expect to hold them till maturity.

But the sensitivity of the money market might well have been expected to increase during the Plan period as part of the ordinary process of growth itself and as a consequence of the growing volume of government bonds in investor portfolios which appears to be one of the specific properties of the money market envisaged in the Plan. But even if we ignore the possibility of bond holders reacting in this way, the difficulty will certainly be present with regard to the flotation of new bond issues. In Ceylon's bond market, at any moment, active trading interest in particular government bonds, or in government paper generally, is exceedingly thin. Even at present, the size of new bond issues is large in relation to the flow of funds on the current trading account. The Plan envisaged increasingly heavy government demands on the bond market in the future so that the size of new offerings in relation to current market flows could have been expected to increase considerably. In these circumstances, the placing of new issues on the market could have been expected to become an increasingly delicate operation in any case.

These difficulties will be greatly enhanced if potential investors in new bonds, influenced by recent increases in the bond rate, expect bond rates to rise still further. For in this event, even the investors who expect to hold their bonds up to the maturity date will be reluctant to commit their funds now because they expect to take advantage of (expected) further increases in the bond rate. The problem may indeed not be any easier in the matter of refunding operations because in this case there is the difficulty of withdrawing from the market a highly liquid bond in return for a much less liquid bond. The market may not be willing to absorb the illiquid bond if there are expectations of a further rise in the bond rate or if there is uncertainity attaching to the future movement of the bond rate.

This is not all. It was suggested earlier in this note that the Plan probably desires a rise in the entire family of rates coupled with a rise in long-term rates in relation to short-term rates. Now if the long-term rates have risen recently, or are rising, in relation to the short-term rates, the market may expect the long-term rates to rise still further in relation to the short-term rates. In this situation, private borrowers will now prefer to borrow long in order to take advantage of current long-term rates which are now low in relation to future (expected) long-term rates. For similar reasons, lenders will prefer to lend short rather than long. In this climate it may become extremely difficult either for the private borrower or the government to borrow long-term.

Enough has been said to show that the interest rates policy proposed by the Plan is likely to pose some tough—though not insoluble—problems to the government of the day quite apart from the additional interest "burden". In these circumstances, it would scarcely be surprising if the government, even if it is in fullest sympathy with the broad objectives and aspirations of the Plan, refused to countenance a policy of rising interest rates, or alternatively, expected the monetary authority to provide a vast underwriting service capable of carrying government bonds until they can be gradually lodged in private investor portfolios.

But even if we ignore this entire problem and, like the Plan, consider only the addition to the national-debt service charge that would result from raising the bond rate, is it not too naive to dismiss it as a mere "transfer payment?" The significant question is not whether we call it a transfer payment or by some other name, but whether its economic effects are likely to be desirable. In all probability the increased interest payment to bond holders will require additional taxation. Only in a Euclidean world of complete homogeneity will the effects of extra taxes and the effects of increased interest payments exactly cancel out each other. In the interesting case of the real world in which human beings live and work, there is certain to be some net effect on the distribution of income, on economic incentives and on expenditure levels. What is significant is the size and the direction of this net effect. For instance, it is possible that taxation for this purpose may fall upon sources of funds which normally go into relatively risky ventures while the funds released by way of interest payments may go into the pockets of safety-seeking investors. Again, one would normally suppose that, other things being given, the greater the rate of growth of the national-debt service charge, the greater will generally be the weight of consumption in the national consumption/investment mix.

Throughout much of the interest-rate discussion of the Plan, the reference is to "the rate of interest". In reality, of course, there is not one rate, but a whole complex of rates. As long as there is a definite tendency for all rates to move in the same direction—even though at varying rates of change—there is justification for the short-hand device of representing the entire array of rates by a single rate. But it makes a great deal of difference whether we choose the short-term rate (a la Hawtrey) or the long-term rate (a la Keynes) as our representatives rate.

In the theory of investment, investors are said to compare the marginal efficiency of capital with the rate of interest. But which rate of interest will they use? If the borrower can borrow either short or long, and if his investment is for a long period, he must compare the existing long-term rate with the average of expected short-term rates. (If he expects the long-term rate to decline, he must compare the current long-term rate with the average of expected short-term rates for part of the time and with the expected long-term rate, for part of the time). If the average of expected short-term rates is significantly below the current long-term rate it is the short-term rate that he will compare with the marginal efficiency of capital. If different people hold different expectations, they will use different rates in arriving at their investment decisions. If the aggregation procedures can be properly carried out, we would know, at least in principle, which rate should be chosen for aggregate investment for the economy as a whole.

Stated differently, this means that the decision as to which rate (or rates) should be singled out as the representative rate cannot be derived from economic theory. It is an empirical fact embedded deeply in the structural properties of the specific economic system that we are dealing with. It is evident that the rate of interest chosen by the Plan as the representative rate is the long-term (bond) rate. The Plan has followed a respectable convention. Such a choice is in consonance with the Keynesian model as well as with the widely held belief that in relatively developed economies at any rate, the long-term rate exerts a more potent influence on economic decisions than the short-term rate.

But the organized sector of Ceylon's money market is fundamentally a commercial sector dominated by the short-term movement of exports and imports. It is essentially a market geared to short-term lending. An extraordinarily large proportion of the total private debt both in the organized sector and in the unorganized sector[4] is short-term debt. Both in and outside the organized sector there is only a small supply of long-term funds willing to finance the private investor. These characteristics of the market suggests that long-term private investment activity, in so far as such activity is not internally financed, is being financed primarily on a short-term basis. A complementary explanation is probably to be found in the fact that a very significant proportion of total private investment activity outside residential construction is of a relatively short-term character as in the case of inventory investment, clearing of land, building of fences, digging of wells etc. In the present state of economic and financial development, one wonders whether, in relation to the private-enterprise sector, the cutting edge of the interest rates structure—in so far as it cuts at all—is not located towards the short end of the rates structure rather than towards the long end. This situation, of course, may gradually change under the impact of successive development plans and especially if the financial institutional structure is deliberately modified, as an integral part of the planning process, so as to provide a larger supply of long-term finance to the private sector. In this way, the long-term

4. For instance, see *Survey of Rural Indebtedness*, Monograph No. 12, Dept. of Census and Statistics. Table XIII, p. 22.

rate will no doubt be called upon to do more and more work in the future. Admittedly our know-ledge of the empirical facts does not justify a rigid view. But in the judgement of this writer, the emphasis on the long-term rate is rather overdone in the Plan.

One of the crucial problems involved in the actual achievement of any programme of economic development is to devise an optimum combination of fiscal measures, monetary measures, and administrative controls designed to keep the size and the composition of aggregate monetary demand in tune with the supply elasticity condition of the Plan. Unfortunately, the Plan appears by implication to identify monetary policy almost exclusively with interest-rate policy. But even so, the Plan makes no attempt to determine the place of interest-rate policy in an overall "optimum mix" of policy measures. All that the reader is told is that a rise in the interest-rate is desirable. But why is such a rise in the interest-rate so desirable? The answer given in the Plan is that—

> While it may be true that small changes in the rate of interest have little direct effect on the rate of savings, it is at least equally true that a higher rate of interest should help foster a higher rate of savings than would otherwise be the case.[5]

The sensible way to interpret this rather cryptic statement would be to say either that the savings function has some positive interest elasticity which, however small, should be exploited to the advantage of the Plan, or that even if the savings function is interest-inelastic, a rise in the rate of interest will nevertheless help to curb consumption through its asset-effect.[6]

In what direction will a rise in the interest rate influence consumption (savings) decisions? It is true that it may induce some people to consume less than before because they can now expect a higher return on their unspent income. But other groups who refrain from consumption in order to obtain a fixed future annuity may now save less than before. Still other groups of consumers may not pay any attention to interest-rate behaviour, but save what they can as a simple matter of habit. But it would be impossible to determine on theoretical grounds what the net effect is likely to be even at the static level of analysis. Similarly the asset-effect of interest-rate changes on consumer behaviour is theoretically undeterminate. Some households may lower their consumer expenditure with a fall in the market value of their relatively liquid assets, but others may behave in the opposite way. In any case the people who own marketable assets are people who are in the habit of

5. *The Ten-Year Plan*, p. 138.

6. A rise in the interest rate will imply a fall in the marketable value of non-monetary liquid assets held by households and this may exert some influence on household expenditure decisions.

saving and will they not continue to save regardless of the behaviour of interest rates? The entire position is rendered even more intractable if we assume that each increase in the interest rate will give rise to a complex of expectations about the future course of interest rates.

The problem can only be solved by appealing to the facts. Empirical evidence in other countries confirms the existence of the conflict in behavioral patterns suggested above and suggests further that the net effect of interest rate changes on consumption is likely to be weak. In Ceylon, a very large proportion of total personal savings emanates from a very small proportion of the total population who belong to the upper income brackets. Survey data, while not being very reliable, suggest that only about 9 per cent of total income receivers in this country are able to save anything at all.[7] On the basis of available empirical knowledge, it is not possible to predict how these savers will react to a change in the interest rate. As for econometric findings, the writer knows of no economist who has ever found a significant correlation between the rate of interest and consumption after allowing for the correlation between income and consumption. The balance of probability is that the planners' expectations with regard to the interest-rate effect on consumption are unlikely to have been fulfilled.

But even if we assume that the savings function is interest-elastic to some significant degree, we need additional information before it is possible to decide whether a rise in the interest rate is desirable, unless, of course, it is assumed simultaneously that investment activity is totally insensitive to interest rate changes. As far as the private-enterprise sector is concerned, the investment function must be derived from the basic notion that producers demand factors of production in quantities calculated to maximise expected profits over their plan periods. When this notion is extended to be the specific case of capital goods, it is evident that producers relate their demand for capital equipment to the return that they expect to make during the life period of the capital asset. The rate of interest enters into these calculations as a component of the discount rate applied to anticipated future returns. It might well be the case that, in actual practice, the interest component is so overshadowed by the risk component of the discount rate—or the degree to which investment is self-financed may be so high—that the interest-rate counts for very little in investment decisions. But this is no reason for ignoring the interest factor. At least the reader, in order to make up his own mind, is entitled to an explicit expression of the planners' views with regard to the significance of the interest rate, as well as the significance of other monetary variables—such as liquid wealth and credit availability—which competent scholars have built into the investment relation.

7. *Survey of Ceylon's Consumer Finances*, Central Bank of Ceylon (Colombo) 1954 Tables 10 and 36.

Today there is a wide literature—including an impressive array of empirical studies[8]—supporting the thesis that although interest rates may have definite importance for certain investment categories, these effects do not reveal themselves in aggregate investment to any really significant extent. Theoretical arguments advanced in support of this view are that (*a*) large risks attaching to current-day investment decisions have the effect of so greatly shortening business horizons that interest rates are not given a chance to be important and (*b*) a large proportion of total investment activity is financed from sources internal to the firm so that investment behaviour is insulated from the market rate of interest. It must be conceded that these arguments are not totally irrelevant to the local scene. Undoubtedly a significant part of total private investment activity in this country is being financed from internal sources. In a widely oscillating export economy, risks and uncertainties surrounding investment decisions are bound to be large. Moreover, about 16 per cent of the total private investment outlay envisaged in the Plan is to be "large-scale" industries. In a backward agricultural economy, psychological risks attaching to pioneering efforts in the industrial field need no emphasis.

But let us look at the other side of the picture. The sectoral distribution of private investment pictured in the Plan[9] is strongly weighted in favour of types of investment activity which have been traditionally accepted in Ceylon as being safe—e.g. tea, rubber, coconut and other export crops—or which are likely to be characterized by relatively long horizons—e.g. housing, construction, transport etc.,—which are likely to show some definite sensitivity to interest-rate changes. In any event, even if a reduction of interest rates in the organized market may not have much influence on investment, a reduction of rates from (say) 20 per cent to 10 per cent in the non-institutional sector—if it could be achieved by a bold policy of pushing organized banking into areas presently dominated by the money lender—could surely be expected to produce a powerful upsurge of private investment activity. Even if this latter argument is ignored, investment behaviour is certain to be *more* sensitive to interest-rate changes than consumer behaviour, provided we make the realistic assumption that the vast bulk of private investment outlay pictured in the Plan will not be self-financed.

8. For instance see J. Tinbergen, *Statistical Testing of Business Cycle Theories*, Vol. 1 "A method and its application to Investment Activity", League of Nations, Geneva, 1939; J.S. Pesmazoglu, A note on Cyclical Fluctuations in British Home Investment, 1870–1913. *Oxford Economic Papers* (NS) Vol. 3, 1951, pp. 39-61; L.P. Alfred, Technical Changes in Manufacturing Industries, *Recent Economic Changes* (N.Y. 1929) p. 139; R.P. Mack, *The Flow of Business Funds & Consumer Purchasing Power* (N.Y. 1941) pp. 255-56; J.F. Ebersole, The Influence of Interest Rates upon Entrepreneurial Decisions in Business—A. Case Study *Harvard Business Review*, Vol. XVII, 1938, p. 35; H. D. Henderson, The Significance of the Rate of Interest, *Oxford Economic Papers*, No. 1, 1938, p. 1.

9. *The Ten-Year Plan* op. cit. p. 78.

We have been arguing above that while the Plan seems to imply that savings are interest-elastic and that private investment is interest-inelastic, the real situation is likely to be quite the reverse. Even if full employment of the (growing) capital stock is somehow maintained continuously throughout the Plan period, the interest-rate policy proposed in the Plan would either imply a lower ratio of investment in the national investment/consumption mix (which implies a lower rate of capital accumulation) than need be the case, or alternatively, a higher ratio of government investment in the government/private investment mix. While the latter possibility does not involve a lower rate of capital accumulation, the relative size of government investment should hardly be determined purely on the basis of some prior decision regarding the interest rate. In the view of this writer, far from requiring a rising level of interest rates, the fulfilment of the investment targets envisaged in the Plan for the private-enterprise sector would require as a necessary—though by no means sufficient—condition, a regime of cheap money, coupled if necessary, with a wider use of selective measures and administrative controls. It can of course be argued that even if the investment function is interest elastic, rising interest rate will do no harm either because the growth of the capital stock, unlike in developed systems, will be associated with a rising rate of return on capital goods[10]—this is the opposite of the Keynesian long-run concept of the declining marginal efficiency of capital—or that 'innovation' or some other 'shocks' will provide adequate inducement to investment, which will more than offset the depressing effect of the rising rate of interest. We hold that while this is theoretically conceivable, the uncertainties attaching to such a possibility are so great that it is best ignored until we have the necessary empirical material on the basis of which a firm judgement can be made.

The difference of views between this note and the Plan stems partly also from differences in the significance attached to some of the by-products of a dear money policy. The Plan dismisses the increase in the interest change on the national debt that would result from a high-interest rate policy as a mere transfer payment which, presumably, does not deserve further attention. We hold that the reduction in the interest charge that will result from the cheap money policy will be beneficial. It will reduce the need for extra taxation to finance the national-debt service charge. It will keep private interest earnings low so that the share of national income accruing to *rentier* elements and to financial institutions will be prevented from rising to an unhealthy degree in relation to the shares of labour and entrepreneurial groups. Partly, the difference of

10. In developed systems, statistical studies reveal a strong negative correlation between investment and the capital stock. This, of course, need not be true of Ceylon which is still in early stages of the growth process. In a system where "overheads" are scarce and where the growth of capital stock is likely to be accompanied by a breakdown of cultural barriers to investment, it would by no means be absurd to expect a positive correlation between the yield on captital goods and the stock of capital.

views can be traced to the fact that the Plan does not make adequate allowance for the fact that a rising level of interest rates would almost certainly require a tight hold on the stock of money and the availability of credit. After all, the money market variable does not manifest itself solely—or necessarily in the most significant form—through the interest rate. Even if investment is totally insensitive to interest rates, investment activity could still be greatly damaged though the tightening of credit facilities and the enforced fall in liquid balances in investor portfolios which are the inevitable practical concomitants of a dear money policy. We believe that a cheap money policy in the broadcast sense—including a plentiful credit supply at cheap rates both in the organized and the unorganized sectors of the money market for economically and technically-feasible projects within the preference framework of the Plan—is one of the consistency conditions of the Plan.

Partly, the difference of views arise from the failure on the part of the planners to introduce a sufficient degree of disaggregation into their "money" analysis. If this was done, it would have been evident that a dear money policy is likely to exert various undesirable *differential* effects. For instance, the main impact of such a dear-money policy would probably be on the smaller businesses rather than on the larger firms, on constructional activity rather than on inventory investment, on new borrowers rather than on old established concerns, on local entrepreneurs rather than on foreign businesses, on innovators rather than on conservative producers; and so on. Moreover, a dear-money policy will tend to postpone indefinitely the urgent task of institutionalizing the non-institutional sources of credit, of removing, within a reasonable span of time, the crushing burden of rural debt which has so greatly damaged production incentives in agriculture, and generally of bringing about a closer integration of the subsistence sector and the money economy.

It must, however be stressed that the interest-rate discussion in the Plan does not appear to form an integral part of the Plan in the sense that there is nothing to prevent the Plan from being accepted and implemented while rejecting its monetary prescriptions. As stated at the outset, the model embodied in the Plan is essentially a "real" system. There are, of course, various formal ways of incorporating the supply and demand for money in such a "real" system. For instance, the demand for investment goods may be depicted as depending on the interest rate (which, in turn, is related to the supply and demand for money); or consumers may be conceived as being influenced by the quantity of liquid assets which they possess; and so on. The method chosen by the Plan is to regard consumers as being influenced by the rate of interest, which, in turn, is implicitly related to the supply and demand for money. Which method should be chosen in a model expressly built for shaping practical policy, of course, must depend on the facts of life. In the view of this writer the assumptions made by the Plan in this connection are not plausible. The interest rate appears to have been tagged on to the Plan for the sake of formal completeness without adequate empirical investigation; without adequate regard to the weight of empirical findings in other countries; without sufficient thought to the *modus operandi* of achieving the prescribed changes; and without adequate reflection on the need for reshaping and greatly expanding the banking and the financial institutional structure as a necessary —though not sufficient condition—for achieving rapidly expanding levels of private investment.

STUDIES IN BRITISH LAND POLICY IN CEYLON—I

The Evolution of Ordinances 12 of 1840 and 9 of 1841

K.M. de Silva

Few aspects of British rule have been the subject of such passionate nationalist condemnation as the land legislation of the colonial administration, though curiously, there have been few attempts to make a scientific and dispassionate study of this legislation. Ordinance 12 of 1840 and 9 of 1841—the subject of this article — have attracted a great deal of criticism but it was only a few years ago that Vanden Driesen published the first scientific study of the origins of these two ordinances.[1] This present article seeks to fill in certain gaps in Vanden Driesen's study, to make a few criticisms and to suggest an alternative interpretation.

From the late 1830's onwards land in the Kandyan Provinces, where coffee proved to be so great a success (and where sugar held such high promise) became almost over-night a very valuable commodity. Here the new force of capitalism faced a deeply rooted conservatism and a traditional pre-capitalist land tenure system. What the planters wanted was land as cheap as possible, and with the land, fixity of tenure, clarity of title, and precise legal definition of the rights of ownership, all of which were 'concepts' alien to the Kandyan region. The Kandyans understood only the traditional 'rights' and practices of land use. And it was a tragedy that capitalist agriculture in its most modern form had to develop in precisely those parts of Ceylon which had preserved longest the age-long customs and traditional usages of the Sinhalese.[2]

Vanden Driesen has neglected two themes both of which are indispensable to a clear understanding of these ordinances. The first of these was the involvement of the local civil servants in plantation agriculture; indeed in the early 1840's the great bulk of these officials were more coffee planters than civil servants. A contemporary observer remarked that

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1. Land Sales Policy and some Aspects of the Problem of Tenure—1836-1886; Part II, *University of Ceylon Review* XV, pp. 36-52.

2. The only region of the old Kandyan Kingdom which proved to be unsuitable for purposes of plantation agriculture was the present North Central Province.

"The mania for planting in Ceylon was as great and as disastrous in its small way as the railway furor in England . . .The Governor[3] and his civil servants dabbled in the speculation and scalded their fingers . . ."[4].

More to the point, every single official involved in the actual preparation (and amendment) of these ordinances had a stake in the coffee industry and some of them earned a measure of notoriety as land speculators.[5] George Turnour the man believed to be actually responsible (in his capacity as Acting Colonial Secretary) for the drafting of Ordinance 12 of 1840 was actively engaged in the planting industry at the time he prepared this ordinance.[6]

Turnour whose substantive post was Government Agent of the Central Province was keenly aware of the conflict between plantation agriculture and the traditional subsistence agriculture of the Kandyans. In a letter of November 28th 1837 he contrasted the "comparatively valueless crop of grain . . . which can only be raised after long intervals of from 10 to 20 years" and the coffee plantations "from which more permanent wealth came to be created in the Colony".[7] He believed that chena cultivation checked the formation of plantations. And when, again in 1837, peasants complained against the sale of some blocks of forest land on the grounds, among others, that the "springs and water-courses by which paddy fields (were) irrigated, being situated in that forest", Turnour was coldly unsympathetic remarking that he could not consider this

"to be a sufficient ground to prevent the government disposing lands so circumstanced, provided the non-disturbance of the water-course be stipulated for, in the condition of sale. For an unreserved admission of the validity of this plea would materially fetter government as to the disposal of forest land, which description of land recent experience has established to be the best, and perhaps the only well adapted land for the growth of coffee".

The attitude of Philip Anstruther, Colonial Secretary of the Ceylon Government from 1830 to 1845, and a coffee planter and land speculator in addition, was even more instructive. In 1840 he strongly supported the alienation of temple lands for the purpose of plantation agriculture. "I have been recently informed", he remarked,

3. Governor Steuart Mackenzie 1837-41.

4. Rigg, C.R. Coffee Planting in Ceylon, *The Ceylon Examiner*, 16th June 1852. See also Tennent, *Ceylon* II, pp. 231 ff. For a full list of officials who had bought land suitable for plantation agriculture, see *The Second Report on Ceylon* (1850), the evidence of G. Ackland, p. 303; *The Third Report on Ceylon*, the evidence of J.E. Tennent, pp. 352-3. Governor Sir Colin Campbell, unlike his predecessor, had no connection at all with the planting industry.

5. Philip Anstruther, the Colonial Secretary of the Ceylon Government (1830-45) earned the reputation of being the most notorious of these land speculators. See Grey MSS, Torrington to Grey, 9th June 1848.

6. George Turnour was among the earliest to invest in coffee. A recent writer states that in 1836, Turnour in partnership with a Colonel Lindsay bought 1800 acres of land in Dumbara. Villiers, *Mercantile Lore*, p. 3. A despatch of 1846 (C.O. 54/240, Campbell's miscellaneous despatch of March 10th 1846) refers to a joint purchase of 725 acres in Dumbara by Turnour and Lindsay on Sep. 29th 1838.

7. Turnour's letters of Sep. 1st and 28th Nov. 1837 to Anstruther, enclosed in Ward's famous Lands' despatch of 29th August 1849 in C.O. 54/345.

"that an Ordinance[8] the object of which was to prevent the transfer of lands into mortmain and for permitting the sale of Temple lands with the Governor's assent is much connected with the interests of the planters. . . Vast quantities of waste lands are possessed by temples as a sort of appendage to trifling spots of cultivated fields. These lands are of extremely little value to their possessors but are well suited to the cultivation of coffee and sugar, and indeed nearly the whole of one of the finest provinces, Saffragam (sic), is thus locked up and rendered useless. If they could be alienated they could be speedily sold to the great advantage of the Public and in my opinion the power so conferred upon the Governor to authorise the alienation of Temple Lands does not exceed the powers exercised by the Kings of Kandy and therefore can be considered no invasion of the rights of the temples or departure from the intention of the donors . . . "[9]

With men like Turnour and Anstruther actively interested in plantation agriculture and predisposed to help the planters, the urgency of the need to provide land for the expansion of capitalist agriculture was appreciated by the Ceylon government with greater alacrity than it otherwise would have been.

The second neglected theme is, in a sense, even more important than this. The general background in which these ordinances were framed is clear enough, but the precise circumstances which compelled the drafting of this legislation, and the particular form which these ordinances assumed have hitherto been unknown. And not surprisingly because this information is available only in a despatch dealing with the grievances of a minor Government employee, a D.C. Morgan.[10] It was typical of the methods adopted by Stewart Mackenzie and his officials in their attempts to obtain Colonial Office approval for Ordinance 12 of 1840—to give the Colonial Office as little information as possible, to confuse and mislead the home Government. This information relating to certain legal decisions of the District Court of Tangalla was not sent along with the despatches on Ordinance 12; it was sent only incidentally and given the apparently trivial nature of the despatch it was enclosed in, there is a measure of doubt whether the officials of the Colonial Office ever read it, or even if they did, realised its significance.

In early 1837 the District Judge of Tangalla, in the course of his judgement in a protracted land dispute, laid it down *inter alia* that as

a strict legal rule in the determination of land cases in these particular districts (the Matara district) that where lands actually cleared and brought under cultivation previously to the capture have since continued to be occupied and cultivated at the usual periods according to the nature quality and situation of the property such lands can no longer . . . be considered as Government land, but that subject of course to the payment of the accustomed duty, and to the usual incidents and conditions of this tenure, they must be taken and deemed as completely the property of the holder so far as the Government is concerned . . .[11]

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8. Ordinance 2 of 1840 "to restrain Gifts or Dispositions of Land for Religious or charitable purposes whereby the same becomes inalienable".

9. C.O. 54/185. Anstruther's confidential Memorandum on Ceylon, of 23rd Nov. 1840, pp. 80–2.

10. C.O. 54/180. Stewart Mackenzie to Russell, 121 of 31st July 1840.

11. *Ibid.*

The Assistant Government Agent of Matara at once understood the implications of this decision :

It is universally admitted that all lands in this colony to which private individuals cannot prove a competent title are considered to be the property of the Crown, and it is a rule in law that a person claiming property must adduce a prima facie title to it before the adverse party can be called upon to support its defence but the converse of this is laid down in the decision in question . . .The *onus probandi* is thus upon Government which is called upon to prove a negative, at all times a most difficult matter.[12]

This decision alarmed G.H. Cripps the Government Agent of the Southern Province as well, and he consulted the Queen's Advocate but this latter official was inclined to the opinion that the probable injury to the Government was overstated particularly because the Government did not appear to have been a party to the case; he held that in these circumstances nothing in the decree could affect its title or interest in the land in dispute. Besides, there was the further consideration that the Supreme Court of Ceylon had never yet held the law of prescription to be applicable against the Crown. He conceded, however, that this decree might induce parties to bring forward claims against the Crown, and he agreed that it would be desirable to have the first case of the kind in which the Government was a party argued before the Supreme Court collectively; further measures could await the result of such a decision.[13]

The opportunity to challenge this interpretation came in 1838 when the Maha Mudaliyar—at that time an Illangakoon—laid claim before the District Court of Tangalla to about 8000 acres of land supposedly the property of the Government and including the Kahanaduwa lewaya in the Giruwe Pattu of the Tangalla district.[14] The Maha Mudaliyar intended to take advantage of the rule laid down in 1837 to compel Government to prove its title against him. The Acting Deputy Queen's Advocate, J.J. Staples was instructed "to lose no time in intervening on behalf of Government to oppose the Maha Mudaliyar's claim since the subject is one of very great importance and demands your most serious attention".[15] The Government took up the position that this tract of land had long been considered the property of the Crown.

The Court decided in favour of the Maha Mudaliyar and set aside the claims of the Crown to these lands. Cripps was all for appealing against this decision for he realised the gravity of its implications :

. . .(If) it is incumbent on the Crown to prove title to its possessions in the Matara District, there is scarcely an acre of High land in that division which will remain at its disposal.[16]

12. *Ibid.* Letter of A.G.A. Matara to G.A. Southern Province of 17th May 1837 enclosed.

13. C.O. 54/180. Stewart Mackenzie to Russell, 121 of July 1840.

14. *Ibid.* D.C. Tangalla cases 659 and 675 of 1838.

15. *Ibid.* Letter of P.E. Wodehouse, Acting Colonial Secretary to J.J. Staples, Acting Queen's Advocate of Aug. 14th 1838 enclosed. Cripps' letter to Wodehouse conveying information about the decree in this case was dated Aug. 2nd 1838.

16. *Ibid,* Cripp's letter to the Acting Colonial Secretary, of Sept. 9th 1839 enclosed.

The Southern Province was at this time, still regarded as a promising centre of coffee production.[17] And Cripps was particularly anxious that the law of prescription should be clearly defined because

. . .parties who were lately desirous to effect purchases in the Matara District (had) informed (him) that as almost every acre of waste land is now claimed by the inhabitants, the selection of a sufficient extent of connected Government land to form a coffee estate is almost impracticable.[18]

His letter was addressed to George Turnour then Acting Colonial Secretary, who was as deeply perturbed at this decree as Cripps himself, and Turnour inquired from the Acting Queen's Advocate W.O. Carr whether there should be an appeal on behalf of the Government, either before a full bench of the Supreme Court, or a special appeal 'to the Queen in Her Majesty's Privy Council'. Carr argued against any collective re-hearing in review before the three judges of the Supreme Court, on the ground that it would be 'impracticable' without an appeal being previously allowed by special application to Her Majesty in Council, a course which he would not advise under "all the circumstances of this case". Besides, there was a more effective solution to these problems; Government was already preparing legislation in the form of a "new encroachment ordinance remedying the difficulty under which the Government has been in proving its title to High or Waste Lands by throwing the '*onus probandi*' on the claimants."[19] The reference was of course to Ordinance 5 of 1840 the precursor and indeed the basis of Ordinance 12.

II

It would appear that as early as July 1839 Stewart Mackenzie had written to the Secretary of State for the Colonies—then the Marquis of Normanby—on the subject of waste lands and prescriptive rights. By this time coffee was a proved success and the Kandyan Provinces had become the centre of plantation activity.[20] And Stewart Mackenzie and his Executive Council were certain to have taken into consideration the situation created by the Tangalla decision in favour of the Maha Mudaliyar. There was nothing to prevent the Kandyans from raising this issue before the Supreme Court with regard to lands in their region, and should that happen the coffee industry would be faced with an insuperable obstacle. To forestall any such development Mackenzie urged his superiors in England to adopt "measures whereby the Crown lands may be ascertained and registered with a view to future sales." He declared that the main problem which faced the administration in this regard was the fact that peasants were laying claim to what the Government considered were Crown lands. Mackenzie reiterated the official view on Crown lands and pres-

17. Lewis, R.E. *op. cit.* With the success of coffee in Dumbara, operations in the Southern Province began to decline, but this was from about the end of 1838.
18. C.O. 54/180. Stewart Mackenzie to Russell 121 of 31st July 1840, Cripp's letter to the Acting Colonial Secretary of 31st Jan. 1840.
19. *Ibid.* W.O. Carr's letter to the Acting Colonial Secretary of 31st. Jan. 1840.
20. Lewis, *op.cit.* pp. 6 ff.

criptive rights, a view which the Tangalla judgement had apparently rejected, viz. that the Crown had 'a catholic right to all the lands not proved to have been granted at an earlier period.' The burden of proof of ownership, he asserted, ought to be placed on the private party and not on the Government.[21]

The Colonial Office was kept in the dark about the Tangalla decision and neither Normanby nor the permanent officials were aware that Mackenzie's despatch was a carefully prepared (if clumsily drafted) re-assertion of a position that had been weakened by this decision. Nor were they aware that a prescription ordinance was being prepared by an Excutive Council composed almost entirely of men with a stake in the coffee industry.

It is no matter for surprise that the Colonial Office did not treat this despatch as a matter of any great significance. James Stephen, sent this despatch on to Gordon Gairdner a Colonial office clerk who on his own initiative, passed it on to a man with some experience of conditions in Ceylon, a Captain Gascoigne. Gascoigne sent back a memorandum severely critical of Mackenzie's suggestions; Stephen accepted this memorandum *in toto* and made it the basis of Lord John Russell's—he had replaced Normanby at the Colonial Office—reply to Mackenzie.[22]

Gascoigne made the point that the Crown was suffering from the same evil which affected a large amount of private property in Ceylon, viz. "the insecurity of possession from the difficulty of proving an incontestable title". He was not inclined to accept Mackenzie's suggestion that the burden of proof of ownership ought to be placed on the private party; indeed, he argued that any attempt to throw the burden of proof on private parties by demanding exhibition of titles would produce the most iniquitous results. Poor and illiterate people could not be expected to take care of these titles, and it was doubtful if very many of these with valid claims could produce titles at all.

He suggested that the simplest way to determine claims would be for the Government Agents and their assistants to call upon all headmen of divisions and villages to inquire and report on what lands under their jurisdiction belonged to the Crown, and to correct that information by such collateral evidence as was available. Once they had decided on what lands the Crown had a presumptive title to, a Government Commission could lay down the boundaries, and by a proclamation inform the people as to what lands precisely the Crown asserte a right, at the same time calling upon claimants to any part of these lands, to bring forward proof of these claims. After such public acts as these an omission to prefer a claim under the proclamation would be strong *prima facie* evidence on any future day that no such claim had equitable existence.

21. C.O. 54/171. Stewart Mackenzie to Normanby, 26 of 15th July 1839.

22. C.O. 54/171. Russell to Mackenzie 30 of 25th Nov. 1839.

The procedure suggested by Gascoigne was bound to be both cumbersome and prone to delay—he clearly underestimated the difficulties involved—but it had the virtue that it was designed to protect the rights of both the Crown and the private owner. Gascoigne's memorandum arrived in Ceylon only after Mackenzie and his Executive Council had sent home a draft of Ordinance 5 of 1840 "to prevent encroachments on Crown lands".[23]

In the despatch that accompanied this draft Ordinance, Mackenzie declared that

> the necessity for an enactment of this nature had been so urgently pressed upon the attention of the Government for some years, that (he) felt (he) could no longer with propriety postpone attempting to check these encroachments upon the property of the Crown which are daily becoming not only more numerous but also of more importance from the increasing demand for Crown Lands for some time past owing to the rapid introduction of capital into the country for agricultural speculations.[24]

He added that there were strong doubts in the Executive Council whether the powers assumed in this Ordinance would be sufficient to check these encroachments, but he was unwilling to bring in an Ordinance more stringent than this as a first measure.

Mackenzie was perhaps exaggerating the extent of these "encroachments", and, what was more reprehensible, neglecting to inform his superiors, that the peasants, on their part, were insisting on their traditional rights of "user" to lands which Government was anxious to sell to planters for capitalist agriculture. The fact is that lands not effectively used or occupied were mistakenly assumed by Europeans to have no claimants. The native inhabitants, however, have had generally well defined traditional claims to the undeveloped land in the vicinity of their cultivated plots and this land was used for the grazing of live-stock, as a source of fuel and building and thatching materials, and as a reserve for the potential cultivation needs of posterity.

The Ceylon officials were in no way inclined to provide the Colonial Office with a complete picture of the situation with regard to the land problem in the Colony. And Mackenzie's despatch, by design or accident, tended to confuse the issue. While it emphasised the fact that these "encroachments" were a serious impediment to the development of plantation agriculture, the general argument of the despatch tended to indicate that these affected mainly the Government's cinnamon lands in the Maritime Provinces.[25]

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23. Vanden Driesen makes no mention of Ordinance 5; indeed he confuses it with Ordinance 12 of 1840, and states that ordinance 12 was introduced in February 1840. It was actually Ordinance 5 that was introduced in February; Ordinance 12 was introduced in December 1840 after the Colonial Office had objected to Ordinance 5.

24. C.O. 54/178, Mackenzie to Russell, 31 of 10th February 1840.

25. *Ibid.*

One of the claims made for this Ordinance was that it afforded a measure of just protection both for the possessions of the Crown and for those of private individuals. Mackenzie explained that a very great proportion of the lands in the interior of the Colony were held by people who, although they were undoubtedly entitled to them and held them by regular descent for several generations, were yet unable to adduce any valid legal title. The sixth clause of the Ordinance, it was urged, was framed to give such persons a measure of protection. But in reality while it protected the rights of the Crown, it rendered the process of proving title to land, as far as the private individual was concerned, more difficult and complicated.[26]

At the Colonial Office this Ordinance was treated as dealing with a matter of such little difficulty that it could be safely left to be handled by the clerks. James Stephen had no comments to make, but merely sent it along to the Law Officers of the Crown for theirs.

Their report was on the whole, unfavourable.[27] The first clause of the Ordinance, they found was "wholly inconsistent with security of title" and "inconsistent with the principles which ought to regulate the law of real property under every government". But their severest criticism was concentrated on the question of prescriptive right.

> If there had been a limitation as to the period within which the party complained of had entered illegally on land belonging to the Crown the proceeding to eject him in a summary manner might be justified and might be salutary; but as the clause is framed, where there had been undoubted possession for a century a party may be turned out of possession on the allegation that the original entry was without probable claim or pretence of title, thus giving no effect whatever to prescription.

They added that if such a limitation was introduced the Ordinance might be approved.

On their advice the Colonial Office rejected the Ordiancne with the concession that "should however the Legislative Council re-enact the Law with the amendment suggested by the Law Officers of the Crown there will be no objection to the confirmation of it."[28]

It was at this stage that Mackenzie drafted Ordinance 12 of 1840 "To prevent encroachments upon Crown Lands", the basis of which was Ordinance 5. Ordinance 12 of 1840 declared that

(*a*) all forest, waste, unoccupied or uncultivated land were presumed to be the property of the Crown until the contrary was proved. All chenas and other lands cultivated at intervals were, if situated in the Kandyan Provinces, deemed to belong to the Crown except on proof of a grant, together with satisfactory evidence as to its limits and boundaries or of "such customary taxes, dues or

26. See Vanden Driesen, *op. cit.* pp. 39-41.

27. C.O. 54/184. Report of Law Officers of the Crown on Ordinance 5 of 1840.

28. *Ibid.* James Stephen's minute of 9th June 1840.

services having been rendered within twenty years for the same, as were rendered within such period for similar lands being the property of private proprietors in the same districts". In all other areas of the colony chenas and lands cultivated at intervals were deemed to be forest or waste lands within the meaning of the sixth clause of the Ordinance.

(*b*) where it had been found that land had been encroached upon, the offender was liable, under pain of imprisonment or a fine not exceeding £5, to surrender such property together with buildings and crops upon it, to the government. All persons who, without a permit or title had taken possession of and cultivated land and held uninterrupted possession for 10 years could secure a grant of such lands from the government on the payment of half its improved value, and the government likewise retained the right to eject such persons on payment to them of half the improved value of the land.

(*c*) the period of prescription was fixed at thirty years.

The despatch that accompanied the ordinance was brief.[29] It focussed attention once again on the importance of checking encroachments on cinnamon lands—in many instances, encroachments lying at the very heart of the cinnamon plantations. There was little or no mention of what, after all, the administration was after—land for coffee and sugar in the Kandyan Provinces.

Once again James Stephen merely sent the Ordinance and the despatch that accompanied it to the Law Officers of the Crown who, finding this to be as objectionable as its predecessor, firmly declared that "...such a law ought not to be introduced into any British colony".[30] They concentrated their criticism on the problem of prescriptive rights declaring that

> where there has been a recent encroachment on the property of the Crown the summary proceedings authorized by the last section (of the Ordinance) may be very necessary and proper but where there has been quiet enjoyment for a considerable period the title to the land ought to be tried by the ordinary processes and rules of law. But this Ordinance now enacts that where there has not been an uninterrupted possession of 30 years the party may be turned out of possession *brevi manu* and left afterwards to make out his title as he may. Thirty years may be a very fair prescription for some purposes but the period for this summary proceeding . . . ought not to exceed two years or five at the utmost. [31]

James Stephen's reaction to the very decided and effective minute was to assume that the ordinance ought to be disallowed but he was over-ruled by his political superiors, Lord John Russell and Vernon Smith who, in the face of this severe condemnation decided that it would be far more convenient to amend the Ordinance by merely altering the period of prescription from

29. C.O. 54/182. Mackenzie to Russell, 183 of 9th December 1840.

30. C.O. 54/193. Minute of the Law Officers of the Crown, 26th February 1841.

31. *Ibid.*

30 years to five.[32] The Ceylon officials were informed of the opinions of the Law Officers of the Crown (Russell's despatch was their report in another form); they were also informed that the Ordinance would not be disallowed if the period of prescription did not exceed 2 years or 5 at the most. Along with their despatch they sent an Order in Council allowing the ordinance subject to the amendment suggested.[33]

III

Ordinance 12 was by no means a skillfully drafted enactment.[34] The fact is that nobody in the Ceylon administration had or indeed could have had, anything like a thorough knowledge of the intricacies of the customary system of land tenure, and the person who was perhaps best informed in these matters, G. Turnour, was far from being sympathetic to the traditional system. That the Government had "a catholic right to all land not proved to have been granted at a former period", was a perfectly understandable thing to men with a (nineteenth century) knowledge of English feudalism; that this theory was a rather convenient (and profitable) one was another of its attractions. The administration could use it in order to create a land-market in Ceylon for the purpose of plantation agriculture.

Almost as soon as Ordinance 12 had been sent abroad for approval the Ceylon officials realised that amendments were necessary, and amendments were being prepared long before the Colonial Office had completed its scrutiny of the ordinance. Though Mackenzie was replaced in the meantime by Sir Colin Campbell, the Ceylon civil servants continued the work begun under him.

The first to draw attention to the inadequacies of Ordinance 12 was Wodehouse. In July 1841 he drew up a minute declaring that the Ordinance "could not prevent the occupation and destruction of Government forest."[35] This minute was coldly legal but it needs to be quoted just to show the difficulties involved.

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32. C.O. 54/182. Stephen's minute of 1st. March 1841 and Russell's minute of 11th March 1841 in Mackenzie to Russell 183 of 9th Dec. 1840. It would appear that while the Law Officers of the Crown felt that the period for summary ejection should not be more than 2 to 5 years, they were quite satisfied with a prescriptive period of 30 years. But the Colonial Office did not distinguish between these two aspects and in effect reduced the prescriptive period to 5 years.

33. C.O. 54/182. Russell to Colin Campbell, 93 of 25th August 1841.

34. See Hayley, *A Treatise on the Laws and Customs of the Sinhalese* (Colombo, 1923), pp. 270 ff. See also the authoritive speech of E.B. Alexander then Controller of Revenue, during the debate on the Land Laws of Ceylon. *Ceylon Legislative Council, Debates* 1927, 441 ff.

35. C.O. 54/190. Campbell to Russell 110 of 15th Nov. 1841, see enclosed letter of P.E. Wodehouse dated 22nd July 1841.

It appears to me that the following priviso 'Provided always, that nothiing in the preceding or in the first clause of this Ordinance contained shall extend to any land referred to in the 6th clause of this Ordinance, nor to any public road, street or highway nor to any land known or held as Toonhawal (sic) land', [36] contained in the 9th clause completely defeats as it now stands, the object for which the ordinance was in a great measure enacted, namely to prevent the occupation and destruction of Government Forest. It is obvious that the intention of the proviso was to prevent parties from acquiring a title to the lands referred to in the 6th clause by virtue of the periods of possession laid down in the first and eighth clause, but the 9th clause has been so worded as to prevent recourse being had to the only mode of proceeding for ejecting parties from Forest Lands which the Ordinance provides.

Arthur Buller, the Queen's Advocate agreed with Wodehouse in this interpretation of the ordinance, and suggested "that a short ordinance had better be provided to amend the clause in question".

The Ceylon officials prepared a brief amending Ordinance—Ordinance 9 of 1841 "to repeal the 9th clause of Ordinance 12 of 1840 and re-enact certain of its provisions". This amending ordinance contained merely two clauses; the first repealed the ninth clause of Ordinance 12; the second was of greater significance. It read as follows :

And it is further enacted that none of the provisions contained in the eighth clause, nor the provision touching prescription contained in the first clause of the said ordinance 12 of 1840 shall extend to any land referred to in the sixth clause thereof.

Campbell informed the Colonial Office that this amendment was introduced to rectify " a clerical error that had taken place in drawing up the Ordinance of 1840". And at the Colonial Office a brief minute from James Stephen ("I apprehend that this should be confirmed by an Order of the Queen in Council. The draft of such an order with a brief letter to the Lord President should be prepared accordingly") marked its quiet acceptance.

This Ordinance was sent home about a fortnight before Russell's despatch on Ordinance 12 arrived in Ceylon.

Vanden Driesen argues that the ease with which Ordinance 9 of 1841 received Colonial Office sanction, despite the injustice of its clauses makes one suspect collusion between the Colonial Office and the Governor. In support of this theory he puts forward the following arguments.[37]

There is virtually no correspodence on the question in the official files. The Ordinance was merely suggested by the Governor, and the Secretary of State agreeing, became law in the space of a few months. One cannot but compare the earlier attitude of the Colonial Office;—the insistence on a short prescriptive period; the protestation that the indigenous population was being unfairly treated etc. with the facile acceptance of a bill so manifestly iniquitous.

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36. In Dutch times *tun-haval* land was given on the condition that one third of the land wsa planted with cinnamon for the exclusive use of the Dutch East India Company, and the remaining two-thirds with coconut, jak, and other fruit trees for the use of the grantee.

    Codrington, H.W. *Ancient Land Tenure and Revenue in Ceylon* (Colombo, 1938) p. 41.

37. Vanden Driesen, *op. cit.* pp. 41-42.

There appears to be no alternative but to believe that Mackenzie in a secret despatch home made the authorities realise that his proposals were in keeping with the interests of British capital; the areas suitable for coffee cultivation fell within the districts to which the Ordinance 9 applied; that the expansion of plantation agriculture, i.e. British capital investment in Ceylon, and the augmentation of the island's treasury would have been well-nigh impossible if the prescriptive rights of the Kandyans were recognised. Hence perhaps the quiet acceptance of the Ordinance, its quick passage, and the cessation of any further concern for the peasants' "insecurity of possession from the difficulty of proving an incontestable title".

This explanation is in many ways unsatisfactory. For one thing, it assumes a consistent opposition of views between the Colonial Office and the Ceylon Government but as this present article would have shown, their respective positions on this legislation was not quite as simple or straightforward as this. Perhaps this difficulty stems from Vanden Driesen's over-simplification of the process of Whitehall approval of colonial legislation; this process consisted of several stages but by constantly referring to the "Colonial Office" and the "Secretary of State" he tends to make the Colonial Office into a 'monolithic' institution which it never was, and to ignore the role played by other institutions, just as he ignores the contribution of persons other than the Secretary of State, even of persons as important as James Stephen. The defects of this method of historical 'shorthand' are particularly evident at times when changes take place in the personnel of these various institutions. Between 1841 and 1842 there was one change of Government in England and between 1839 and 1842 there were three different Secretaries of State at the Colonial Office. And in Ceylon too Campbell replaced Mackenzie.

A much more reliable guide to the "Colonial Office" attitude to this legislation would be the views of James Stephen, and he it would appear, took this legislation extra-ordinarily lightly. This was not his usual method of approach when he was confronted with controversial issues and issues which deeply affected the people of the Colonies. In such situations his normal method was personal investigation and lengthy comprehensive minutes, but on Ordinances 12 of 1840 and 9 of 1841, he did not write one minute which exceeded five lines on a sheet of foolscap. He left the main decisions to his subordinates and to the Law Officers of the Crown and accepted their recommendations without question.

In strong contrast was his attitude to an almost identical issue in Sierra Leone in 1828 where he pleaded that special consideration should be given to ocal conditions, and that there should be a measure of flexibility in the requirements of proofs of title to land, and that rules of equity might in some cases replace the letter of the law. He urged that "considering the ignorance of the greater part of the Land Holders in Sierra Leone, and promises which were held out to many of them on their settling in the colony, it would seem at once impolitic and unjust to enforce against them the extreme rights of the Crown however defective their titles to the land may be".[38] But then Sierra

38. Quoted in Knaplund, P. *Sir James Stephen and the British Colonial System*, 1843-47. (University of Wisconsin Press, 1953). pp. 70-71.

Leone was a colony in which he took a deep personal interest, the by-product of his passionate abhorence of slavery and the slave trade. Of Ceylon, he was profoundly ignorant, and Stewart Mackenzie and the Ceylon civil servants preferred to provide as little information as possible on this issue. In fact they deliberately and consistently misled the Colonial Office on these ordinances.

Vanden Driesen, starting from this promise of consistent opposition between the views of the Colonial Office and the Ceylon administration, seeks to explain the acceptance of Ordinance 9 by a secret despatch. This "secret despatch" or "conspiracy" theory is only necessary if the premise of consistent opposition is correct and the present article would have shown that it is not correct.

In any event the "secret despatch" theory is a rather naive one. The fact that there is no correspondence on the subject does not mean that there was a secret despatch; indeed if a secret despatch had been sent then, there would be a reference to it in the minutes of the Colonial Office, if not in the indexes. The practice at the Colonial Office was to file all secret and confidential despatches even on much more significant and controversial issues than this. Besides, there is nothing to indicate that Mackenzie's stock at the Colonial Office was so high that a mere despatch from him would suffice to effect a change of policy. On the contrary it might have made James Stephen rather more suspicious, for one of the most noteworthy features in Mackenzie's relations with the Colonial Office was the hostility that developed between him and James Stephen.[39] And one might also note that Ordinance 9 of 1841 was sent home by Colin Campbell and not by Stewart Mackenzie as Vanden Driesen imagines.[40] Mackenzie had left Ceylon by then, and from October 1840 he knew that his term of office was to end early in 1841.

Much more important is the fact that the Ordinance 9 of 1841 was prepared *and despatched before* Russell's despatch on Ordinance 12 was received in Ceylon. Vanden Driesen's whole argument is based on the assumption that it was prepared after this latter despatch was received, and since this basic assumption is wrong the whole "secret despatch" theory collapses.

39. See particularly, C.O. 54/160, Mackenzie's private letter to Glenelg of 12th Feb. 1842 and Stephen's minute of May 8 1838; C.O. 54/163. Mackenzie's private letter to Glenelg of June 1st 1838 and Stephen's minute on it. Stephen and his assistant, G. Barrow took exception to Mackenzie's habit of writing long private letters to Glenelg in which he touched on all the problems of his administration in a most haphazard manner. Stephen's annoyance probably sprang from a suspicion that this unorthodox correspondence was designed to reach Glenelg direct, without the intervention of the permanent officials of the Colonial Office; or it may have been that he felt that it somehow reflected Mackenzie's inefficiency. Whatever the reason, there was no doubt that it antagonized Stephen, who throughout Mackenzie's administration adopted a most unsympathetic and hostile attitude towards him.

40. The despatch confirming Ordinance 12 of 1840 was addressed to Campbell. See Stanley to Campbell 77 of 29th March. 1842.

IV

One other point needs emphasis. Both Campbell and his successor Torrington complained that these ordinances were inadequate for the purpose for which they had been intended;[41] both suggested amendments and indeed Campbell recommended the enactment of a new Ordinance altogether, declaring in express terms that the limitation of prescription against the Crown should be thirty years, and the limitation to the process for summary ejectment from crown property to parties in possession be five years only.[42] Lord Stanley, in his despatch of April 4th 1844 accepted this recommendation (and Campbell's other suggestions on the amendment of these ordinances)[43] but pointed out that no validity could be ascribed to any local ordinance contravening an Order-in-Council. (The period of prescription had been reduced from thirty to five years by an Order-in-Council). As a means of circumventing these technicalities of the law, he suggested that the new legislation should be made to take effect only from the time of the arrival in Ceylon of any further Order on this question.[44] In the meantime Lord Stanley sent a circular despatch to the colonies declaring that 20 years occupation barred the rights of the Crown. But Campbell did not act on the instructions given to him in Stanley's despatch of April 4th 1844, owing to the prevalent expectation that the Imperial Government contemplated some general measure respecting the administration of the lands of the colony, and no amending legislation was passed.

Thus the situation as regards prescription was extremely confused. By Ordinance 12 of 1840 as amended by order in Council of 11th August 1841 five years occupation barred the rights of the Crown; Ordinance 9 of 1841 however, laid it down that the five years limit did not apply to the Kandyan areas. Presumably the period of prescription in that region would be 30 years but this was not precisely stated. Campbell obtained Colonial Office approval for a measure declaring that the limitation of prescription against the Crown was to be thirty years over the whole island, but this amending legislation was not prepared. And in the meantime a circular despatch applying to the whole colonial empire laid down the rule that 20 years occupation barred the rights of the Crown.

41. This is another theme that Vanden Driesen has ignored.
42. C.O. 54/210. Campbell to Stanley, 15 of 24 January 1844.
43. *Ibid.* Campbell recommended the amendment of the 8th clause of Ordinance 12 of 1840. This clause gave an unauthorized occupier of Crown land, who had been in possession for a period of more than ten but less than thirty years, a right to a grant on payment to the Crown of half the improved value of the land. Campbell explained that while this concession was allowed to those in possession for less than thirty years, nothing was said in the Ordiance with regard to possession above 30 years in which case the holders were legally in a worse condition than if they were in a possession for a shorter period.
44. *Ibid.* Stanley to Campbell, 161 of 4th April 1844.

In addition, there was the further consideration that that "the original ordinance (Ordinance 12 of 1840) was extremely vaguely drawn up . . . ."

Torrington complained that many difficulties and disputes had arisen from the confused state of the law of prescription.[45] He drew attention to the fact that although it was intended that thirty years of uninterrupted possession should suffice to bar the rights of the Crown, it was not distinctly laid down but was simply left to be inferred. Thirty years, he felt, would constitute a reasonable period of time as regards prescription against the Crown, and the period within which trespassers on Crown lands might be summarily ejected might be extended from five to ten years. Campbell's suggestions with regard to prescription and related themes were endorsed by Torrington; indeed he expressed his anxiety to prepare an Ordinance based on these suggestions, on the lines which Stanley had approved in his despatch of 4th April 1844.

Torrington was the only governor of this period who took a comprehensive view of all the land problems of the island—temple lands, prescriptive rights, land sales theory and questions relating to techniques of land surveys, all of which he urged should be tackled to a "new and comprehensive measure of a stringent kind".[46] A new law of prescription would figure prominently in this measure. Thus the fate of this new law of prescription was merged in that of Torrington's land ordinance. Neither the Colonial Land and Emigration Commissioners nor the Colonial Office were inclined to accept Torrington's comprehensive land ordinance. The third Earl Grey, the Secretary of State for the Colonies, was placing his hopes on a land-tax as a solution to the bulk of the land problems of the island, and his main interest was in the question of surveys. As regards prescription, he merely stated that the twenty year rule applied to Ceylon as to all other colonies, and added that the application of this rule made it all the more imperative that a new and effective ordinance should be passed protecting the rights of both the Crown and the individual in respect to land.

But Torrington was soon overwhelmed by political, economic and religious problems of the utmost significance, and he had little time for the relatively unimportant question of the law of prescription. It was only in the time of Governor Ward (1855-60) that interest in this question revived, but even then no attempt was made to amend these Ordinances, and they survived unchanged into the twentieth century.[47]

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45. C.O. 54/237. Torrington to Grey, 45 of 7th July 1844.

46. *Ibid.*

47. I hope to deal with the problems involved in the actual application of this Ordinance and their impact on the peasants, in another article.

FROM COFFEE TO TEA IN CEYLON

The vicissitudes of a colony's plantation economy

Bertram Bastianpillai

The coffee shrub had been known and cultivated in Ceylon from as early as the 15th century but it developed as a major agricultural crop only with the coming of the British.[1] Under the Dutch, coffee was a monopoly of the Dutch East India Company but, little attempt was made to develop its production.[2] They were absorbed in the lucrative cinnamon trade and they found the coastal districts, which alone were under their control, not well-suited for coffee growing.[3] Further they preferred to foster coffee production in the East Indies and therefore deliberately desired to limit production in Ceylon. Over production would have led to excessive supplies and a consequent decrease in prices which would have lessened the profits they made from their coffee trade from the East Indies. Hence they contented themselves, in Ceylon, with exporting the coffee bought from the Kandyans.

Under the British, however, from as early as 1804 attempts were begun to improve the coffee industry.[4] Immediately there followed some increase in cultivation, owing perhaps to the abandonment by the government of the Dutch monopoly, but, before 1812, the annual export never exceeded 3,000 cwt.[5] The local inhabitants had neither the capital nor the industry to establish plantations while Europeans were forbidden to acquire land in Ceylon, except within the Colombo district. This prohibition made by Dundas's Regulation of 1801, avowedly copied from the East India Company's practice in India, prevented Europeans from investing capital or interesting themselves in coffee growing. In 1810, Governor Thomas Maitland, recognising the ill-effects of the measure, persuaded the Secretary of State to abolish it.[6]

Yet, as neither the climate nor the temperature of the coastal plain were quite suited for coffee growing, little advance was made in the establishment of plantations. With the annexation of Kandy in 1815, however, ideal conditions were offered for the formation of plantations in the mountains. Coffee throve well

1. Ferguson. *Ceylon in the Jubilee Year*, p. 59.
2. Mills. *Ceylon under British Rule*, p. 222.
3. Ferguson, p. 60.
4. Mills, pp. 222-3.
5. Ferguson, p. 61.
6. Mills, p. 222.

on hillsides, having an elevation of between 2,000 to 3,000 feet, where rain was frequent and the temperature ranged from 60° F in the morning to 75° at noon. Soil best suited to coffee was that which grew soft timber, and cultivation on undulating land, protected from strong gusts of winds yielded best results. Although the Kandyan highlands admirably provided all these pre-requisites to grow coffee well, there still remained an obstacle to the rapid growth of plantations. A network of roads had to be constructed to open up the interior highlands and to link them with the ports so that coffee could be easily transported.

In 1824 Governor Edward Barnes came over to Ceylon and it was in his term of office that coffee assumed special significance in the Island's economy.[7] He gave to road building a priority considering roads as essential to maintain a secure possession of the country and for its commercial improvement. His roads made possible the formation of the Kandyan coffee plantations, the ultimate basis of Ceylon's prosperity. In other respects too the establishment of plantations in the Kandyan highlands was directly due to his efforts. He popularised coffee growing by the establishment of a model plantation under state management, by the grant of relief from taxation, by the remission of customs duties and by providing service labour for cultivation.[8]

During Barnes's term the first European coffee plantations were opened in Kandy.[9] Several Government Agents opened government plantations, the labour being obtained by *rajakaria*, the traditional system of forced labour. Still, the immediate results of Barnes's enterprise were not striking. The plantations proved unprofitable, and some were abandoned, owing to the combined effect of faulty methods of cultivation and of the tariff discrimination in the United Kingdom against Ceylon coffee—West Indian coffee entered at 6d. per lb. while all other coffee was charged an import duty of 9d. per lb. As late as 1836 there was only a handful of European planters and the bulk of the Ceylon coffee was still being grown by Kandyans on small plantations which seldom yielded more than a few pounds apiece.[10]

In 1837, R.B. Tytler, a trained agriculturalist, who had studied in Jamaica, introduced Jamaican methods of coffee cultivation on his Ceylon plantation.[11] Other planters emulated him, and gradually the best methods of cultivation were evolved. By about 1840, the technique of coffee growing was fairly well understood. Meanwhile in 1835 import duties in the United Kingdom on Ceylon and West Indian coffee were equalised[12]. But the decisive element was the increasing demand in Europe combined with the decline in West Indian production, which formerly had been the principal source of supply. This change was

7. Ferguson, p. 61.
8. Mills, p. 226.
9. Ferguson, p. 61
10. Mills, p. 227.
11. Ferguson, p. 61.
12. Mills, p. 227.

owing to the diminishing consumption of wine in Western Europe which increased the demand for coffee, especially in France and Belgium, while the liberation of the slaves in the West Indies and Guiana paralysed Ceylon's most formidable rivals. The freed slaves refused to work on the coffee plantations, and largely as a result West Indian exports to England rapidly declined from 291,897 cwt. in 1827 to 63,559 cwt. in 1845. The Ceylon planters were thus offered the stimulus of an expanding market combined with dwindling competition at the same time that the import duty was equalized and successful methods of cultivation were introduced. In a few years coffee from being a minor and speculative cultivation emerged as the island's principal export.

Rapid development in cultivation continued with increasing intensity till about 1845.[13] Coffee gave certain prosperity and plantations were eagerly opened. Excessive expectations, however, combined too frequently with inexperience led to rash speculation. The sale of Crown lands in the Kandyan areas, a reliable index of the growing interest in coffee, had increased from 49 acres in 1834 to an average of 6,412 acres between 1835 to 1838. Between 1837 and 1845 about £3,000,000 were invested on coffee growing.

The East India Company's officers, and many from England hastened to Ceylon to invest their savings and capital on coffee cultivation. The Governor, his Council, the Military, the Judges, the Clergy and a large number of civil servants opened plantations. Officials had been debarred from trade since 1836 but the Colonial office decided that this prohibition did not include agriculture and the Government encouraged them to establish coffee plantations, in order to supplement their inadequate salaries, and also to foster the industry. As pioneers they usefully called attention to the potentialities of coffee but most of them met with the usual fate of pioneers. A few were successful as planters but the majority lost heavily in their ventures. Inexperience, cultivation on bad soil, lavish expenditure on production, combined with the disastrous coffee crisis of 1847 crippled their efforts. Meanwhile the interests of the Government had also suffered since the civil servants had paid more attention to their plantations than to their administrative duties. In 1845, the Colonial Office ended a thoroughly unsatisfactory situation by forbidding the acquisition of plantations by officials and by restoring adequate salaries.[14]

The coffee industry of the early 'forties had rested on unsound foundations which explains its general collapse in 1847.[15] To establish a plantation, dense forests had to be cleared, buildings had to be erected, machinery had to be procured and, to pick his first crop, the owner had to maintain the plantation

13. *Ibid*, p. 228; Ferguson, p. 61.
14. Mills, p. 229.
15. Ferguson, p. 90.

for three years. Moreover, he usually had to build a road at his expense to the nearest government road so that his estate could be accessible. But planters had often underestimated expense and had entertained hopes of exaggerated returns with the result that many had undertaken a task beyond their means. Since credit was easily obtained they had borrowed money at high rates of interest mortgaging every available security and when a depression set in they were unable to meet their debts and lost everything. Further the management of estates had been extravagant and unscientific since the majority of the owners had known nothing of coffee growing and had paid little attention to the cultivation of plantations. Many had returned to England entrusting the care of their interests to Colombo merchants. Subject to this supervision the actual direction of estates had been left to superintendents who were often unsatisfactory. Weeding had been neglected, losses had occurred owing to wasteful picking, and methods of manufacture and storage had been bad.

Consequently in 1847 ruin became widespread amongst planters.[16] Estate became unsaleable, and many owners who had mortgaged their property were unable to meet their payments, and the creditors foreclosed to find the plantations almost valueless. The causes of this coffee crisis were wild speculation, followed by depression and stagnation of trade, intensified by the low price to which coffee had fallen after the abolition of the differential duty which had protected British grown coffee from the competition of Javanese and Brazilian produce.[17] The average planter had paid scant attention to careful cultivation and had paid unreasonable prices for labour and every other cost of production in his eagerness to place his coffee on the market before his competitors. Economy had been generally out of fashion while credit had been easily but unwisely obtained. It was impossible to build permanent prosperity on a basis of unsound finance and unscientific estate management. The financial crisis of 1845 and 1846 in Great Britain too hastened the downfall of the Ceylonese coffee planter. Simultaneously his position worsened when the sale price of coffee in London declined rapidly owing to the reduction in 1844 of the preference granted to Ceylon coffee imported into the United Kingdom from 4d. to 2d. per lb.

Hitherto, a differential duty had protected British grown coffee from the competition of the cheaply grown Brazilian and Javanese product. From 1835, Ceylon and other colonial coffee had entered England at a customs rate of 6d. per pound while East Indian and foreign coffee had paid 9d. and ls. 3d. per pound respectively. In 1842 this duty was reduced to 4d. per pound on Ceylon colonial coffee, 4d. per pound on East Indian coffee, and 8d. per pound on the foreign product. In 1844, as a part of Robert Peel's policy of freer trade, foreign coffee was admitted at a further reduced rate of 6d. per pound. With lesser costs of production, and the tariff reduction on their coffees, Java and Brazil

16. *Ibid.* p. 61.
17. Mills, p. 235.

were able to undersell Ceylon's coffee in the London market. Two further misfortunes, a plague of rats, which gnawed the young coffee shoots, and bugs, which ruined large areas by attacking the plants, added to the Ceylon planter's problems.[18]

The crisis, however, paralysed the coffee industry only for a few years. By 1853 it completely recovered and entered upon a period of increasing prosperity.[19] The crisis really had proved a blessing in disguise. Extravagance and unscientific cultivation of the early 'forties were replaced by sound finance and increasingly careful attention to every detail of estate management. Most of the new planters had bought their estates during the crisis at low prices and started off on a better financial footing as they were not saddled with debts. Cost of production also greatly decreased owing to the fall in the price of labour, rates of shipping, and all other items of expenditure. Simultaneously with the recovery from depression prices of coffee in London rapidly increased owing to increased consumption. Further the export tax on coffee had been removed in accordance with a general policy of tariff reduction, and free trade, and to help the planter. In many respects the new prosperity was based on firmer foundations than the old.

The 1870's, especially the term of William Gregory, who was Governor from 1872 to 1877, were the peak years of Ceylon coffee.[20] Coffee became the mainstay of Ceylon's economy[21] and a major cause for the administration's success and popularity.[22] From surplus revenues earned, Gregory initiated extensive improvements. This placated the Ceylonese unofficials and endeared him to the peasantry. Lucrative trade in coffee diverted planters' attention from political agitation. Liberal expenditure on transport facilities from surpluses satisfied them generally. Colonial Office consent, indispensable for the adoption of measures, was often obtained by arguing that revenues from coffee justified the outlay.

The rapid growth of the industry created an export economy. Coffee exports were the chief source of national income,[23] the country's prosperity hinging on coffee prices in London. A large section of the population depended upon the staple, directly or indirectly.[24] Besides large-scale European plantations there were extensive Ceylonese holdings. Peasants supplemented their income from shrub clusters in their own gardens as well as from sizeable small holdings. In other words a good number of Ceylonese were closely connected with the industry, as were their wealthier European neighbours.

18. *Ibid.* p. 236.
19. Ferguson, p. 61.
20. *Ibid.* pp. 64-65.
21. *Addresses delivered in the Legislative Council by Governors of the Colony, Vol. II,* 1860-77, 3rd Feb. 1873, p. 293; 8th Sept. 1875, p. 393; *Vide* Appendix, esp. Table B.
22. Ferguson, pp. 98-99.
23. F. Lewis; *Sixty-four Years in Ceylon*, p. 80.
24. Ferguson, p. 97.

Numerous other occupations were directly or indirectly sustained by coffee;[25] it accounted for the fortunes of many others, besides that of planters. Coffee sent money downwards from the hills into the Western and Southern provinces. Lawyers benefited from land litigations, transport agents and carters from conveying coffee to Colombo port and manure backwards, arrack renters grew rich on the intemperance of the labourer, while clerks lived by serving in mercantile houses and banks. A local moneyed class evolved from coffee and existed on it.

India too was connected with the industry. South Indians composed almost the entire labour force;[26] for the first time there developed a class of wage earners, a body of landless labourers, who were unintegrated into the local community unlike the earlier immigrants. That group was to remain a problem to this day. On the work of the Indian coolies the new economy rested but they lived as an alien minority separated from the mass of Ceylonese by language differences and varying social customs. The significance of this grew clear only when time and constitutional change made the coolies, an economic asset but a political liability. Under Gregory, however, they only increased in numbers[27] because of the rapid growth of coffee plantations and called for Governmental and Colonial Office concern to solve social problems, much to the dislike of the planter and and the Ceylonese fretting at the expenditure. From South India the "chetty" community too was linked up with the coffee economy. The chetties were "bankers" and monopolists of the rice imports for labour.[28] They were an important factor to reckon with particularly when beset by famines in India, and by short supplies of rice as in 1876-77, when they tended to profiteer at the expense of planter and Ceylonese.[29]

From the growth of coffee cultivation followed other problems too. Royal domain and feudal lands became planters' private property. The Kandyan pattern of landholding was radically transformed.[30] Villages in valleys survived and on slopes where rice was grown, but rights to subsidiary crops and to pasture cattle on common land was lost. Powerful planters expropriated lands useful to the peasants.

A cash economy, a flocking of low country traders, who were often unscrupulous and crafty, the establishment of arrack taverns following plantations, disturbed Kandyan peasant life.[31] The opening of highlands did not radically alter the peasant economy there but it introduced another type of economy and influences that developed beside it and affected it. On the whole the impact

25. *Ibid.* p. 99.
26. Lewis, p. 80; Ferguson, p. 97.
27. *Vide* Appendix—Table F.
28. Gunasekera: *From Dependent Currency to Central Banking in Ceylon.* p. 23.
29. C.O. 54; 493-G. *Ceylon*: *Vide* pps. for Ceylon's dependence on chetty imports. 7811.
30. Ludowyk: *The Story of Ceylon,* p. 192.
31. Capper: *Old Ceylon,* pp. 13 & 80.

of foreign capital investment on the economy was lop-sided.[32] It attacked and undermined the existent precapitalist, feudal, social and economic organisation but did not destroy it. Capital investment was confined largely to the plantation industry and to avenues complementary to it. The economy became a dual one, broadly in two sectors — an estate and commercial sector, and a rural sector. The former was based on the plantations, the latter continued to rest on small scale cultivation of paddy combined with a few handicrafts.

Briefly, the plantations system brought into being practically everything associated with modern Ceylon; its characteristic economy, its changed social structure, its altered landscape and even its political development. Political agitations were mainly sponsored by planters and merchants.[33] They demanded changes whenever dissatisfied with progress on projects connected with them; roads, railways or harbours. Under Gregory, however, coffee prices were high, expenditure on roads liberal and, therefore, political agitation languished.

As coffee was of such importance, Gregory paid great attention to it and to plantations in general.[34] He facilitated the enterprise by aiding in the creation of roads, undertaking the construction of a harbour, by attention to railway construction, by exempting manures from tolls, and in any other manner possible.

His years were the golden age of the coffee planter[35] and the history of coffee may be regarded as a brief but glorious cycle in the history of Ceylon. Prices rose higher regularly, coffee yielded greater profits annually, cultivation increased, greater trade followed, more earnings came in to be ploughed back into plantations.[36]

Old estates were extended, new were opened out, speculation was rife. Not even areas unfit for coffee or too high were spared.[37] New coffee districts rapidly emerged in West Dolosbage, in Dimbula, Dickoya and Maskeliya, where alone the coffee acreage was doubled within four years. Nuwara-Eliya, an almost empty extent, composed of uninhabited jungle tracts and a few villages around the time Gregory came, had 84,000 acres of coffee by 1874.[38] New companies were floated, while inexperienced new arrivals took to coffee cultivation—the easiest, surest means to grow rich quickly. Land was bought as fast as it was blocked out, at times purchasers knew not where it was situated

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32. Gunasekera, p. 7.
33. Wright: *Twentieth Century Impressions of Ceylon* (Article by Ed. W. Perera: "Ceylon under British Rule—1796-1906", pp. 60-83).
34. Perera: *The Ceylon Railway*, p. 130. *Vide* Governor's reply to a deputation of planters urging railway extension with a petition of 9th Jan. 1873; Ferguson, pp. 98-99.
35. Ferguson, p. 65.
36. *Vide* Appendix Tables C & E.
37. Lady Gregory (ed.): *Autobiography of William Gregory*; p. 290; Bremer: *Memoirs of a Ceylon Planter's Travels*, p. 74.
38. C.O. 54; 494—No. 129—4.12.1874.

except that it was around Dimbula or so! As plantations were sold long before they came into bearing at *cent per cent* profits the land rush was clearly feverish. In the eagerness much land was badly planted, unsuitable tracts cultivated and scientific cultivation ignored.[39] Ceylonese too participated in this rush. Adjoining the main arterial roads, within plantation districts, boutiques were opened and lands that could be secured were turned into small coffee gradens.[40] Often these lands had no proper titles, were unsurveyed, and the consequent problems to the government and the owners were great.

To the government rapid extension of cultivation was rewarding. Yearly larger areas were sold out and at higher prices because of the feverish competition amongst planters.[41] Regularly an excess of revenue over the estimate was explained away as solely due to large land sales and high prices. Land, worth about £2 an acre, ten or twenty years before, fetched £15, £20 and even £28.[42] Yet planters calculated on profitable results. Evidently speculation rather than experience guided their calculations. The increased plantations enriched the government through the railway too. The entire tonnage transported to Colombo from the Kandyan area consisted of coffee, while on its return the train carried back at least 50% of its load in rice and foodstuffs for the plantations.[43]

With increased incomes, extension of plantations also brought in problems for the government. To provide lands, unknown districts had to be surveyed and opened, as in Kukulu Korale;[44] but with an inadequately staffed, incompetent survey department it could do little to satisfy the land-hungry planter. Moreover government forest fit for coffee growing had diminished while private reserves too had been well-nigh exhausted. Unchecked extension of plantations threatened to denude the entire forest land of vegetation.[45] As in Mauritius,[46] the planters now proved to be a serious threat to the security of forests and mountain reserves.[47]

The Director of the Botanical Gardens, Dr. G.H.K. Thwaites, feared soil erosion, decreased rainfall and eventual land desiccation unless the planters' activity was regulated. The report of Thwaites was seriously taken up by Dr. Joseph Hooker,[48] Director of Kew Gardens, who was interested in tropical

39. Lewis, pp. 39-40.
40. *Ibid.* pp. 39-40.
41. C.O. 54; 493—No. 86—11.8.1874.
42. Ferguson, p. 65.
43. Perera: *The Ceylon Railway*, p. 105.
44. *Governors' Addresses*—22 December 1873, pp. 334-335.
45. C.O. 54; 494—No. 129—24.12.1874.
46. Chapman: *Career of A.H Gordon, 1st Lord Stanmore.* (Ph.D. thesis at London University, p. 303).
47. Bremer, p. 74.
48. C.O. 54; 490—M.O. $\frac{\textit{Ceylon}}{5409}$ Letter from Hooker to C.O.—27.5.1873.

forest conservation.[49] The examples of New Zealand and Western Cape districts, where decreased rainfall and general humidity had appeared after forest destruction, convinced him of the urgency to halt damage in Ceylon. It was opportune that the Colonial Office too, largely due to Hooker's influence, agreed on the need to save colonial forests from extravagant planter destruction. Interested in reforestation in Mauritius the Colonial Office had already sent an official from Kew to direct it and, in June 1874, it issued a circular to Colonial Governors generally emphasising the need to conserve forests.[50]

Owing to this fortunate coincidental unanimity of opinion the Secretary of State immediately urged Gregory to halt planter activity in forested areas. The Colonial Office also correctly perceived that it would be difficult to persuade planters, who wished to make money and depart quickly, that forest conservation was of permanent and vital importance, and hence specially warned Gregory to adopt firm, effectual measures.[51]

Meanwhile Gregory too had realised that indiscriminate forest destruction was dangerous both for the planter and the peasant.[52] Shorn crests of hills removed barriers against strong winds that damaged young coffee plants. Destruction of forest tracts near the grassy prairies of the hills, the *patanas*, deprived peasants and estate labour of their only reserves of firewood, building and fencing material, and shelter for cattle. Useful springs and moisture tended to dry up. Clearing of these areas was cruel to the peasantry; it expelled them, but due to the fertility of the tracts planters grabbed them. They had to be protected and Gregory had instructed that in future forest reserves were to be maintained while, crests of hills and wooded patana ravines were to be excluded from sales. In Sabaragamuwa alone 9,000 acres were proclaimed forest reserves. The planters resented Gregory's action. Through the press and elsewhere they criticized him, complaining of the stoppage of forest-land sales and reservations of high lands. Strong pressure was exerted to make him alienate reserves. At this juncture the Colonial Office's directive helpfully strengthened Gregory's action against planters.

Gregory's action was immediately useful to restrain the indiscriminate disposal of valuables forests by revenue officers, who were eager to increase their district incomes. It halted complete deforestation when the threat was severe. Ultimately, however, it bore limited results. In the very high elevations Gregory had presumed forests to be secure because coffee would not thrive there and had not given them any protection. But tea had already been intro-

49. Huxley: *Life and Letters of Hooker*—Vol. II, pp. 7 & 402; C.O. 54; 487—No. 237—31.7. 1873, and Encl.; C.O. Letter No. 134—13.6.1873 & Copy of Letter from Kew.

50. Hall: *The Colonial Office*, p. 251.

51. C.O. 54; 490—M.O. $\frac{\textit{Ceylon}}{5409}$ C.O. Letter No. 134— 13.6.1873.

52. C.O. 54; 487—No. 237—31.7.1873.

duced, and as Kew Gardens had envisaged,[53] it ate into the forests of these very highlands,[54] largely after Gregory and the collapse of coffee. Administrative officers, responsible for executing Gregory's instructions, gradually scarcely resisted the pressure of powerful planters or the temptation to increase district revenues. Worse still, owing to a deficiency of surveyors, reserves could be only slowly demarcated. Meanwhile there was ample opportunity for encroachment and destruction. Nevertheless, as a first attempt, although it bore limited results, Gregory's action was significant in having focussed attention to an important problem.

A large and serious problem immediately to the government, to the planter and to the colony alike, however, came from the state of coffee itself. Although Gregory's years were the most prosperous in coffee certainly they were not the healthiest. The expansion of cultivation was followed soon after, under James Longden, by an almost complete disappearance of production. Gross production was generally maintained, and even increased, under Gregory but only by constant addition of enormous extents to the cultivated acreage. Huge profits were secured not by a quantitative increase in production per acre but by large increases in prices[55] which compensated for the loss in yields.

But the end was near. Since 1869, a fungus ailment new to science called *Hemeleia Vastatrix* was spreading rapidly.[56] In plants affected by it, saffron coloured blotches appeared on the underside of the coffee leaves, which gradually sickened and at last fell from the bough; the green tips of the boughs then withered and in the worst cases the boughs, and eventually the stem and the root perished. It was not long before every estate was affected to a higher or lesser degree and despite frantic efforts on the part of the government no cure could be discovered. Plantations becar e gradually debilitated, yields diminished steadily[57] and despite various forms of doctoring, trees grew quickly decrepit and comparatively unproductive.

Yet, few planters paid serious heed to the disease.[58] Its nature misled many. Initial action appeared benign,[59] plants recovered temporarily, but only later were fatal effects manifest. With systematic high cultivation plants appeared to be not attacked and planters took to it to combat the foe. Nevertheless the disease continued, generally unabated. On low elevations estates

53. C.O. 54; 490 $\frac{\text{M.O. Ceylon}}{11067}$ Hooker's Letter—22.10.1873.

54. Ferguson, p. 344.

55. *Vide* Appendix Table C; C.O. 54: 493—No. 86 $\frac{\text{Ceylon}}{11002}$ F.R. Round's Minute—26.10.74.

56. Ferguson: Appendix IX, p. 319.

57. Anonymous: *The Private Life of a Ceylon Coffee Planter*, pp. 6, 84-85.

58. Lewis, pp. 27-29.

59. Jenkins: *Ceylon in the 'Fifties and 'Eighties*, p. 56.

with poor soil suffered most with material damage to trees, to quantity and quality of crop. On higher elevation and on fair soil even infected plants throve satisfactorily for a time; but in the long run they too succumbed.

Meanwhile lucrative markets tended to veil the true situation and sustained planter optimism. In the 1870's there recurred a sudden and unprecedented rise in the value of coffee in Europe and America, which was equivalent to nearly 50%.[60] Prosperity blinded planters to reality. Almost delirious with quick riches they consoled themselves by believing that the fatal malady was a temporary indisposition. Plantations were increased regardless of it.[61] Although crops were short during consecutive seasons in some areas and, at times, whole districts where coffee had once flourished had been abandoned to relapse into jungle, the planter explained these ominous signs away as due to abnormal weather, or age of plants. Nor were the public or the government generally alive to the dangers of the disease. The rapidity with which estates were planted lulled them into complacency.[62] They failed to look seriously, or ahead, there was little occasion to do so; but the sickness slowly made its way and surely spread.[63]

In 1873 some administrative officers, however, entertained slight doubts about the future of coffee in their areas. In Uva, Matale and Kegalla, crops had been short, disease virulent, but planters, who were thought to be competent judges, remained optimistic, looked for better seasons, and cultivated more. Against such optimism, the officers, less informed than planters about coffee, did nothing other than to refer to the malady in reports to the Governor.[64]

But by 1874 the disease caused greater uneasiness. The Governor gave precedence to the report of the Director of the Botanical Gardens on the subject and forwarded it instantly to the Secretary of State. This was almost the first official recognition by Gregory of the deadly disease that, immediately after, overwhelmed Ceylon's staple industry. A questionnaire by Thwaites was sent, through the Colonial Office and the Foreign Office,[65] to consuls and officers of areas where coffee was extensively grown to obtain data about coffee diseases.[66] From Java and Brazil practical information was solicited. Causes for the disease and remedies for it were to be found.

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60. C.O. 54; 493—11th Aug. 1874. In 1873 the average Ceylon sale price of coffee rose from £ 2. 14s. 0d. to £ 4. 10s. 0d. *per cwt.* Mills, p. 246; *Vide* Appendix C for prices.
61. Jenkins, p. 57.
62. Lewis, p. 68.
63. *Ibid.*, p. 80.
64. C.O. 57; 62—Admn. Repts. 1873—Badulla, p. 40; Matale, p. 49; Kegalla, p. 117.
65. C.O. 54; 499—F.O. $\frac{\text{Ceylon}}{1590}$ F.O. letter to C.O. 13.2.1875.
66. *Governors' Addresses*—14 Oct. 1874, pp. 366-7: C.O. 54; 494—No. 52—12.10.1874; C.O. 54; 495 $\frac{\text{M.O. Ceylon}}{14731}$ C.O. No. 35—11.2.1875

The Colonial Office inquired from various colonies and sought the services of the India Office and Foreign Office to obtain information from India and other countries.[67] A report by Dr. Cooke, of the India Museum, on diseased coffee leaves was forwarded to the planters and the Director of the Botanical Gardens.[68] Kew Gardens sent a digest of the information on coffee-leaf diseases obtained by them. But all these efforts proved of little avail. No treatment was discovered.

However, the alarm of the Governor and the planters passed away soon. Coffee again fetched higher prices, and huge profits, and a few crops were good. Cultivation of, or hope in the permanency of, the staple suffered little.[69] The press recorded that leaf disease was a thing of the past,[70] while Gregory announced that microscopical investigation had indicated the disease as mainly external and that the coffee tree suffered rather from exhaustion than from poisoning.[71]

The following years, too, passed off with similar records. Estates in Madulsima and Badulla suffered severely, while in all provinces the disease was evident in varying degrees of strength. Administrative Officers recounted losses in crops yet high prices too and remarked also about the optimism of planters and the advances in cultivation. Exceptionally good markets still continued to lure planters to invest capital, interest and energy in coffee. Demands for new lands could not be easily supplied. Even though the ravages of disease were clearly apparent, prices were helping to stave off calamity. In the new Dimbula district a few crops proved good but such was the planters' optimism that 1,500 acres in upper Dimbula were readily purchased in a day.

But Gregory had now grown wiser. He believed that only careful cultivation was making coffee if not a permanent at all events a stable product for years. With improved cultivation he expected the output to be maintained and even increased. At no time, however, did he or the planters realise the chronic nature of the fungus affliction.[72] High farming, heavy pruning, manuring and chemical spraying were regarded effective antidotes and were popularly practised.[73] Actually they provided only temporary alleviations.

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67. *Ibid.* Letters to Kew Gardens—31.7.1875; 16.3.1876; 11.10.1876.
68. C.O. 54; 505 $\frac{\text{Ceylon}}{4884}$ I.O. to C.O.— 25.4.1876; Encl. Rept. of Dr. M.C. Cooke—Feb. 1876; C.O. No. General—3.5.1876 to Gov.
69. Lewis, p. 56.
70. *The Overland Examiner*—26.5.1874; June 10, 1874.
71. *Governors' Addresses*—14.10.1874, p. 366.
72. *Ibid.* 13.9.1876, p. 468; C.O. 54; 504—No. 313—9.10.1876.
73. Anonymous: *The Private Life of a Ceylon Coffee Planter*, Pt. I, pp. 10-20; Pt. II, pp. 4 & 5.

During these years (1872-77) only a few far-seeing experts warned the planter and the government of the serious nature of *hemeleia vastatrix*. Chief of this little band was the Director of the Botanical Gardens, Dr. G.H.K. Thwaites.[74] As early as 1872, he had predicted that the disease would hardly disappear and that losses from it could not be prevented. Again, in 1874, he disclosed the extent of its ravages and emphatically pointed to its persistence to counter planter optimism. But the planter did not turn away from profits to listen to him. He was abused, discredited, deemed a hopeless pessimist — the planters' enemy. Those who subscribed to his view were nicknamed the "croakers".[75] Annually, through able reports, Thwaites suggested the cultivation of other products instead; but planters listened little.[76] Gregory, an intimate acquaintance, did not trust him either when warned, and, in true gambling manner, invested on coffee to suffer losses soon after.[77] The Botanical Gardens was really two moves ahead of the foresight of Governor or planter.

Thwaites' attitude was based on scientific study, research and detached practical foresight. The Governor's attitude illustrates what was common and typical of the time. It would have been less than human nature to believe that coffee which had been and was so flourishing and profitable would disappear. Gregory had been won over to the subjective planter view and he preferred to hold on to it in preference to the opinion of the Government agricultural expert. Propaganda in press and planter pressure had made him abandon a saner view which he had held when he assumed office. Then he had noted coffee decline in areas and had insisted that any outlay on undertakings based on coffee should be promptly repaid—a condition that had delayed the inauguration of railway extension much to the irritation of planters.[78] But, now at the end of his term he believed that, with manure, production would be stable and to provide cheap transport for manure a railway was indispensable[79] and had begun to pester the Colonial Office for permission to build it.

The Colonial Office too inclined to be optimistic about Ceylon's staple product. At the outset the local government discouraged a long-term loan for railway building arguing that Ceylon should not become a borrowing colony because its prosperity chiefly rested on coffee, an uncertain quantity.[80] A financial policy sound and well suited for other colonies was inapplicable to Ceylon where the best measure was to utilise immediately the profits from coffee on railway extension and leave behind no debt for settlement later. But

74. Lewis, p. 83; Ferguson, p. 64.
75. Lewis, p. 128; Anonymous: *The Private Life of a Ceylon Coffee Planter*, p. 80.
76. Repts. of the Bot. Gdns. C.O. 57; 57—1872, p. 434; C.O. 57; 62—1873, p. 40; C.O. 57; 63—1874, p. 4; C.O. 57; 69—1876, p. 183C.
77. Autobiography, p. 285: Francis Lawley (Ed.): *Racing Life of Lord George Bentinck and other reminiscences*. pp. 366-425 for an account of Gregory's gambling.
78. *Governor's Addresses*, 25th Sep. 1872, p. 250; C.O. 54; 477—No. 122—3.8.1872.
79. *Governor's Addresses*, 7th May, 1877, pp. 496-7.
80. C.O. 54: 477—No. 122—3.8.1872.

the Crown Agents, with Colonial Office approval, however, answered back stating that although for many years the probability of the decline in coffee had been freely discussed both in and out of Ceylon despite all forebodings the export of it had steadily increased.[81] Therefore, cultivation was to be urged, Ceylon was to have a long-term loan, the country's coffee was secure to bear it.

Neither was the peasant nor Ceylonese small-holder any wiser. Their coffee too suffered, and though outputs decreased faster than those of planters, enamoured by high prices they emulated their wealthier neighbours. Better forms of cultivation were adopted, acreage was increased and like the planter the peasant too moved to disaster despite warning.[82]

When the final blow to coffee came causes other than *hemeleia vastatrix* aggravated it.[83] High prices, which had shielded Ceylon coffee from the full effects of the leaf disease, declined from 1880 onwards. Brazil, which had received an impetus towards an extension of cultivation from the high prices of 1873 onwards, now increasingly supplied cheaper low-grade coffee. A fall in the standard of living in Great Britain consequent on the "Great Depression" of 1879-1885 made consumers prefer Brazilian coffee to the costlier Ceylon product. When a coarser and cheaper variety of cinnamon, grown in Java, and cassia had entered the foreign market in the earlier half of the 19th century it contributed to the decline of Ceylon's trade in finer but costlier cinnamon. Likewise, the cheaper variety of Brazilian coffee was now chasing out the better but more expensive Ceylon produce from the English market. With the leaf disease, curtailing output and raising the cost of production, it was not possible for Ceylon coffee to compete in the London market with foreign coffee provided at lower prices. In addition a series of unfavourable seasons and the failure in 1880 of the City of Glasgow bank together with other financial difficulties in England, which reacted disastrously through the Oriental Bank, in Colombo, on the planting enterprise, affected adversely Ceylon coffee.

However, it was the leaf disease and not the depression that was primarily and largely responsible for the destruction of the coffee enterprise. Depression had been experienced and had been overcome before, and that of the eighteen-eighties merely made circumstances more difficult for the planters. It only hastened the collapse of coffee and Ceylon furnished an excellent example of the hazards of monoculture.

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81. C.O. 54; 481—Agents—$\frac{\textit{Ceylon:}}{11542}$ Kimberley's Minutes—29.11.1872. No. 35—7.2.1873.

82. Anonymous: *Private Life of a Ceylon Coffee Planter*, p. 5.

83. Ferguson, p. 66; Appendix IX, pp. 319-320.

Although Gregory failed to visualize that as a staple product coffee was doomed yet, creditably and significantly, he understood the limitations of an economy based on monoculture.[84] To make the economy broader-based, and thereby more secure, he eagerly endeavoured to diversify Ceylon's plantation agriculture. New products were introduced, very early in his term, and, through personal and official influence, their development was secured.[85] Encouragement was given to their growth by grants of lands and by opening up large extents of previously unoccupied country for their cultivation. A new feature was introduced into the Governor's annual speech to the Council by making special references to planting and the progress of the new products;[86] a measure meant to awaken a greater interest in the Island's economic development and to indicate the official interest in it.

Fortunately Gregory's endeavours to diversify plantation agriculture received cordial support from the Colonial Office, which too was exhibiting at this time much concern in introducing agricultural products into colonies.[87] The Office sent seeds, made inquiries from consuls, conducted scientific investigations, distributed literature, sought information on plant diseases and introduced new crops. In the words of Sir William Thistleton-Dyer of Kew Gardens in the time of Robert G.W. Herbert and Robert Meade, Colonial Under-Secretary and Assistant Secretary, respectively, of the day, an intense interest was taken in the material development of smaller colonies. Officials of Kew Gardens were induced to study the question and to place more intimately its resources for improving agriculture in colonies at the Colonial Office's disposal.[88]

Another major cause for Gregory's success in introducing new crops was the able assistance rendered by Ceylon's Botanical Gardens during the management of Thwaites.[89] The gardens proved practically very useful.[90] In it Thwaites conducted observations on the growing of new products and acclimatized them. Agricultural advice was freely given along with seeds and plants to popularise the cultivation of new products not only in Ceylon but even in other colonies.

In 1876, Gregory even opened out a new experimental Botanical Gardens at Heneratgoda, specially to rear tropical plants which were peculiarly adapted to the hot low districts and which could not be successfully cultivated either at the existing gardens at Peradeniya or at Hakgala on higher elevations.

84. *Governors' Addresses*: 14.10.1874, p. 367.
85. *Overland Ceylon Observer*—21.9.1876; Ferguson, p. 160.
86. Ferguson, p. 71.
87. Hall, pp. 251, 2 and 5.
88. *Ibid.* p. 257-8.
89. C.O. 54; 496—No. 62—2.3.1875; Encl. Leg. Council's Sub-Comm. Rept; Lewis, p. 126; Huxley, Vol. I, p. 359, see Fn.
90. Haeckel: *A Visit to Ceylon*, p. 135.

Through this institution headmen were to be acquainted with the cultivation of new plants. In turn they were to encourage villagers in their divisions to cultivate these new products as additions to their food supply and for the local and European markets.[91] In the Kandyan areas some peasants had improved their living conditions by taking to coffee cultivation. Similarly, the low country villager too was to improve his and also the colony's economic conditions, by cultivating new products. For the first time, Gregory systematically encouraged the local peasantry and other Ceylonese to take to commercial agriculture. But, unfortunately, this measure met with little success. The headmen failed to exhort the peasants to take to commercial agriculture and the government did not maintain a sustained interest in encouraging them to do so.

Immediately, Gregory's efforts to encourage the cultivation of new products bore limited results. The fascination of coffee was too strong and prevented planters from readily taking to these products with an uncertainty of returns. But gradually, when pioneering efforts were well rewarded, planters' attentions turned slowly to them, especially whenever coffee failed.[92] It was, however, the new products that saved Ceylon from complete collapse in the later years of depression and blight on coffee. This, therefore, makes Gregory's endeavours to diversify plantation agriculture specially significant in the country's history.

Liberian coffee seeds, obtained by the Colonial Office on Gregory's suggestion through the Foreign Office and the Kew Gardens[93] were introduced in 1876 to be grown on hot low elevations. In the upper regions, land was becoming scarce, forests had to be preserved, and the new product appeared to be an ideal one to divert the planters' energies to lower elevations. Moreover, the lowland peasant too could cultivate this variety of coffee which commanded a high price in the American market.[94] It was also believed that the stronger and larger Liberian coffee plant would not easily succumb to leaf disease. Through the Colonial Office[95] and the Kew Gardens detailed information was obtained from Liberia about its cultivation for the assistance of planters.[96] Lands were granted for its cultivation and in the Pasdun Korale small demonstration plots were also planted. Headmen were issued free plants to set up model plots for the instruction of villagers.

91. *Governors' Addresses*—13.9.1876, p. 469.
92. *Ibid.* 14.10.1874 (367); 8.9.1875 (417); *Private Life of a Ceylon Coffee Planter*, Pt. I, p. 80; Pt. II, p. 2.
93. C.O. 54: 499— M.O. $\frac{\textit{Ceylon}}{\textit{Mauritius}}$: C.O. Letter No. 169—26.7.1875.
7655
94. C.O. 54: No. 93—1.7.1872.
95. *Governors' Addresses*—13.9.1876, p. 469.
96. C.O. 54; 481—C.O. Letter No. 180—30.8.1872: C.O. 54; 502—No. 131—5.6.1876 & Encl. C.O. 54; 505 $\frac{\textit{Ceylon:}}{12086}$ Letter from Kew to C.O. 5.10.1876; $\frac{\textit{Ceylon:}}{14564}$ (Letter from F.B. Freeman, Wesleyan Missionary to Thwaites.

Owing to the losses from *hemeleia vastatrix* some gladly took to Liberian coffee, believing it to be immune to attack. Seeds were considerably obtained from Liberia while a few even experimented with Mauritius coffee. But, unfortunately, Liberian coffee too, soon fell a victim to leaf disease as had done the Arabian variety.[97]

On the other hand, cinchona, another new plant, proved a more successful introduction. From seeds obtained by Sir Clements Markham, from Peru and Ecuador, Kew Gardens had grown some plants and despatched a few of them to Ceylon in the 1860's.[98] Experiments in cinchona cultivation succeeded at Hakgala Gardens and in 1867 Thwaites, sent out some plants to Jamaica and, in Ceylon, he also encouraged the local planters to grow them. From cinchona bark was made quinine, popularly prescribed as a cure for malaria.

In 1872, a small quantity of Ceylon grown bark fetched an attractive price in England.[99] The product was deemed to be superior to the article hitherto obtained from Ootacamund and Ceylon's soil and climate was adjudged to be peculiarly adapted for growing cinchona. Following the Dutch example in Java, cinchona was soon introduced as a new plantation product in Ceylon. 1873, too, brought the pioneers much success in production and profits.[100] Local planting opinion and the government now came to regard cinchona, a fairly established product. Demands for plants from the government nursery increased[101] and plants which were originally issued free to popularize the product were now sold to recover the expenses incurred on raising them. To supply the eager demands for young plants, planters too established private nurseries. Ratnapura and Matale districts mostly grew the new product.

This interest in cultivation stimulated Gregory to obtain in 1876, from Java better types of cinchona— the *calisaya* and *ledgeriana*[102] which fetched higher prices; but the seedlings unfortunately were fatally damaged in transit. By 1877, favourable markets and government stimulus had encouraged plantations in most areas. From 500 acres in 1872, now 6,000 acres were grown with cinchona.[103] Planters had learned to appreciate the value of the article, its suitableness for the hill country and the climate.

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97. Ferguson, p. 82.
98. **Huxley,** Vol. II, p. 1. See Fn. & pp. 2-4.
99. *Governors' Addresses*—1872, p. 272-3.
100. *Ibid.* 30.7.1873, pp. 325-6.
101. *Ibid.* 14.10.1874, p. 367; 8.9.1875; p. 417; 13.9.1876, p. 469.
102. *Ibid.* 13.9.1876, p. 469.
103. Ferguson, pp. 71-72.
104. Anonymous: *The Private Life of a Ceylon Coffee Planter*, p. 42.
105. Lewis, pp. 78-79 and pp. 110-113.

Yet, cinchona was never grown for its worth alone or in preference to coffee. It was cultivated amidst coffee,[104] or on elevations above 5,000 feet where coffee was not grown, and as a subsidiary crop.[105] A few who had failed with coffee had also taken to it as there was no alternative.[106] It was only when coffee collapsed completely that there occurred a rush to grow cinchona.[107] Then cultivation well, but unwisely, led to overproduction, excessive supplies from Ceylon and Java, and a decline in prices. Cinchona suddenly disappeared as a significant export item from 1884 onwards. As a plantation product its rise and fall was meteoric but when it flourished it provided adequate compensation to some planters for their losses from coffee.[108] It was mainly significant in Ceylon's economy to help the country to float through a period of financial distress. With lesser significance, it later lingered on as a minor industry.

Tea, with which experiments had been conducted by the Botanical Gardens since 1845, was encouraged to be cultivated by Gregory, and proved to be unlike cinchona of lasting value. It replaced coffee as the main staple product after 1885 and remained the backbone of Ceylon's economy.

In 1872, Ceylon-grown tea samples were judged in England to be of high quality and extensive cultivation of the article was instantly urged.[109] Yet planters took to tea tentatively and only to make it an important adjunct to coffee. As yet no planter knew how to grow it correctly and Gregory therefore planned to obtain expert instructors in tea growing from India. Ironically, no one expected it to supplant coffee nor reckoned it important enough to merit sole cultivation. In elevations unsuitable for coffee, tracts were to be planted so that there would be continuous employment for labour. Coffee needed only seasonal labour and to provide adequate employment to keep labour on estates, securely and continuously, had been difficult. Now tea growing offered a suitable solution to this problem.

Assam hybrid tea and some China tea seeds were obtained and cultivation was commenced. In 1873 Ceylon grown tea fared even better.[110] Locally, and in England again, it was judged to be of excellent quality. It was now certain that tea could be successfully grown and, as the Ceylon planter encountered less difficulty than his Assam colleague to obtain labour, Gregory correctly predicted that tea could emerge as a major export. Gregory's prophecy was sound also because of the intrinsic merits of tea. Unlike coffee it could be grown

106. Bremer, p. 84.
107. Sinclair: *In Tropical Lands*, pp. 165-6.
108. Lewis, pp. 116-117, 184.
109. *Governors' Addresses*, 1872, p. 273.
110. *Ibid.* 30.7.1873, pp. 326-7.

on the highest elevation as well as in lowlands, it was an evergreen to be plucked all through the year with profit and, above all, it was a more popular beverage in the United Kingdom than coffee even in the best days of Ceylon coffee. The tea plant was hardier, was not ruined by untimely rain, and even grew well in comparatively poor soil.

Assured of its potential, to promote cultivation, land was surveyed to be sold to planters in the Nuwara-Eliya district. Planters, egged on by the initial success of tea, eagerly demanded land[111] and by 1874 cultivation extended to new areas in Kegalla and Ratnapura. Seedling sales from the government nursery grew large enough to become a source of revenue while supplies were obtained even directly from Assam by enthusiasts. By 1876 tea had certainly outgrown its infancy.[112] Traders entertained little doubt about Ceylon tea's commercial value and from England regular inquiries came in for commissions to purchase the product.[113] Popular Assam hybrid tea now came to be gradually grown extensively on new tracts on the upper regions of the Kandyan districts.

When Gregory left, tea cultivation had certainly begun to grow popular, yet it had not started to figure prominently among exports. The output of tea was largely consumed locally. Its qualities were so excellent that it sold higher than Chinese tea even as fast as it was manufactured; even today Ceylon tea survives competition because of its unmatched quality. Other factors too account for its slow development as an article of export. There was a comparative scarcity and dearness of tea seed until pioneer plantations were later able to provide it. A high degree of skill and care was required to prepare tea for the market. Further only with the collapse of coffee, and later cinchona, did the planter pay full attention to tea growing; an acreage of 35,000 in 1883 being doubled by 1884. However, under Gregory too progress had been commendably fair; the acreage in tea had increased tenfold. From 260 acres in 1872 cultivation had extended over 2,720 acres in 1877 and from an export of 23 pounds in 1873 by 1877, 2,105 pounds were sold.[114]

Cocoa, another product from Kew[115] also grew in importance and remains, even today, a profitable item in the island's economy. Peculiarly suited for the peasants' gardens it could be grown without much exertion.

In 1872 some cocoa beans were sent from Ceylon to Kew Gardens to ascertain their quality from English chocolate manufacturers.[116] Although promising the product was judged to be unfit, as yet for the market, and

111. *ibid.* 14.10.1874, p. 367.
112. *ibid.* 8.9.1875, p. 417; 13.9.1876, p. 469.
113. *ibid.* 13.9.1876, p. 469.
114. Ferguson, p. 71; Appendix—Table G.
115. Huxley, Vol. II, p. 5.
116. *Governors' Addresses*; 30.7.1873, p. 327.

instructions were furnished to better its quality. The quality was soon improved and seeds were freely issued by the government to encourage villagers to grow cocoa. It was grown by some planters in areas too hot for coffee, or wherever coffee had failed. The government gave grants of land to stimulate its cultivation and as it was difficult to persuade conservative villagers to take to this new product Gregory sought the co-operation of influential Ceylonese to popularise cocoa cultivation.[117] They were encouraged to set up model small-holdings.

By 1874, probably, as a result of these exertion a growing disposition to cultivate cocoa was noted. Pioneer plantations flourished, requests for seeds increased, and the product was introduced into new districts like Kegalla. In the later years the government farm ran out of seeds due to the excessive demands for them while plantations came to be formed in several areas. Cocoa cultivation had caught on. Although it never became a first rate crop[118] it remained to be an important regular subsidiary export.

Rubber, also tried under Gregory, made no immediate progress but became later, like tea, a major product. Significant, however, was that Ceylon became the nursery from which plants were introduced to other colonies to form the foundation of the new rubber industry.

Attempts to raise plants at Calcutta from rubber seeds, obtained from the Amazon and Orinoco forests, and sent to India by Kew Gardens had failed.[119] In 1876 Henry Wickham, however, by his daring exploits supplied Kew with fresh seeds from Brazil. From these, 2,800 plants were raised and sent to Ceylon.[120] Thus Ceylon was really an experimental centre for the cultivation of the rubber plant, which was eventually to be distributed to India and Burma.[121] But locally too it was considered desirable to extend cultivation for it was believed that rubber-growing would eliminate the need to procure expensive labour, which was indispensable for planting coffee or tea.[122] This was really an erroneous belief due to a limited knowledge about rubber growing for rubber also requires much and regular labour.

Experiments in creating local plantations, however, met with little success and rubber gave no prospects of becoming immediately important.[123] But, from the Botanical Gardens, seeds were distributed to Fiji, Queensland, Sydney,

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117. *Ibid.*
118. Sinclair, p. 166; Ferguson, pp. 79-80.
119. Huxley, Vol. II, pp. 5, 6.
120. C.O. 54; 504—No. 326—24.10.1876.
121. C.O. 54; 504—No. 149—15.6.1876: C.O. 54; 505—$\frac{Ceylon}{4470}$ I.O. to C.O.—13.4.1876: C.O. to Governor—No. 91—20.4.1876.
122. C.O. 54; 487—No. 235—28.7.1873—Encl. Thwaites' Letter—19.7.1873.
123. Ferguson, p. 82.

Jamaica, Trinidad, Java, Zanzibar, India and Burma and thus Ceylon became the centre from which rubber cultivation was extended widely within the British empire.

Cultivation of cardamoms, cinnamon, black pepper, and vanilla too was popularised by the government[124] but these articles never progressed beyond becoming minor items in Ceylon's trade. Immediately, however, cultivation of these products offered some sustenance to a few planters after reverses in coffee.[125] Fair prices encouraged an increased and profitable cultivation of some of these products from 1874 onwards around the Kandy and Matale districts. Cinnamon fared well on poor soil and was planted on lands unfit for other products in the Central province.[126] Requests for seeds, especially of cardamom, were remarkably heavy.

But as export articles, demands were for small quantities of these products[127] and to the enterprising and ambitious planter they offered limited commercial opportunity. Temporarily, to withstand bankruptcy, after coffee failures, some planters had grown these, but cinchona and tea soon lured them back to large scale estate enterprises. To the peasant, however, these products, easily cultivable without labour and ideal for small gardens, proved valuable. In many areas production of these spices became a permanent part of the peasant economy.

During Gregory's governorship there had been successfully introduced some new crops due to intensive governmental propaganda and encouragement, favourable markets and largely owing to the reverses in coffee. They proved immediately invaluable to help the planter and the colony tide over the economic distress, which occurred following the coffee blight, while some products remain significant even today in the Island's trade.

But, basically, Ceylon's economic structure or conditions remained unaffected. Strict monoculture passed away yet the island continued with a plantation export economy, dependent now on the cultivation of a few principal products instead of one. These could be as fickle and as vulnerable as coffee was to plant disease and were also grown with the aid of Indian immigrant labour on estates largely owned by European capital. The size of the country's national income continued to depend overwhelmingly on prices fetched by her export commodities in foreign markets. To the government the only viable economy for Ceylon appeared to be one based on commercial crops grown for the world market. One crop had failed and was replaced by others. There was no fundamental change.

124. Repts. of Botanical Gardens; C.O. 57; 57—1872: C.O. 57; 62—1873; C.O. 57; 63—1874; C.O. 57; 69—1876; Ferguson, p. 70.
125. Anonymous: *Private Life of a Ceylon Coffee Planter*, pp. 4-5; Ferguson, pp. 82-3.
126. *Governors' Addresses*—14.10.1874, p. 367.
127. Sinclair, p. 166.

APPENDIX*

A. Growth of the Coffee Industry—1855-1875

Year	*Acres (thousands)*	*Coffee Exports Cwts. in (thousands)*	*Value (£ thousands)*	*Value of Total Exports (£ thousands)*
1855	85.6	506.5	1125.3	1974.8
1865	160.0	927.4	2343.5	3565.1
1875	249.6	924.3	4506.9	5375.4

B. Value of Coffee to Ceylon in the 'Seventies

Year	*Total value of Exports Rs.*	*Total value of Coffee Exports Rs.*	*Ratio*
1870	28,037,310	27,530,040	98%
1871	36,348,530	24,324,260	67%
1872	31,390,000	18,539,060	49%
1873	54,395,910	42,207,500	77%
1874	43,944,270	32,166,520	73%
1875	53,754,100	45,069,020	83%
1876	45,095,950	34,240,240	75%
1877	57,300,510	49,760,260	87%
1878	44,381,370	33,952,490	78%
1879	49,609,380	40,292,290	81%

C. The Increase in Coffee cultivation and prices 1871-1877

Year	*Acreage*	*Price of Plantation Coffee*	*Price of Peasant Coffee*
1871	195,627	55 sh. per cwt.	40 sh. per cwt.
1872	206,000	55 do	40 do
1873	219,974	88 do	80 do
1874	237,345	90 do	76 do
1875	249,604	100 do	80 do
1876	260,000	106 do	80 do
1877	272,243	106 do	82 do

D. The Acreage and Value of Crown Lands sold—1871-1877

Year	*Acreage*	*Value*
1871	25,227	£ 61,331
1872	19,829	£ 69,563
1873	21,656	£103,089
1874	32,089	£100,040
1875	17,609	£ 59,974
1876	25,632	£104,959
1877	28,543	£132,245

**Sources:* Blue Books, Ceylon Government Gazette and compilations by Ferguson.

E. Annual Coffee Exports—1871-1877

Year	*Plantation (Cwts.)*	*Value (Rs.)*	*Peasant (Cwts.)*	*Value (Rs.)*
1871	775,454	2,093,668	170,397	338,759
1872	582,432	1,572,468	140,623	281,245
1873	829,765	3,733,943	121,577	486,309
1874	634,179	2,853,809	96,758	362,842
1875	809,835	4,049,174	114,431	457,728
1876	585,783	3,104,651	79,843	319,373
1877	892,051	4,638,669	82,282	337,353

F. Immigration from South India—1871-1877

Year	*Arrivals Total*	*Departures Total*	*Excess of Arrivals over Departures*
1871	88,529	68,610	19,919
1872	80,121	74,035	6,086
1873	89,012	80,629	8,383
1874	125,156	89,727	35,429
1875	86,712	95,519	—
1876	164,797	91,960	72,837
1877	167,196	88,609	78,587

G. Progress of Tea—1871-1877

Year	*Average*	*Amount Exported*	*Value*
1871	250	—	—
1872	260	—	—
1873	280	2 packages — 231 lbs.	£ 5
1874	350	4 packages — 492 lbs.	£190
1875	1080	4 packages —1,438 lbs.	£240
1876	1750	7 packages — 757 lbs.	£190
1877	2720	2,105 lbs.	£345

By 1885 tea was grown on 102.000 acres and by 1900 384,000 acres.

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THE MYTH OF THE MALVANA CONVENTION

T.B.H. Abeysinghe

The "Malvana Convention" has become almost an article of faith among historians writing of the Portuguese in Ceylon. Scholars with such widely differing attitudes as Paul E. Pieris and Fr. S.G. Perera have all agreed on its historicity.[1] Though earlier historians such as Codrington had not devoted much prominence to the "convention", more recent writers have tended to do so. Thus the Rev. Fr. S.G. Perera, S.J. in the first edition (1932) of his *History of Ceylon for Schools I* gives a graphic description—derived in the main from Joao Ribeiro—of the summoning of the Malvana Convention and its proceedings. The Rev. Fr. V. Perniola, S.J., revising Fr. Perera's work after the author's death, carried the process a step further by making it the title of Chapter VIII (6th ed., revised, 1955).

The carelessness with which the whole subject of the "convention" has been treated is illustrated by one fact—that both Codrington and Fr. Perera refer to Ribeiro's *Historical Tragedy of Ceylon* as authority for their statements and for detailed information on the Malvana Convention, but what Ribeiro refers to is an assembly held at Colombo.[2] Malvana is fourteen miles away from Colombo, but more important than the physical distance between the two places was the fact that whereas Colombo had a claim to be the location of an assembly of that type, Malvana in 1597 had none.

The accepted version of the story of the Malvana convention in brief is that soon after the death of King Dharmapala on May 27th 1597, Dom Jeronimo de Azevedo, the Portuguese captain-general, summoned to Malvana two deputies from each *korale* and suggested to that assembly that the subjects of the kingdom of Kotte should be governed according to the laws of Portugal because they were now subjects of the King of Portugal. The deputies deliberated for two days and declared that their laws and customs were precious to them

1. P.E. Pieris, *Ceylon. The Portuguese Era I* (Colombo, 1913), pp. 311-313; S.G. Perera *History of Ceylon for Schools I*, p. 67.
2. H.W. Codrington *A Short History of Ceylon* (Colombo, 1947), p. 115; S.G. Perera, *op.cit.*, p. 75; Ribeiro's *History of Ceilao* (trans. Paul E. Pieris, Colombo, 1909), p. 91. It is interesting to note here that Tennent's *Ceylon* (1859 ed. Vol. II, p. 25) has a reference to an assembly held after the death of Dharmapala, but Malvana is not mentioned as the place of that assembly.

and they would prefer to be governed by their own laws and customs. Seeing no alternative acceptable to the assembly, Azevedo consented and took an oath to uphold the laws and customs of the Sinhalese and the deputies thereupon agreed to serve the Portuguese king well and faithfully.[3]

This story is based on two and only two Portuguese writers, Fernao de Queyroz and Joao Ribeiro. Yet there are several contradictions in the versions given by the two writers. Queyroz refers to two assemblies. One was held at Colombo soon after the death of Dharmapala. At that assembly, the king of Portugal was proclaimed the king of "Ceylon" and an oath of allegiance to him was taken by some nobles of the late king's household on behalf of the rest of his subjects.[4] The second assembly took place at Malvana, after the death of Dharmapala, but at an unspecified date. The purpose of this second assembly was to determine the laws by which the subjects of the Kotte kingdom were to be governed.[5]

Ribeiro's version differs from Queyroz's in some important respects. He has combined the two assemblies of Queyroz into one—for the double purpose of swearing-in the allegiance of the Sinhalese subjects to the king of Portugal and for determining the laws by which the people of the kingdom of Kotte were to be governed. This assembly was held at Colombo and not at Malvana.[6]

At the outset it should be stated that there is reasonable certainty as to the historicity of the first of the assemblies referred to in Queyroz, that of the proclamation of the king of Portugal as the king of Kotte. Such assemblies took place in other parts of the Portuguese world on the accession of a new ruler, for example in Goa in 1623 and in Brazil in 1640.[7] Apart from Queyroz, there is one other source which gives a detailed account of the ceremony of proclaiming the new ruler—Diogo do Couto's *Decada* XII (which Queyroz has consulted). According to Couto's account, on the 29th of May 1597, there assembled in Colombo the nobles of the household of the late king, *mudaliyars* and principal persons. Then on Azevedo's suggestion, five nobles of the royal household, a *mudaliyar*, an *aratchi*, and a *patangatin* were chosen to take the oath of loyalty to the king of Portugal in the name of all and this was duly done. A document giving details of the ceremony of the proclamation was prepared and Couto himself had seen a copy of the document in the archives of which he was the custodian.[8]

3. S.G. Perera, *op.cit.* pp. 67-68.
4. Queyroz. *The Temporal and Spiritual Conquest of Ceylon* (trans. Fr. S.G. Perera, Colombo 1930), p. 529.
5. *Ibid.* pp. 1008, 1010.
6. Ribeiro *op. cit.* pp. 91-93.
7. P.S.S. Pissurlencar *Assentos do conselho do estado*, Vol. 1 (Goa, 1953), pp. 152-157; C.R. Boxer *Salvador de Sa and the struggle for Brazil and Angola* 1602-1686 (London 1952) p. 147.
8. Couto as translated in *J. Royal Asiatic Soc., Ceylon Branch*, XX, pp 413-415. (Mudaliyar—a high military official; *aratchi*—captain of a company of Sinhalese soldiers; *patangatin*—a caste headman among the fishing caste.)

The historicity of the ceremony is further confirmed by a royal letter. Writing to the viceroy on November 21st 1598, the king of Portugal referred to a letter of the viceroy wherein the king had been informed that Azevedo had taken possession of the kingdom of Kotte on the death of Dharmapala. The king asked the viceroy to have the necessary documents prepared with all solemnity, if this had not already been done.[9] The ceremony at Colombo was therefore the act of legally taking possession of Kotte. The instructions to prepare a documentary record of the transaction, if not already done, confirms Couto's statement that "a deed was drawn up of this swearing by Manoel Correa da Costa, notary public" of which he had a copy in the Torre do Tombo at Goa.[10]

The ceremony at Colombo at which Azevedo took possession of the kingdom of Kotte for the king of Portugal and the nobles and other representatives of the Ceylonese population swore allegiance to that king is therefore a well-attested event. It has natural plausibility. Couto's is a contemporary account, his *Decada* XII being written in 1611.[11] Above all, Couto had seen a copy of the document drawn up on that occasion.

The second assembly of Queyroz's account is less well-grounded on documentary evidence. There is no reference to it in any official correspondence of the time or even later. Couto, whose account of the events of that period is full, makes no mention of it at all. The story occurs only in Queyroz and a garbled version of it in Ribeiro.

It is to be noted here that Queyroz is himself not fully committed to the Malvana convention. In his "*Conquest*" the convention is not described or even mentioned at its proper chronological point i.e. soon after the death of Dharmapala. Had it been, there would be less ground for doubting the alleged event, for Queyroz has relied on accounts left by two eye-witnesses, Bento da Silva and friar Negrao, for the events of the first ten years of Azevedo's period of office (1594-1604).[12] Queyroz's failure to treat it in its chronological context has therefore to be set down to his sources being silent on the subject. By any standard, the event, if it did take place, was an important one, and worthy of the chronicler's attention. The argument from silence, though not conclusive, throws doubt on the historicity of the assembly at Malvana.

Queyroz refers to the assembly at Malvana three times in his sixth book—elsewhere there are no references. The sixth book does not deal with the course of the temporal and the spiritual conquest. Its purpose is partly didactic and partly practical. It points out the errors committed by the Portuguese

9. Archivo portuguez-oriental ed. J.H. de Cunha Rivara (Nova Goa 1861) fascicule III, p. 918.
10. Couto *op.cit.* p. 415.
11. D.W. Ferguson's footnote in Couto *op. cit.* p. 417.

in the course of the conquest and administration of Ceylon with a view to rectifying them when they recovered possession of it, as Queyroz believed that they eventually would. Of the three references to the assembly at Malvana, two occur in a petition he reproduces *in extensc*—a petition submitted by the Sinhalese to the captain-general Diogo de Melo de Castro (1636-1638). The third reference is in the course of the author's introductory remarks to the petition.[13] Queyroz's only source for the information he gives of the Malvana assembly was therefore a petition drawn up forty years after the alleged event.

The petition is a statement of grievances. Its theme is that the Portuguese, after having promised to maintain and observe the Sinhalese laws and customs did not do so and that the various groups submitting the petition have suffered greatly as a result. The promise to maintain unimpaired the laws and customs existing at the time the Portuguese took over the kingdom of Kotte, the petitioners stated, had been made by Azevedo at an assembly held at Malvana.

It is difficult to be certain that the petitioners got their information on the assembly from a reliable source. At a time when there were no newspapers and when records (except of grants of land) were not widely kept among the ordinary people, the transmission of information was necessarily oral. Recalling an event which occurred forty years previously, and in the lifetime of the previous generation (the average life span in the 17th century Ceylon could not have been great) had obvious difficulties and the chances of the collective memory of a people playing a trick are very great, particularly when the petitioners were in need of substantiating as specifically as possible the responsibility of the Portuguese for their broken promises. The temptation to invent a convention at Malvana if one had not existed also would be great. It therefore seems possible that the petitioners of 1636, in need of pointing out a definite undertaking by the Portuguese to uphold their laws and customs, chose the innocent proclamation ceremony held at Colombo in the presence of the representatives of the people of Kotte as an occasion when such a promise was made.

The choice of Malvana as the assembly site in the petition is interesting. One would expect that if such an assembly had been held at all, it would have been held at Colombo, like the earlier ceremony. But at the time the petition was drawn up in 1636, Malvana had been the seat of the captain-general for nearly forty years. Various ceremonies dating from the time of the Kotte monarchy had been held there, for example the *däkum mangalle* (the annual appearance ceremony). Azevedo had established there the highest court of justice for the Sinhalese subjects[14] and his successors almost certainly con-

12. Fr. S.G. Perera's introduction to Queyroz *op. cit.* pp. 13-15.
13. Queyroz *op. cit.* pp. 1008, 1010, 1019. In the first of these three references, Malvana is not mentioned.
14. *Arquivo Historico Ultramarino*, Lisbon, *Caixa* 3 document 45, *Ceylon Antiquary and Literary Register* (Colombo 1916-17), Vol. II, p. 21.

tinued the practice. The idea that Malvana was the seat of the government for the Sinhalese had become so well established that it was thought of as the natural place for such a gathering. Yet Malvana had not always been so important. Azevedo's instructions in 1614 to one of his successors, Manoel Mascarenhas Homem, advised him to make Malvana his headquarters[15] —a clear indication that even in 1614 the position of Malvana as the residence of the captain-general had not been securely established.

The petition reproduced in Queyroz proves one thing: in the 1630's there was a widespread belief among the Sinhalese inhabitants in the Kotte kingdom that an assembly had been held at which a guarantee of the maintenance of the Sinhalese laws and customs had been given. Ribeiro, during his stay in the island (1640-1658) had heard the story. When he recorded his impressions and experiences twenty five years after he left the island shores, he mixed the historical event of the ceremony at Colombo with the popular story of the assembly at Malvana, and made it into a hold - all containing fact and fictions Thus while Couto's ceremony was attended by the *fidalgos* of the late king's household and other principal persons, Ribeiro has elaborated the story: he says that Azevedo and his counsellors "agreed to issue a notice to all the provinces (called *Corlas*) of the kingdom that they should send to Columbo on a certain day, two delegates from each *Corla* authorized to take the oaths on behalf of the rest to the King of Portugal as their King and Lord."[16]

More than most contemporary writers on Portuguese Ceylon, Ribeiro has depended a great deal on personal experience and observation rather than on documentary sources. While, therefore his description of the military organization in Ceylon and the struggle against the Dutch—he had eighteen years of fighting service in Ceylon during the fight against them—is very useful, for the events of the earlier years he is less trustworthy. Professor Boxer has noted that his accounts of battles "contain many errors of detail, while his dates are seldom reliable".[17] There is certainly no reason to place a greater degree of reliance on his account of events alleged to have taken place forty years before he arrived in the island, especially if his account is not confirmed by other, reliable, evidence.

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15. *Arquivo Historico Ultramarino*, Lisbon, *Caixa* 3 document 45.

16. Ribeiro. *op. cit.* p. 91 *fidalgo*—Nobleman.

17. C.R. Boxer in *The Ceylon Historical Journal*, Vol. III, Nos. 3 and 4, p. 242.

Why the story of the convention should have arisen is easily understood. With the assumption of authority over Kotte by the Portuguese, many cherished principles of the Sinhalese society were undermined. The new rulers failed to understand and respect the niceties of caste. The low and the higher castes were sometimes treated with equality—with equal contempt that is. "Today they have made us *farazes* (a low caste, which carries andors and palanquins) ...., any Pariah enters our houses and demands Royal honours due to the Kings alone"[18]—there in a nutshell was what was happening. The Sinhalese were receiving fewer and fewer grants of land, while the Portuguese share was increasing. Government dues went on increasing and the compulsory purchase of commodities like arecanut was becoming more burdensome. These trends produced uneasiness among the subjects of Kotte. The protective device they developed was myth-making. The simple ceremony at Colombo in 1597 became in the eyes of the Kotte subjects, what the events at Runnymede became to the Parliamentarians in the 17th century England—a sheet anchor of the people's rights.

18. Quoted from the petition of 1636. Queyroz, *op. cit.* p. 1014. See also *ibid.* pp. 1011-1012

THE SALT INDUSTRY OF CEYLON: A GEOGRAPHICAL APPRAISAL

GEORGE THAMBYAHPILLAY

"There is a Port in the Countrey of Portaloon lying in the West side of this Island, whence part of the Kings Countrey is supplied with Salt and Fish; where they have some small trade with the Dutch, who have a Fort upon the Point. . . .Gods providence hath provided them a place on the East side nearer them, which in their language they call Leawava. . . .in Westwardly Winds (being then fair weather there) it becomes Salt, and that in such abundance, that they have as much as they please to fetch. . . .this Salt which is the principal thing that they esteem in time of Trouble or War; and most of them do keep by them a store of Salt against such times. . . ."

Robert Knox

in A Historical Relation of Ceylon, 1682 (p.10).

It is clear from the above account that in ancient times Salt had been a vital commodity in the island's economy and even played a role of military significance. The salt monopoly was indeed a dominant factor in the hands of the Dutch, for the making of salt was specifically concentrated in the maritime provinces under Dutch control. The King of Kandy often had to restrain himself with the Dutch on this account. Puttalam (Portaloon) was the main salt making centre and obviously the sparkling salt was transported by padda boats, poled laboriously from Negombo to the Kelani river via the Dutch canal. According to Robert Knox, the Kandyans also had a Salt supply centre on the east coast, probably Batticaloa, where today salt is occasionally gathered though regular salt production in salterns in not undertaken. The other source of salt supply must have been from the *lewayas* along the southern coast, centred around Hambantota and the *Maha Lewaya*. It is to be noted that the flourishing salt trade during the Portuguese and the Dutch times somehow declined during the British period of occupation. All salt that was produced in the island was entirely solar evaporated and this is true even to this day. No rock salt has been ever mined in the island.

Basic Requisites for Salt Making

The basic requirements for successful solar evaporation of salt are:—

(i) a hot, dry climate,

(ii) accessibility to the sea, and

(iii) clayey soil for the salt pans, preferably with bare rock exposure on the windward side, It is seen that it is the weather condition that is most important. Even if the other two conditions are fulfilled, if the weather proves unsatisfactory or becomes unreliable, then all the money and effort in having constructed the salt pans would have been in vain. In effect, it will be shown later on, how unexpected weather variation resulted in very poor salt harvests in some years.

(i) Climate

The satisfactory weather conditions should conform to a long period of hot, dry climate, a prolonged drought season with no interrupting showers and some amount of wind to help in evaporation. Salt making in Ceylon, involves the simple process of exposing to solar evaporation, the *brine* or sea water, which progressively becomes altered in density until in the final stage, salt is crystallised. If any rain falls during the period the brine is under open exposure to the sun and wind, then the brine will become diluted and the density becomes affected, and a poor salt harvest may result. If the rain is heavy, then even more disaster may ensue, namely, the bunds separating the pans may be breached and perhaps no salt could be harvested. It is fortunate that the so called Dry Zone of Ceylon experiences a long dry period during the dominance of the Southwest monsoon[1] during the months of June, July, August and September (See Fig. 1). Some parts along the coastal belt, extending from Mundel (65 miles north of Colombo) to about Tangalle (126 miles south of Colombo) fortunately experience a satisfactory rainless period between February and September. However, even in this wide zone, it is possible that in some years, out of season rain caused by depressions and cyclones[2] can seriously hamper salt production. Thus, since 1950 salt production in the island has been satisfactorily maintained, except in those years when unexpected rainfall during the preceeding Northeast monsoon season, either breached the saltern (pan) bunds or diluted the brine considerably because the flood water continued to remain in the pans. Thus though the production in 1957 was as high as 80,000 tons, due to the 1957 floods the 1958 production dropped to a very low 18,000 tons only. Similarly, the low amount of 34,000 tons in 1961 is attributed to the unusually high rainfall and greater number of rainy days between February and September of that year compared to the mean values computed from 1950-1960. This is clearly indicated in Table I.

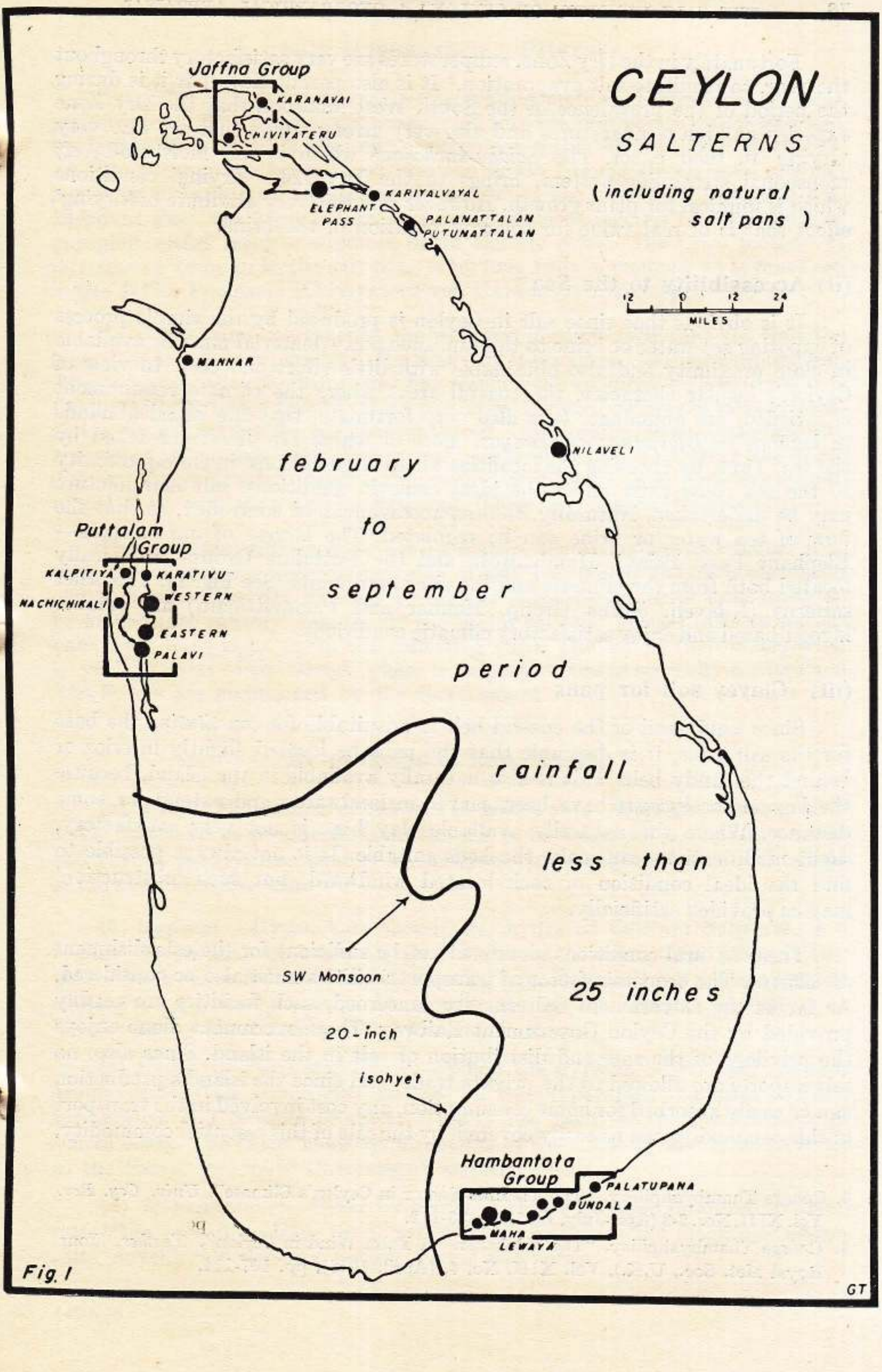
TABLE I

Comparative rainfall and rainy-days data at the Puttalam, Hambantota and Elephant Pass Salterns, for 1961 and the mean values

	Puttalam	*Hambantota*	*Elephant Pass*
Mean Rainfall (inches)			
1950-60	20.9	19.1	11.5
1961 (inches)	31.5	37.3	12.7
Mean Rainy Days			
1950-60	52	64	31
1961	86	106	29

1. George Thambyahpillay, *Rainfall Rhythm in Ceylon* (Colombo Apothecaries 1955), pp. 26-37.

2. George Thambyahpillay, "Tropical Cyclones and the Climate of Ceylon", *Univ. Cey. Rev.*, Vol. XVII, Nos. 3-4 (July-Oct. 1959), pp. 137-180.



CEYLON
SALTERNS
(including natural salt pans)
12 0 12 24
MILES
Jaffna Group
KARANAVAI
CHIVIYATERU
KARIYALVAYAL
ELEPHANT PASS
PALANATTALAM
PUTUNATTALAM
MANNAR
NILAVELI
february to september period rainfall less than 25 inches
Puttalam Group
KALPITIYA
KARATIVU
NACHICHIKALI
WESTERN
EASTERN
PALAVI
SW Monsoon
20-inch isohyet
Hambantota Group
PALATUPANA
BUNDALA
MAHA LEWAYA
GT

Fig. 1

Fortunately in the Dry Zone, temperatures are very satisfactory throughout the year, to facilitate salt evaporation.[3] It is also paradoxical that it is during the period of the prevalence of the South West Monsoon that the Dry Zone experiences high temperatures and also very strong winds that are also very 'drying' in their effect. The *Solaha-kachchan*[4] which is the moisture-bereft monsoonal streamline system, brings to the Dry Zone 'drying' conditions which is inimical for plant growth. However it is this very attribute of 'drying' effect that is of real value for solar evaporation of the brine.

(ii) Accessibility to the Sea

It is obvious that since salt in Ceylon is produced by the simple process of exposing sea water or brine to the sun, such a raw material must be available in close proximity and also obtainable with little effort and cost. In view of Ceylon's insular character, the coastal areas where the climate requirement is satisfied, are abundant. It is also very fortunate, that the island abounds in lagoons or *kalapuwas* or *lewayas*, most of which are directly reached by the sea. Thus, by choosing the localities where large lagoons, in close proximity to the sea coast exist under the ideal climatic conditions, salt manufacture may be undertaken. Naturally, the sea access must be controlled, so that the flow of sea water or brine can be regulated. The largest of our salterns—Elephant Pass, Palavi, Hambantota and the Puttalam Group—are ideally located both from the climatic and the site standpoints (See Fig. 1). The other salterns (Nilaveli, Jaffna Group, Mannar and Palamattalam) are smaller lagoon-based and enjoy satisfactory climatic conditions.

(iii) Clayey soil for pans

Since sandy soil of the coastal belt is unsuitable for *constituting* the base for the salt pans, it is desirable that the pans be located slightly interior or behind the sandy belt. This is also naturally available in the island, because the lagoons or *lewayas* have been carved-in landwards and extend for some distance. Where the naturally available clay base is not very satisfactory, slight modifications can make the beds suitable. It is not always possible to find the ideal condition of rock located windward, but such 'obstruction' may be provided artificially.

These natural conditions alone will not be sufficient for the establishment of salterns. The economic factor of transport facilities must also be considered. As far as the Government Salterns are concerned, such facilities are readily provided by the Ceylon Government Railway. The Government alone enjoys the privilege of the sale and distribution of salt in the island. Since also, no salt imports are allowed to the private trade, and since the island's production can be easily absorbed for home consumption, any cost involved in the transport of this commodity can be easily covered, by the sale of this essential commodity.

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3. George Thambyahpillay, "The Thermal Factor in Ceylon's Climate", *Univ. Cey. Rev.*, Vol. XIII, Nos. 2-3 (Apr.-July, 1955), pp. 83-112.

4. George Thambyahpillay, "The Kâchchān—A Fohn Wind in Ceylon", *Weather*, (Jour. Royal Met. Soc., U.K.), Vol. XIII, No. 4, (April, 1958), pp. 107-114.

Salt Manufacturing Process

In producing salt by the solar evaporation method, a minimum of three pans are basic. The brine or sea water is led into the first pan, which is enclosed by bunds. This brine is allowed to evaporate until the density is increased. At Hambantota the brine is led into the *Maha Lewaya* by an open channel but with a wave trap regulating the inflow of the brine. At Puttalam and Elephant Pass, the brine is introduced into enclosed lagoons by some form of pumping, either using a windmill or an electric pump. The third method of introducing brine in to the salt pans is by long brine aqueducts as is practised in the Jaffna Peninsula (Chiviyateru and Karanavai Salterns).

Once the brine has reached the required density, it is then led into the second enclosure (pan) and as in the first pan, it is exposed to solar evaporation. After ensuring that the brine now has reached the required high density, it is finally ready to be led into the third pan. Here the final process of salt crystallisation takes place and the harvest is gathered. This simple process is satisfactorily completed, if no rain falls during the period of exposure. During the three different stages of solar evaporation, a number of by-products such as gypsum, school chalk etc. may also be gathered. These are natural by-products.

The collected salt must be left to mature for about an year before it is sold. It is a common sight to see 'hills of salt' covered by *cadjan* roofs placed on them, since the dry weather permits of such storage until it is ready to be loaded into railway wagons. At the major salterns, special railway sidings have been built right up to the collecting pans. The salt is then transported to various parts of the island, where in important towns specially constructed Salt Stores are maintained by the Government.

By-products of Salt Making

(*a*) *Table Salt:*—Some of the salt is boiled as at Elephant Pass, so that Table Salt may be produced. Here the salt is boiled under a vacuum process and then is ready to be packed at the Maradana Packing Centre and is sold as the popular 'Solar' salt.

(*b*) *Gypsum:*—Gypsum or chemically, hydrated Calcium Sulphate, is a natural by-product obtained in the condenser (second) pan, immediately before the brine is led into the salt-forming pan. It is used for moderating the settling of Portland Cement. Practically the entire gypsum production is bought up by the Kankesanturai Cement Factory.

(*c*) *Plaster of Paris and Chalk:*—When the gypsum is purified, roasted, ground and seived, it becomes the base for the preparation of Plaster of Paris for surgical and ceramic products. This is also used for the manufacture of school chalk. The entire chalk requirements of the island is now manufactured at the Palavi (see map) Government Saltern.

(*d*) *Miscellaneous:*—Other by-products that are either produced in small quantities or can be later produced in large quantities are magnesia, epsom salts, oxychloride cements, potash, iodine and borax.

Salt Production

In recent years and up to 1957, the island's salt consumption amounted to about 50,000 tons per year. This home requirement has been practically produced in the island, excess amounts produced in some years helping to tide over years of bad production due to natural or artificial causes. In Table II is indicated data pertaining to production and consumption of salt in the island.

TABLE II

Annual Returns of Salt Production in Ceylon**

(*all values in TONS*)

Year	*Production*	*Consumption*	*Year*	*Production*	*Consumption*
1939 ..	35,559		1951 ..	25,834	48,283
1940 ..	33,264		1952 ..	45,305	49,211
1941 ..	28,061		1953 ..	57,026	51,981
1942 ..	18,383		1954 ..	50,434	52,001
1943 ..	13,563		1955 ..	38,905	47,305
1944 ..	28,233		1956 ..	106,565	49,923
1945 ..	41,695		1957 ..	80,192	
1946 ..	42,920		1958 ..	17,877	
1947 ..	22,791	46,544	1959 ..	28,575	
1948 ..	77,429	44,867	1960 ..	52,659	
1949 ..	28,220	48,025	1961 ..	34,000	
1950 ..	11,559	46,718			

**Data compiled from a number of sources.

It is to be observed, that between the years 1947 and 1956 the home consumption of salt had varied from 44,867 tons in 1948 to slightly over 52,000 tons in 1954. Hence the 50,000 tons estimate seems a satisfactory figure to go by. However, the newly constituted Board of Directors of the National Salt Corporation (1964) have estimated that the home consumption is now approximately 70,000 tons. This is estimated, not only on the basis of the increase of population but also on the basis of increasing use of salt for fish curing, soap making, in the tannery industry and for making potash fertiliser so vitally required by the agriculture sector. In 1957 the actual amounts of salt used for other than domestic use, was as follows:—

	Tons
1. Fish curing	2,549
2. Soap making	406
3. Tanneries	371
4. Agriculture	102
	3,428

This amount of only slightly over 3,000 tons would be totally inadequate, considering the increasing impetus for industrialisation by the Government and the increasing needs of fish for the increasing population. The Agricultural sector is bound to use more and more salt in the manufacture of the much needed potash fertiliser product. The 1960 consumption worked out to be 66,000 tons of which as much as nearly 57,000 tons was used for household purposes and nearly 9,000 tons was used up by the fish-curing trade, industrial and agricultural users.

Even a casual examination of the annual salt production data (Table II) reveals the wide fluctuation from year to year. It is to be noted that 1956 was a remarkable year with an all-time record production of more than 106,000 tons while 1957 came a close second with over 80,000 tons. But then the year following, namely 1958, shows a very low production of only 18,000 tons due to adverse weather conditions in late 1957. Fortunately, the high productions in 1956 and 1957 helped to tide over the bad harvest of 1958. But again 1959 was also a bad harvest year. In 1960 it improved to an average production of over 52,000 tons (Fig. 3) but again in 1961 the output was only 34,000 tons. Again the weather was responsible. The Government had to import from Pakistan as much as nearly 10,000 tons (9,620 tons) at Rs. 66.00 per ton.[5] This high price that the Government had to pay for imported salt, may be compared to the normal f.o.b. price of a mere Rs. 13.50. The low production in 1941, 1942, 1943 and 1944 may be accounted for, by the difficult labour situation during the war.

The salt trade is a monopoly of the Government and even the owners of private salterns or others who merely collect salt from natural salt pans in favourable seasons, are subject to licensing and all collection must be done under Government supervision. It is therefore easy for the Government to adopt methods of stabilising the yearly production of salt in the island, provided weather conditions do not prove very adverse. Upto 1940, the collected salt was auctioned by the Government but since 1940 the Government functions as the main distributor through the Co-operative Wholesale Establishment. This step was taken to ensure adequate supplies in all salt stores, and equitable distribution throughout the island, so that the average citizen be not at the mercy of 'hoarders' of such an essential and basic household requirement.

Since 1942 it was decided not to import this vital and essential commodity and the Government has discouraged any salt import by the levying of a tariff of Rs. 4.00 per cwt. on imported salt. However, in the years 1944, 1945 and again in 1960 it became necessary for the importation of salt, due to the inadequate salt production, both in these years and in the years preceding these years, consequent upon unexpected weather deterioration during the production period. In some years, bad harvest did not cause the necessity for salt importation, because of the stored quantity of excess salt of previous years. Again in 1963 salt had to be imported (20,000 tons) and in 1964 it is estimated that at least 30,000 tons will have to be imported to meet the local consumption demand of about 70,000 tons. An order for 20,000 tons has already been placed with the Government of India.

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5. Administrative Report of the Salt Commissioner, 1960-61.

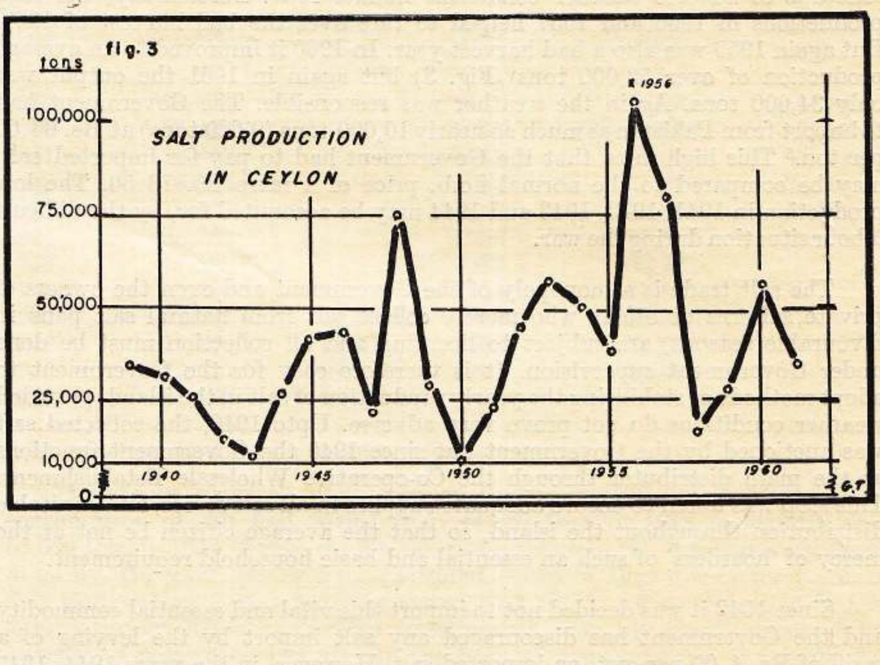
fig. 3
tons
100,000
75,000
50,000
25,000
10,000
0
SALT PRODUCTION
IN CEYLON
1956
1940
1945
1950
1955
1960
G.T.

Production Centres

With the intention of stabilising the annual salt output, the Government in 1919 sanctioned the appointment of a Salt Adviser. On his recommendation, the Government undertook the construction of three large and modern salterns at Elephant Pass, Palavi and Hambantota. The two salterns at Elephant Pass and Palavi proved immediately successful producers of salt and the collections were as follows:—

	1926	1938	1948
	tons	*tons*	*tons*
Elephant Pass ..	7,550	8,178	17,835
Palavi	200	5,030	6,375
Hambantota ..	—	—	13,863
Puttalam	—	—	27,664

Elephant Pass, has since then continued to be the major saltern in order of production, with the Puttalam Group (including Palavi) lying second, while Hambantota remains third. A careful scrutiny of Table III reveals some interesting facts. It is seen that all salterns do not reflect high production the same year.

The list in Table III pertains to three types of salt collecting centres (Fig. 1) namely, the Government Salterns at Elephant Pass, Palavi, Puttalam and Hambantota; the private salterns at Nilaveli, the Jaffna Group (Chiviyatheru and Karanavai) and thirdly those centres where naturally–crystallised salt is collected in certain years, e.g., Mannar, Kariyalvayal, Palamattalam, Puttumatalam, Pattikarai, Batticaloa, Kopay etc. Salt in Mannar for example, forms in the *odais*, or at Kopay in the *kadal* or at Palamattalam in the *uppu-kadal*. Occasionally, salt from the Jaffna Group has been transported by boat to Mannar to be used in curing fish at the fishing centres of Pesalai, Talaimannar, Mannar and Vankalai. In other years, the salt collected from the *Periya Kalpuwa* in the Mannar centre was used by these same fishing centres. Altogether, besides the Government salterns, fifteen private salterns or collecting centres continue to function. These collecting centres account for less than 1,000 tons of the annual production and hence may be left out of consideration in assessing the salt production potential of the island.

THE EXPORT OF SALT: ITS POSSIBILITIES

The Hambantota Lewaya Scheme: 1957

In view of the excellent climatic and other natural conditions existing in the island for the production of salt, discussions were initiated to assess the possibility of exporting salt at least to the Asian market, notably to Japan which was in much need of cheap salt for her industrial programmes. The situation was also noted, that once improvements were effected in the established salterns to regulate the annual production, it was not unfeasible to consider production for export.

TABLE III

Ceylon—Salterns and Some Production Data

	Average output up to 1938	*Average 1939-1945*	*1956	†1960-1961	*Potential by 1966*
		(*all values in TONS*)			
(A) Government Salterns					
1. Elephant Pass (NP) ..	7,321	5,428	47,446	30,290	69,000
2. Palavi (NWP) ..	4,423	5,094	10,378	2,160	18,000
3. Hambantota Group (SP) (Maha Lewaya etc.) (Palapatupana lewaya) ..	9,442	5,492	28,688	1,600	30,000
(B) Private Salterns					
1. Puttalam Group (NWP) Western Saltern Eastern Saltern ..	7,956	8,268	14,834	2,340	8,000
2. Jaffna Group (NP) Chiviyateru .. Karanavai Irupalai ..	2,284	1,067	2,231	1,420	—
3. Nilaveli (EP) ..	2,814	1,626	1,080	1,170	—
(C) Collecting Centres (pans etc.)					
1. Mannar (NP) Periya Kalapuwa ..	273	357	1,141	900	—
2. Nachchikali (NWP) Kalpitiya (NWP) Karativu (NWP) Palamattalam (NP) Puttumattalam (NP) Pattikarai (NP) Thewavetti (NP) ..	76	113	764	—	—

*Year of highest production:—106,562 Tons

†Year of low production:—34,000 Tons

Data compiled from a number of sources: viz., Sessional Papers, Administrative Reports of Salt Commissioners Yearbooks, Statistical Abstracts, etc.

In 1948 accordingly, the then Salt Commissioner, prepared a report[6] for the Government, wherein was embodied a scheme of developing the Hambantota *lewaya* group, with the avowed purpose of producing only for export, salt amounting to 500,000 tons. Also envisaged was the output of by-products namely, 5,000 tons of gypsum add 50-60,000 tons of potash fertiliser. This grandiose scheme envisaged a remarkable system of interconnecting the six *lewayas*—the Karagon lewaya, the Maha lewaya, the Koholankala lewaya, the Malala lewaya, the Embilikele lewaya and the Bundala lewaya—by an intricate series of link-tunnels and channels. It was proposed that the brine be first pumped into the Bundala lewaya (Fig. 2). After solar evaporation, the brine was to pass through the intermediate four lewayas to finally reach the precipitating pan of the Karagon lewaya. The Commissioner proposed this Hambantota lewaya scheme, after considering the feasibility of possible extensions, of the already well established and high-production Government salterns of Elephant Pass and the Puttalam Group. Cabinet approval was obtained for this development scheme and in 1957 the National Salt Corporation was instituted with the Salt Commissioner as Chairman of the Board of Directors. The target accepted was 500,000 tons of salt for export. In February of 1958 the Board of Directors suggested a revision of the original scheme and in its place proposed a complete 're-orientation' of the lewaya scheme. Instead of pumping the brine into the Bundala lewaya, the revised scheme envisaged the brine being pumped into the Karagon lewaya and the salt to be collected in the Bundala lewaya. This was, seemingly consequent upon some objections from the residents of Hambantota that salt collection at Karagon lewaya might mean interruption of fishing activity. This new rearrangement of the brine-flow, meant additional expenditure, namely, the construction of a harbour at Pattirajja (Fig. 2) 15 miles from Hambantota. If salt was to be collected from the Bundala lewaya it also meant the strengthening of the bunds of at least 12 tanks located inland, to ensure that no flood waters from the Malala Oya and other streams (Fig. 2) would dilute the brine in the intermediary lewayas. A special quarry for metal was to be opened at Kelegama and new roads be constructed to Pattirajja Point (Fig. 2). Other expenditure was to be incurred on an extension of the wave trap at Pitawatte Modera and pumps at Rattupasgodella, and a pipe line from here to the Karagon Lewaya to ensure a $1\frac{1}{2}$-2 million gallons per hour flow of brine into the lewaya. All salt was to be shipped from Pattirajja. The cost of Stage I of this scheme was estimated at Rs. 14,000,000. The Palapatupana lewaya was also to be a salt collecting pan, independently of this scheme.

It is interesting here to note, that a team of experts from Israel and from the United Nations Technical Assistance Administration (UNTAA), which spent some time in the island since 1952, examined the salterns in Ceylon and finally proposed the development of the *Jaffna Lagoon Salt Evaporation Scheme*, with the salt being shipped via the port of Kankesanturai. This was suggested in preference to the Hambantota scheme.

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6. Report by the Salt Commissioner. . .upon the potentiality of the Salt Industry in Ceylon. *Sessional Paper* No. XIII, July, 1948, 24 pp.

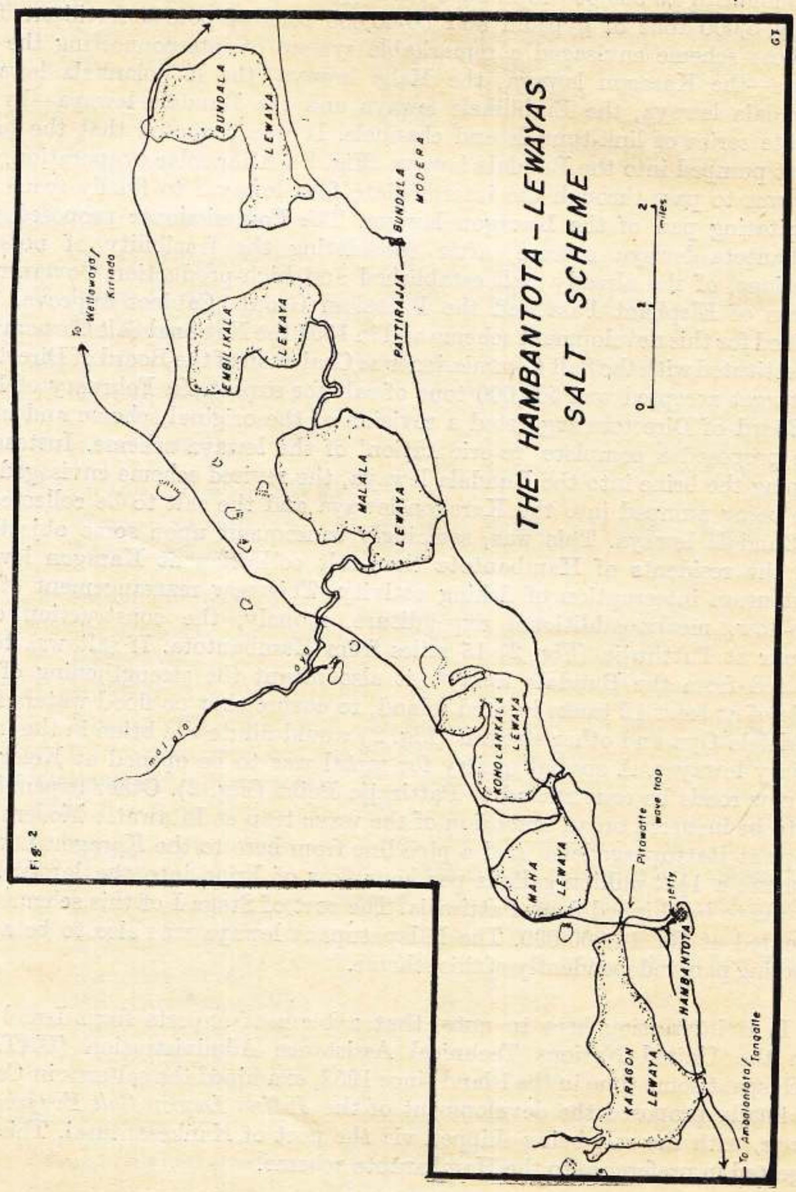
Fig. 2
THE HAMBANTOTA-LEWAYAS
SALT SCHEME
0 1 2
miles
BUNDALA LEWAYA
BUNDALA MODERA
PATTIRAJJA
To Wellawaya/ Kirinda
EMBILIKALA LEWAYA
MALALA LEWAYA
Malala oya
KOHOLANKALA LEWAYA
MAHA LEWAYA
Pitawatte
wave trap
jetty
HAMBANTOTA
KARAGON LEWAYA
To Ambalantota/ Tangalle
GT

Commissions of Enquiry

The Hambantota lewaya scheme was under way and various modifications of the original scheme were made from time to time. In 1961 the Government appointed the Sultan Bawa Committee to inquire into the progress and possibilities of the Hambantota scheme. It must be kept in mind, that the National Salt Corporation was concerned only with the Hambantota Lewaya scheme, while salt collection in all the other salterns was undertaken through the usual channels. The Sultan Bawa Committee, after a careful study, reported to the Government that on the basis of the known total acreage of the six lewayas being 4,410 acres, the total optimum salt production that can be envisaged under ideal weather conditions, was in the region of 175,000 tons only. It was now obvious that the possibility of collecting 500,000 tons from this scheme was indeed very wide of the real situation.

In 1963, the Government appointed a Commission of Enquiry into the working of the National Salt Corporation and the findings of the Commission was placed before the cabinet.[7] The Commission agreed with the Sultan Bawa Committee that the latter's estimate was nearer the mark and that production of 500,000 tons was entirely out of the question. It also established *inter alia* that the engineering aspects of the constructional works left much to be desired and that the scheme had already involved tremendous waste of public money.

The Revised Hambantota Scheme: 1964[8]

The newly constituted (1964) Board of Directors of the National Salt Corporation, has decided to abandon the original 'Tisseveerasinghe' plan and instead, envisages the production of 30,000 tons only of salt per year on completion of the primary development work at Hambantota. The plan to construct a harbour at Hambantota has also been abandoned and the following changes are programmed:—

(i) The Koholankalawa lewaya and the Maha lewaya (Fig. 2) to be annexed, to be worked as a single unit; Koholankalawa will function as the reservoir and salt will be collected in the Maha lewaya. Thus, Maha lewaya which had been the original salt collecting pan will continue to operate as before.

(ii) Flood protection bunds have been constructed around these two linked-lewayas. These two lewayas have a total extent of about 2,000 acres.

(iii) The plan to harvest salt in the Bundala lewaya to be abandoned.

(iv) The Maha lewaya saltern to be 'recarved out' due to it having been neglected by the 'Tissaveerasinghe Board'.

(v) Laying of new trolley tracks.

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7. Report of the Commission on the Salt Corporation, *Sessional Paper*, No. IX (1963).

8. Report of the National Salt Corporation (1964).

Salt Commissioner's Programme: 1964-1966[9]

With the annual domestic salt consumption at approximately 70,000 tons, the Salt Commissioner who is concerned with the island's salterns, has planned the following:—

1. The Palavi Saltern to be enlarged from its present 370 acres to about 800 acres and the production to be stabilised at 18,000 tons per annum.
2. The Elephant Pass saltern to be enlarged from its present 505 acres to about 1,155 acres and, the annual output to be stepped up to nearly 70,000 tons.
3. The Puttalam saltern to be modified to produce 8,000 tons per annum.

The total cost estimated for this programme is about Rs. 3,500,000, and will be undertaken over a three-year period and the full capacity production target to be reached by 1966.

The Prospect Ahead

It is of interest to note that work on this programme of stepping up the island's production of salt is of immediate concern, because in 1964 the Government has already imported a total of 106,619 tons of salt at a cost of Rs. 8,400,000 and consequently a loss of much needed foreign exchange of almost Rs. 6,000,000. It is also considered imperative, that the salt workings must be mechanised but that this should not adversely affect the labour situation in the form of acute retrenchment. In view of the highly seasonal labour required for working the salt pans during harvesting time, the Department employs a regular labour force of only one hundred and fifty.

These development proposals are based on the findings of the UNTAA in 1952 who pointed out, that the country must depend for increase in salt production, upon the extension and mechanisation of the existing well organized salterns at Elephant Pass, Palavi and at Puttalam. These experts estimated only 15 per cent of the island's total output from the proposed Hambantota scheme.

Despite the well-planned schemes to increase salt production from the existing salterns, it is the weather that will have the final role to play in ensuring a successful salt harvest. It is noteworthy, that it is in the Hambantota area that the weather tends to be highly fickle. This zone forms the boundary between the Wet and the Dry Zones; the climatic zone is a *transitional one* and during the Southwest monsoon season, year to year fluctuation of the rainfall climate is to be expected.

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9. *Ibid.*

However, it is not to be expected that weather conditions should always be blamed for poor salt production in the island. The weather will be with us for all times, and it is the duty of the authorities to stabilise the production of salt, on the basis of a properly planned and more so, a properly executed production programme to meet the country's needs, not only for domestic and household use but also for use in the essential industrial and agricultural programmes. The cement industry, the fish industry and agriculture would require specific quantities of salt. Already, over two and a half million rupees has been recklessly squandered over a 'grandiose scheme'. It is to be noted that the Government has already attempted to salvage whatever is possible from the Hambantota Lewaya scheme and to expect only a modest 30,000 tons from the Maha Lewaya. The now envisaged programme of working towards an annual harvest of at least 70,000 tons to meet our home requirements is to be commended. The programme, envisaged earlier, of actually exporting salt must however not be shelved permanently but must be reconsidered once the salt industry is on a stable footing and is producing to satisfy the home needs. In the context of the geographical bases available in the island for salt production, there is no doubt whatsoever that "export potentiality" ranks very high. A modest export market based on the Southeast Asian region should be a feasible possibility at least within the next decade.

THE DEMAND FOR CONSUMER IMPORTS IN CEYLON 1947-1959

S.A. Meegama

The current economic crisis has focussed attention on the necessity for the government to regulate the volume and composition of the imports into the country. Such regulation must be geared to a scheme for the control of our imports in such a manner which would make maximum use of foreign exchange which is essential to carry through a planned programme of investment. The amount of such investment will, to a great extent, depend on our ability to import various items of machinery and other heavy capital goods. This, in turn will rest mainly on the degree of control which we can exercise over the import of commodities for consumption purposes which today accounts for a very high proportion of our foreign exchange earnings.

Regulation of imports can take many forms such as the total prohibition of some imports, a system of import quotas, or the institution of import duties, it can also take the indirect form of taxation policies which can affect the purchasing power of the consumer. Before attempting to determine which of these controls is best suited for use in Ceylon as an instrument to control the consumption of any commodity we must first try to determine the factors which influence the quantity imported of each commodity. To analyse this for each commodity imported would have placed an unbearable strain on the resources at our disposal. Thus we have divided consumer goods imported in the period 1947-1959 into the following five categories.

(1) Food and drink (essentials)
(2) Food and drink (luxury)
(3) Manufactured consumer goods (essentials)
(4) Manufactured consumer goods (luxury)
(5) Durable consumer goods.

The basis of classification has been to divide consumer imports into essentials and luxuries according to the prevailing pattern of consumption. Thus those articles consumed by all sections of the population have been classified as essential imports while those used only by the higher income groups have been defined as luxuries.[1]

The following analysis is an attempt to determine the factors which influence the quantity imported of each of these groups. There are several variables which could influence the changes in the quantity of imports. The

1. The detailed composition of these different categories is found in "The changing import structure of Ceylon " F.R. Jayasuriya and S.A. Meegama (*University of Ceylon Review* October, 1962). In "Studies in the Import Structure of Ceylon" Colombo 1958 Newman divided imports into three categories: Consumer goods, intermediate goods, and capital goods and analysed the demand for each category separately.

first is the change in income, and the statistics which we shall use to define it are the figures of disposable National Income. This variable in the context of the Ceylon economy serves a dual purpose in that it can firstly explain changes in demand due to the long-term growth of the economy with its consequent expansion of employment and secondly the change in demand due to the short run fluctuations in employment and profits due to the heavy dependence of the economy on unstable foreign earnings.

A second factor which could influence the level of these imports is their respective price, now the C.I.F. price of these various categories of commodities is readily available, but if price considerations affect the demand for a commodity it is not the C.I.F. price paid by the importer, but the price paid by the final consumer which finally determines the quantity imported. Even in the case of the rice imports of Ceylon where the government has a monopoly of imports, it is really the long-term retail price paid by the consumer which determines the amount consumed and thus the final quantity of rice to be imported. Thus if the controlled price of rationed rice is raised from 25 to 50 cents, the demand for rice imports will fall off even if there has been a decrease in the C.I.F. price of the rice imports. Thus it is necessary to estimate the retail prices of these various categories of commodities. Now the retail price consists of the C.I.F. price + import duty + trade margins to all traders. Except in the case of commodities under food and drink (essentials) the statistics of the retail prices of most of the imports classified under other categories were not available, therefore we attempted to build up each of these price series by estimating their component parts. The component C.I.F. price + import duty can be estimated[2] from the statistics in the Customs Returns of Imports, but there were no statistics from which we could get a reliable estimate of the third item namely trade margins for each of the commodities.

Thus in the present analysis we have used C.I.F. price + import duty as a substitute for the retail price, this is not an unrealistic approximation in this context since by far the greater part of the fluctuation in retail prices during this period was due to changes in C.I.F. prices and revisions in the rate of import duty. The index of C.I.F. prices + import duty will to a great extent describe the changes in the level of retail prices except in the case of commodities like rationed rice where the consumer pays a subsidized price or the case of sugar, where the price paid by the consumer has no direct relation to the C.I.F. price + import duty.

Method of Analysis

We have used the method of multiple correlation analysis to determine the structure of the demand functions. The demand curve generally postulated was of the form

$$q = a + bY + cp$$

2. The index of C.I.F. price + import duty can be estimated for each group of commodities by first adding to the value (C.I.F.) of goods imported, the import duty collected on them and then dividing this total by the respective quantity index.

Where q the quantity imported is a function of Y the disposable National Income and p the price of the commodity.[3]

We have fitted this function to the data for the years 1947-1959 for the different classes of commodities taking into account the most appropriate lags for the income and the price variables. The length of these lags were not chosen on apriori considerations but were estimated empirically on the basis of those lags which gave the best fit to the data.

We have used several criteria to judge the adequacy of the structural form fitted. They are —

(1) The square of the multiple correlation coefficient R^2 which gives the percentage of the variance of the dependent variable which can be explained by the variation in the independent variables.

(2) The standard errors of the parameters which define the structural forms.

(3) Testing for serial correlation the residuals of the structural equations.

Results

Food and Drink (Essentials)

The main items in this group are :

Rice	Wheat Flour
Dried Chillies	Sugar
Potatoes	Milk Products
Onions	Fish dried and salted

3. Given a structure of the form $q = a + bY + cp$ it is necessary to interpret the meanings attached to the coefficients b and c of the equation. If the quantity demanded is a function only of income such that

$$q = a + bY$$

where $$\frac{dq}{dY} = b$$

then $$\frac{\frac{dq}{q}}{\frac{dY}{Y}} = \frac{Y}{q} \frac{dq}{dY} = \frac{Yb}{q}$$ is the income elasticity of demand.

But when the quantity demanded is a function of more than one variable as when $q = a + bY + cp$ then we have to make use of the concept of partial elasticity of demand to interpret the coefficients b and c. Thus the partial income elasticity of demand is equal to

$$\frac{\frac{\Delta q}{q}}{\frac{\Delta Y}{Y}} = \frac{Y}{q} \frac{\Delta q}{\Delta Y} = \frac{Yb}{q}$$

where $\frac{\Delta q}{\Delta Y}$ is the partial differential coefficient of q with respect to Y. This elasticity is the ratio of the relative change in the quantity demanded to the relative change in income where we assume that price has remained constant. Similarly we can estimate the partial price elasticity of demand.

In the above case since statistics were available we have constructed a retail price index instead of using an index of C.I.F. price + import duty. This was necessary because the retail price of one of the most important items, namely rice had no relation at all to its C.I.F. price + import duty owing to the existence of a large government subsidy to the consumer. Another important variable other than income and price which determines the quantity of these imports is the volume of home production. It is only in this group of commodities that home production accounts for a significant proportion of total consumption. Therefore we have also introduced the variable paddy production in Ceylon (A) as an explaining variable, our hypothesis postulates that in times of high home production, imports would necessarily fall, if this is to hold, the coefficient of A should be negative in the estimated structural equation. Finally in the case of essential food imports which are consumed by all, population growth could be regarded as an important variable determining the level of imports, we have used a trend term to explain this variation :

The estimated structure was of the form

$$q = \underset{}{160.05} - \underset{(.04)}{.05\,Y} - \underset{(.04)}{.38p} - \underset{(.05)}{.17\,A} + \underset{(.42)}{6.46\,t} \qquad R = .95$$

Von Neumann's test did not indicate serial correlation of the residuals.

The negative coefficient attached to the income variable implies that an increase in income will result in a decrease in the quantity imported, but as the standard error of this coefficient indicates, the estimate of the coefficient is not at all stable and varies between − .17 and + .07. Thus we get an estimate of income elasticity which is between − .26 and + .11 when we should expect a high positive elasticity due to the fact that even in the case of essential food items there are wide differences in per capita consumption between income groups which implies that an increase in income should lead to a substantial increase in consumption, the reason why we get such a biassed estimate of the income elasticity is due to the fact that the income variable is correlated to the trend term and thus the conditions necessary for the estimation of a stable coefficient of Y are not satisfied. In fact we made separate estimates of the income elasticity for certain essential commodities basing our estimation on cross-section data collected in 1953 in the family budget surveys of the Central Bank and obtained the following elasticities for the different income groups.

Income Elasticities[4]

Family Income (Rs.)	*Rice*	*Bread Buns, etc.*	*Condiments*	*Vegetables*	*Sugar*
0– 50	2.08	1.41	2.21	12.34	2.20
50–100	1.75	1.56	2.14	3.12	2.06
100–200	1.25	1.16	1.48	2.18	1.51
200–400	1.06	1.08	1.36	1.87	1.29
400–800	.85	.86	.94	1.22	.88
800 & Over	.87	.62	.77	.91	.82

4. To estimate these elasticities we used a function of the form $y = a + b \log x$ where y is the per capita expenditure on a particular commodity of a family and x is the per capita expenditure on all items of a family. Thus these are estimates really of expenditure elasticities.

Thus the income elasticity for essential items is relatively high for the lower income groups indicating that a change in income will lead to a more than proportionate change in the quantity consumed. Thus the income elasticity estimated from the structural equation is of not much value.

The estimated price elasticity $= -.36$ indicates the relative inelasticity of demand with respect to price. This is not altogether strange since these are all essential food items where the quantity consumed will not be affected by price considerations so long as these prices are relatively stable—in fact this has been the case during this period due to the subsidies and controls imposed by the government to stablize the prices of essential food items.

Manufactured Consumer Goods (Essentials)

The main items in this class are the following :

Bleached Cotton Cloth
Dyed Cotton Cloth
Printed Cotton Cloth
Artificial Silk
Kerosene Oil
Petrol for Public Transport

The estimated structural equation was of the form

$$q = 151.43 + \underset{(.16)}{.66}\, Y_{-\frac{1}{2}} - \underset{(.68)}{1.27}\, P_{-\frac{1}{2}} \qquad R = .94$$

Von Neumann's test did not indicate serial correlation of the residuals
Estimated Income elasticity $= .69$
Estimated Price elasticity $= -.53$
The estimated income elasticity is again relatively low, but we have no reason to doubt the reliability of this estimate. The reason for this low value is that since these are commodities consumed by the mass of the people an increase in National Income will not result in a very large increase in quantity consumed due to the fact that cyclical increases in National Income do not raise the incomes of the majority of the population in the same proportion as that of the properties classes. Thus, even in the boom periods of the economy the family budgets of the majority are too finely adjusted for there to be any significant increase in their consumption consequent to a small rise in income, it is this pattern of consumer behaviour which is reflected in the low value of the income elasticity.

Food and Drink (Luxury)

The main items included in this category are :

Tinned Foods other than milk
Foreign Liquour
Butter

The estimated structural equation is of the form

$$q = 38.74 + \underset{(.07)}{.67}\, Y_{-\frac{1}{8}} - \underset{(.13)}{.57}\, p \qquad R = .95$$

Von Neumann's test did not indicate serial correlation of the residuals.
Estimated Income elasticity = 1.74.
Estimated Price elasticity = − 1.29

The relatively high elasticities obtained reflect the fact that there are several marginal consumers of these commodities whose consumption is closely related to changes in income and price, the high negative price elasticity indicates a sensitivity to price changes rarely found by other investigators of consumer behaviour regarding such commodities. Comparable estimates obtained by Stone for Great Britain are as follows :

	Price Elasticities
Canned Meat	− .76
Butter	− .37
Cheese	.00
Chocolate & Sugar Confectionary	− .66
Imported Wine	− .60

Source R. Stone The measurement of consumers expenditure and behaviour in the U.K. Cambridge 1954. Table 106.

These figures would seem to indicate a relative inelasticity with respect to price which is contrary to what we have obtained. This is mainly due to the fact that these commodities have become more or less staple items in the diet of the people of economically advanced countries like Britain, while on the contrary in Ceylon they are yet a luxury even to many who consume them. The high negative price elasticity obtained indicated that instruments within the control of government, such as import duties with their consequent influence on price, can be used with effect as means of curtailing the consumption of these commodities.

Manufactured Consumer Goods (**Luxury**)

The main items included in this category are as follows :

High quality Textiles
Patent Medicines
Light Electrical Goods
Motor Spares
Rubber Tyres for Motor Cars
Petrol for Motor Cars and Taxis

The estimated structural equation was of the form :

$$q = 26.78 + \underset{(.16)}{1.37}\, Y_{-\frac{3}{4}} - \underset{(.27)}{.88}\, p \qquad R = .94$$

Von Neumann's test was significant and thus the estimates of the coefficient of Y and p are not very reliable.
Estimated Income elasticity = 1.63
Estimated Price elasticity = − .81

The income elasticity is high and indicates that the demand for these commodities is sensitive to variations in the disposable income, but the price elasticity is relatively low when compared with that of the previous item Food and Drink (Luxury). Thus in the context of present day Ceylon where Government policy is geared to conserving vital foreign exchange, increased import duties and higher prices cannot sufficiently control the volume of these luxury imports, in fact when the government attempted to encourage the development of the tyre rebuilding industry in this country by regulating new tyre imports it had not only to resort to an increase in the rate of import duty on tyres but it had also to impose a system of quotas on the number of tyres which could be imported. This was because high prices had not noticeably cut down the volume of imports of these goods.

Durable Consumer Goods

The main items included in this category are as follows :

Motor Cars
Radios and Gramophones
Sewing Machines
Refrigerators

The Estimated Structural Equation was of the form :

$$q = -69.01 + 1.46\ Y_{-\frac{1}{4}} \qquad R = .82$$

This was by far the most interesting of the results obtained in the course of our survey. The analysis revealed that the demand for consumer durables had no relation whatsoever to its price. Thus in spite of the fact that the price of these commodities has risen steadily[5], the quantity imported has shown a phenomenal increase. This was because hire purchase and easy credit had brought these commodities within the reach of many who could not really afford them. It is only in this context that we can explain the inelasticity with respect to price and hence the almostly complete failure of the government to control this category of imports by the use of the tariff mechanism. Thus today the government has ultimately been forced to impose a ban on the import of most of these commodities. The analysis reveals that the imports of most luxury commodities cannot be regulated by means of mere price increases, also even though taxation and prices have increased during this period they have not had any impact on the import of luxuries. This points to the fact that there are sizable sections among the richer classes whose surplus incomes are not yet sufficiently taxed or are hidden from taxation. Thus one form in which the government can harvest even a part of this hidden surplus is by increasing the price of luxury imports for which there is a growing demand from this section of the people. But the entry of luxury

5. The price index (C.I.F. + import duty) of consumer durables rose from 100 in 1947 to 142 in 1959, while the quantity index rose from 100 in 1947 to 334 in 1959, an increase of over 200%.

imports into the economy at this stage means the loss of vital foreign exchange needed for development works. Thus if the government is to harvest this surplus as well as to conserve foreign exchange it must resort to some other instrument than the letting in of luxury imports. The very logic of development in a poor country means the appropriation for development of the surplus above that needed for essential consumption needs, in this context a policy of nationalization of those sectors like the import trade where profits are excessive and fairly difficult to ascertain might be of some benefit to the country.

APPENDIX

Food and Drink (Essentials)

Year	*C.I.F. Value of Imports Rs. Million*	*Quantity Index*	*Retail Price Index*
1947 ..	451.7	100	100
1948 ..	491.8	104	103
1949 ..	495.6	101	109
1950 ..	564.5	117	103
1951 ..	645.6	117	96
1952 ..	734.2	114	97
1953 ..	740.8	122	120
1954 ..	616.5	110	141
1955 ..	573.7	114	137
1956 ..	651.8	132	126
1957 ..	671.0	129	111
1958 ..	650.0	144	113
1959 ..	729.1	158	112

Food and Drink (Luxury)

Year	*C.I.F. Value of Imports Rs. Million*	*Import Duties Rs. Million*	*Quantity Index*	*Price Index C.I.F. + Import Duty*
1947 ..	45.3	8.2	100	100
1948 ..	26.6	4.5	53	110
1949 ..	20.9	6.6	35	147
1950 ..	30.0	7.7	43	164
1951 ..	49.5	11.0	68	166
1952 ..	54.6	12.8	69	183
1953 ..	54.9	13.4	69	185
1954 ..	47.2	9.9	62	172
1955 ..	50.2	14.7	66	184
1956 ..	49.8	14.0	72	166
1957 ..	62.1	13.7	91	156
1958 ..	60.3	15.7	93	153
1959 ..	82.6	16.5	127	146

Manufactured Consumer Goods (Essentials)

Year		*C.I.F. Value of Imports Rs. Million*	*Import Duties Rs. Million*	*Quantity Index*	*Price Index C.I.F. + Import Duty*
1947	..	159.7	65.6	100	100
1948	..	155.6	61.0	107	90
1949	..	168.0	58.5	144	70
1950	..	190.3	61.0	148	75
1951	..	250.4	78.3	160	91
1952	..	248.4	107.0	182	87
1953	..	202.2	74.8	168	73
1954	..	185.3	71.5	171	67
1955	..	210.2	74.1	188	67
1956	..	231.1	84.0	214	65
1957	..	243.7	78.3	200	71
1958	..	246.8	90.8	228	66
1959	..	256.8	95.1	233	67

Manufactured Consumer Goods (Luxury)

1947	..	62.2	11.8	100	100
1948	..	42.5	17.6	68	119
1949	..	53.5	22.1	89	115
1950	..	70.9	21.6	98	128
1951	..	106.7	29.6	137	134
1952	..	120.7	33.2	121	172
1953	..	117.9	32.9	155	131
1954	..	131.4	28.4	200	108
1955	..	117.8	38.0	149	141
1956	..	126.6	38.7	163	137
1957	..	150.0	41.8	185	140
1958	..	168.9	48.2	237	124
1959	..	214.3	60.6	193	193

Consumer Durables

1947	..	19.7	2.4	100	100.0
1948	..	21.7	6.2	118	107.2
1949	..	20.8	5.7	113	106.6
1950	..	20.6	4.5	108	105.2
1951	..	49.0	10.6	234	115.6
1952	..	51.1	7.4	228	116.5
1953	..	44.7	8.0	211	113.3
1954	..	27.3	5.1	125	122.7
1955	..	42.2	9.5	190	128.4
1956	..	52.0	11.8	228	131.7
1957	..	56.5	12.1	238	135.3
1958	..	60.0	11.6	235	143.9
1959	..	82.6	17.7	334	141.8

For the procedure used to construct the quantity and price indices see "The Changing Import Structure of Ceylon" op. cit.

BOOK REVIEW

CHURCH HISTORY

Studies in Ceylon Church History by W.L.A. Don Peter I—VIII + 170 pp. + 9 plates. The Catholic Press, Colombo 1963. Library edition Rs. 7/50 Ordinary edition Rs. 5/-.

OF LATE, research interest in the Portuguese occupation of Ceylon has been on the wane. The appearance of a new book on the subject is therefore very welcome.

Fr. Don Peter's work consists of fourteen studies ranging over a variety of topics, but all related to the work of the Catholic Church in Ceylon during, or soon after, Portuguese rule. Some essays, notably those on the work of the Jesuit Order, have drawn heavily on the researches of the pioneer in this field, the late Fr. S.G. Perera, but many are based on the author's own researches. The most interesting among the latter category are the studies on the church of Telheiras, the shrine of *Livramento* and the Augustinians in Ceylon. The author has also brought to light a new manuscript existing in the public library at Evora in Portugal. The book will certainly appeal to the research worker and the general reader.

It is idle to look for one basic thesis in a book of fourteen studies, but the author has been at pains to emphasise one idea: that the Catholic Church in Ceylon, though planted by foreign missionaries working under the protection of an occupying power, did not thereby become an alien body, out of sympathy with the people and the country. On the contrary, the author argues, it made an attempt to adapt itself to the social and cultural *milieu* in which it was trying to take root.

This argument is developed with a great deal of ingenuity. The Jesuits took an interest in the national languages of Ceylon and some of them even wrote in Sinhala or Tamil. Alagiyawanna, the first Sinhalese Christian poet, used the traditional *alankara* to express Christian concepts in Sinhala poetry. The Jesuit attitude to 'pagan' culture was far more sympathetic than that of the other orders. Robert de Nobili in India presented Christianity in a Hindu guise and he himself lived the life of a *brahmin*. In China, Ricci advocated the retention of Confucian rites where they were not incompatible with Christian belief and practice. Finally, early in the history of the Church, the Blessed Virgin became *Our Lady of the Sinhalese*, thus identifying her with this "country and its people".

While one can appreciate the author's effort to give the Church a new image, one must question the attempt to press history into the service, as the evidence is so slender. The Jesuits in Ceylon did take an interest in learning the local languages. It was an off-shoot of their professional interest in furthering conversion. But in no case did this interest go beyond what was needed by the strictly utilitarian consideration of having to communicate with the convert and the would-be convert. If this is an interest in the national languages, then one must surely concede that the upcountry British planter who learns to say "*inge wa*" also displays an interest in the national languages. Even where the Jesuits' interest went to the extent of writing a grammar or compiling a dictionary, this was to help out the later missionaries. Jaral Charpentier's oft-quoted remark about the achievements of the Jesuits in geographical, linguistic and ethnographical research is a general one made in the course of the review of a book on the Jesuit travellers in Central Asia and is not necessarily relevant to Ceylon.

What the author says about the efforts of de Nobili and Ricci is certainly true, but he is in error in assuming such attitudes to be universally prevalent. Missionary attitude towards 'pagan' culture was not the same everywhere. Broadly speaking, the missionaries were tolerant of traditional customs in territories over which the Portuguese had no political control. Hence de Nobili and Mateo Ricci. (There were exceptions even to this, however, for the Jesuits in Japan were reluctant to allow the Japanese recruits to their Order to bathe oftener than once a week!) In the lands subject to the Portuguese, the missionaries—including the Jesuits—were opposed to many of the local usages. In Ceylon, they set about to wean the converts away from "pagan" practices. At baptism, the convert shed his 'pagan' name along with the 'pagan' religion and received a brand-new name, imported from Portugal. The Church forbade the cremation of the dead bodies of Catholics. There was also a story that the missionaries in Jaffna offered beef to their converts. If the converts refused, then their faith was suspect. And of course, the missionaries were contemptuous of polygamy, and the liberal divorce laws of the country. The Jesuits shared in the then prevalent European distrust of the Asians—only the Japanese being exempt—and no Ceylonese was admitted to the Society during the Portuguese period (I am subject to correction here). Fernao de Queyroz's stricture that "these Oriental people are not barbarians" must have been addressed as much to the missionary as to the *conquistador*. Fr. Don Peter himself admits later in the work that the European missionaries were convinced of the superiority of their own culture and quotes Thomas Ohm in support. His view that the Jesuits were more sympathetic to 'pagan' culture has therefore no relevance to Ceylon.

The Ven. Fr. Joseph Vaz was the only missionary who accepted without reservation the way of life of the Ceylonese. But he was not a European. And he came only after the Portuguese had left the island shores. Without their patronage and working in a territory where his religion was officially proscribed, he had, of necessity, to choose a life of barefooted austerity. Only then did the "true spiritual character of the Church" come into evidence, "shorn of its material trappings". Sweet indeed are the uses of adversity!

A few statements in this work need correction. The story repeated from Franciscan sources that in 1556 70,000 fisherfolk embraced the Catholic faith is obviously an exaggeration, for half a century later, the total number of Christians in Ceylon was about 30,000. (see *Documentos Remettidos da India* I p. 58). Also the statement that Hendarmāna Sinha, who had been elevated to the Jaffna throne in 1591 by the Portuguese, remained loyal to them until his death cannot be sustained. (see *Documentos Remettidos* I pp. 6, 76, 123; II p. 402; *Archivo-portugues Oriental* ed. Cunha Rivara III p. 504). The author says that the building of a large number of churches was possible because of *śramadāna* or voluntary personal service. But the complaints against the clergy that they used "Coolies of the villages to build Churches and houses" (Queyroz p. 1050) show that obligatory personal service, which the clergy exploited to the full, and not *śramadāna* explain the church-building activity. And a minor error—Andre Furtado de Mendonca was not the viceroy (p. 12) but only the governor administering the state until the arrival of the new viceroy. I also cannot understand why the author uses the title "Don" on the Portuguese *fidalgos* when what they themselves used—and what appears in the documents—was "Dom". Does Fr. Don Peter imply that the Portuguges *fidalgos* of those days are related to the 'Dons' of the present day Ceylon?

The book is attractively printed and moderately priced.

TIKIRI ABEYASINGHE

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