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CHAPTER IV

The Revenue Question

The most pressing problem constantly facing the government at Penang was to find ways and means to make the revenue of the island meet its expenses. The problem, already present during the first twenty years of the settlement's existence, was considerably aggravated by the arrival of the large body of highly paid civil servants to form the Presidency Government in September 1805. The Court of Directors recognised that the changed form of government would involve increased expenses, but they optimistically hoped that these expenses would be offset by local revenue derived from trade, especially in pepper and other exports of the island, and in imports from Europe. Other expected sources of revenue were the "duties, customs and land rents and internal taxes", to be "gradually augmented" by the "improved industry, population, and commerce" which would follow from the "superior protection and management" provided by the new administration. These expectations were not fulfilled, however, and the Court of Directors' increasing displeasure was shown by the reductions ordered in the civil establishment of the

1. London to Penang 14 April 1805, para. 14, JIA, VI, 21-2.

government in 1810 and 1816, which have already been discussed.² But the deficits still showed no signs of decreasing, and culminated in the abolition of Penang's Presidency status in 1830.

The revenue of the island during the period 1805-1819 was derived from two main sources, customs duties and revenue farms, and to a lesser extent from land revenue and certain miscellaneous taxes. Each was beset with its own particular problems, and even without these it is doubtful whether they could have met the continually increasing expenses of the Penang Government.

II

Prior to 1805 experiments had been made in the imposition of import and export duties, which from 1804 yielded roughly one-fifth of Penang's total revenue. In 1801 an import duty of 2% ad valorem had been imposed on tin, pepper and betelnut, but it was abolished in 1802 on the grounds that it gave the farmer an advantage over other merchants and small importers. In its place an export

2. See Chapter II (ii) & (iv).

duty was imposed as follows:

On pepper	per picul	2½ capongs.	3
" tin	" "	4 capongs.	
" betelnut	" "	1 "	
" Sticklac	" "	5 "	
" catch	" "	2½ "	
" rattans per 100 bundles		7 "	

In addition, a general export duty of 2½% ad valorem was placed on all other articles except gold dust, bullion, opium, grain and spices, the tax including all such goods transhipped in the harbour. Both the import and export duties were ⁴farmed until 30 April 1806.

The Directors in 1805 suggested that the newly formed government should consider what import and export duties could best be imposed on specific commodities. In accordance with their general disapproval of the farming system, the duties were no longer to be farmed but were to be managed through a regular Customs House by officers of the Company. The duties suggested were a moderate tax on goods landed on the island for local consumption, and also on anchorage and port clearances. The rates of these duties could best be decided upon locally. ⁵The Penang Government replied that the imposition of further

3. A capong = 1/10 of a dollar.

4. Penang to London 12 November 1805, para. 51-5, SSR (SNL) B1, 19-20; Cowan (1950), 24; JIA, VI, 87. See also Chapter I.

5. London to Penang 14 April 1805, para. 52, JIA, VI, 26-7.

duties required "much consideration". Approval of the existing export duties was expressed, while it was thought that imports from Europe on Company chartered ships which had not previously paid duties at any other Presidency, and imports on foreign ships from Europe, should pay a higher duty than paid by imports on Company ships.

Another duty could be established on direct imports from
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China.

On 20 March 1806 new import and export duties were passed by Council, to commence on 1 May 1806. Import duties were to be levied on all Europe, China and Indian goods not having previously paid duties at Ceylon and India.⁷ Export duties were to remain as before, at the rate of 2% on all goods and merchandise exported, except pepper, tin, betelnut, sticklac, ~~cutch and rattans which~~⁸ were to pay at the same rates as laid down in 1802.

Slight changes in the duties levied were made in 1807 and 1809. The change in 1807 took place because of the discontinuation of the system of farming the duties on oil, ghee and hogslard, salt and tobacco. Instead, import duties of \$5 per coyan on salt and 5% ad valorem on oil, ghee, hogslard and tobacco were to be collected

6. Penang to London 12 November 1805, para. 56, SSR (SNL) B1, 21; Cowan (1950), 24; JIA, VI, 87.

7. See Appendix IV A.

8. Penang Consultations 20 March 1806, SSR (IOL) XIII, 302-3.

at the Customs House. The export duties were only slightly changed. The varying duties on pepper, tin, betelnut, sticklac, catch and rattans were brought in line with the general export rate of 2½ per picul, in order to simplify collection. More important was the modification of the articles relating to transshipment. The previous arrangement acted as a discouragement to the cotton ships from Bengal and Bombay calling at Penang for the purpose of transshipping their cargoes to Company ships bound for China. Henceforward, grain and cotton transhipped at Penang were to pay only a half of the export duty valued on the goods invoices.

In 1808 the Court of Directors introduced new regulations affecting merchandise imported or exported by foreigners, to apply to all British ports in India. The Directors felt that foreigners, not having undergone the risk and expense of establishing and maintaining a settlement, should reimburse the Company for the maintenance of its possessions by paying heavier duties than those paid by British subjects. Henceforward, foreigners were to pay double the duties on imports and exports paid by British subjects, and the principle was to be

9. Phillips to Raffles 16 April 1807, Penang Consultations 20 April 1807, SSR (IOL) XVII, 326-32. See Appendix IV B.

applied to all existing duties.¹⁰ The Penang Government was duly informed, and in April 1809 the revised regulations were approved by Council. They came into operation on 1 May 1809. Foreigners were to pay double duties, an additional duty of 2½% was imposed on pepper, and the duties on salt, oil, ghee, hogslard and tobacco were continued as before, with the amendment that opium and grain were to be imported free. The export duties and regulations for goods being transhipped remained largely unchanged.¹¹

Following complaints by the merchants at Penang, and after the receipt of new instructions from Bengal, the customs duties were modified in 1812. In November 1811 the merchants had complained to the Penang Government that high duties were preventing the importation of certain articles and proving "detrimental" to the interests of the port. The most severe duties were felt to be the import and export duty on piece goods from Bengal and the other Indian Presidencies,^{and} the export duty on opium and on Europe goods imported on Company ships. The Bengal merchants had an advantage of 7% over those of Penang, because the Supreme Government allowed piece goods to be

10. London to Bengal 3 August 1808, SSR (SNL) C2, 68-73; Cowan (1950), 34-5.
11. Penang Consultations 22 April 1809, SSR (IOL) XXII, 318-21. See Appendix IV C.

exported from Calcutta free of duty. On the other hand, the Penang merchants had to pay not only an import duty of 4%, but also an export duty of 2½% on piece goods.

Similarly, the Bengal opium traders had such an advantage in the eastern markets that the Penang merchants found it almost impossible to compete with them.

Furthermore, Penang's local advantages had disappeared with the British conquest of the Dutch possessions, because traders preferred to go to Java because of Penang's unfavourable tariff duties. Another aspect of the problem was the necessity of exporting Europe goods sent in too large quantities to Penang in Company ships back to Bengal, where a heavy import duty was charged, although both import and export duties had already been paid in

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Penang. Council in reply informed the merchants that

the conquest of Java and the effects on Penang made it highly probable that some modification in the present duties would be made, but they were awaiting the return of Governor Seton from Java before making definite changes.

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A few months later similar complaints were received from the merchants at Malacca about the effect of the

12. Merchants of Penang to Clubley 4 November 1811, Penang Consultations 8 November 1811, SSR (IOL) XXXI, 1443-8, (signed by 11 merchants and Agency Houses).
13. Penang Consultations 8 November 1811, Clubley to Merchants of Penang, SSR (IOL) XXXI, 1447-8.

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British occupation of Java on their trade. Malacca's most important branches of trade in opium and piece goods were in danger of annihilation. As a stimulus, they asked for a reduction in the rates of import and export duties. It was also felt that a duty could be levied instead on imports of grain, which would at the same time encourage the growth of paddy locally. The government responded to these appeals, as it did at Penang, by reducing the duties on imports of Chinese and Indian goods, opium, tin, pepper, rattans, betelnut and salt. In addition, goods landed for exportation or transshipment were to pay only one quarter of the specified import duty.

In Penang the modifications of the Customs duties on transit trade which had been authorized in April 1812

14. Farquhar to Clubley 26 March 1812, Penang Consultations 2 April 1812, SSR (IOL) XXXIV, 319-21. John Macalister, Collector of Customs at Malacca, at the same time stated his opinion that many of the complaints were ill founded. Indian products, he said, fetched a higher price at Malacca than at Penang and therefore could afford to pay a higher duty. Penang Consultations 2 April 1812, (enclosure Macalister to Farquhar 25 March 1812), SSR (IOL) XXXIV, 322-5.
15. See Farquhar to Clubley 26 March 1812, (enclosure, Merchants of Malacca to Farquhar), Penang Consultations 2 April 1812, SSR (IOL) XXXIV, 321-3. The Penang Government agreed to modify Malacca's duties "to relieve what may be deemed oppressive, without encouraging a resort to that Port in preference to this [Penang]." Penang Consultations 9 July 1812, SSR (IOL) XXXV, 889-91. For Malacca Customs House Regulations see Appendix E to Consultations of 1812, SSR (IOL) XXXVII.
16. Penang Consultations 18 April 1812, SSR (IOL) XXXIV, 465-6. See Appendix IV D.

were altered slightly in the following few months. In May a new regulation was received in Penang concerning the trade of foreign nations with British ports, which placed all foreigners, including the Americans, on a similar footing. Therefore the exemption from double duties, hitherto granted to American ships, was cancelled. Certain rules were also added for the conduct of trade between foreign nations and British ports in the East. But since the new regulation could not be made known to American traders within such a short time, it was decided to refer the matter to Bengal before bringing it into

¹⁷ effect. This was done, and the difficulties facing Penang's trade because of the British conquest of Java were explained to the Supreme Government and the Court of Directors. The Penang Government suggested that opium and European goods imported to Calcutta and Batavia via Penang should be granted a rebate on the import duties equivalent to the sum already paid on the goods at

¹⁸ Penang. In June the amended customs regulations were introduced in which Americans were not exempted from the double duty. ¹⁹ Then in October 1812 Bengal informed

Penang that goods imported from there into Bengal would

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17. Penang Consultations 13 May 1812, SSR (IOL) XXXIV, 566
18. Penang to Bengal 15 May 1812, SSR (SNL) D4, 47; Cowan (1950), 44-5; Penang to London 23 May 1812, SSR (IOL) XXXIV, 598-602.
19. Penang Consultations 3 June 1812, SSR (IOL) XXXIV, 722-30. See Appendix IV D.

be exempted from duties at Calcutta provided a certificate was produced stating that the duty of 5% at Penang had been paid. If the duty established at Calcutta exceeded that fixed at Penang, only the difference between them would be levied on goods imported into Bengal.²⁰ In 1813 and 1814 the Penang Government agreed with the Supreme Government's suggestion to reduce the duty charged at Penang on articles which had previously paid duty at the other Presidencies, the reduction being equal to the proportion of the duty retained in Bengal.²¹

Other slight changes later took place. An equalization of certain duties between Calcutta and Penang was brought about in 1814. Goods exported from Bengal or elsewhere which had already paid duties, were no longer to be exempted from the payment of duties at Penang. Instead, importers were to pay one-third of the duty charged in Bengal.²² In accordance with the general modification of customs duties throughout India in 1816 in the hope of encouraging increased exports from Britain, duties on articles imported from Britain and Ireland in British registered ships

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- 20. Bengal to Penang 24 October 1812, SSR (SNL) E3, 40; Cowan (1950), 46.
 - 21. Penang Consultations 11 March 1813, SSR (IOL) XXXVIII, 369-70; Bengal to Penang 19 March 1814, Penang Consultations 30 April 1814, SSR (IOL) XLIII, 925-6; Penang Consultations 19 May 1814, SSR (IOL) XLIV, 1083-4.
 - 22. Penang Consultations 21 October 1814, SSR (IOL) XLV, 2545-7.

and Indian built ships were abolished.²³ In 1814 the exemption from double duties on goods imported on foreign ships granted to Portuguese vessels was abolished, and continued to apply only to goods imported by the Chinese in Penang. In cases where goods on Portuguese vessels were the property of Portuguese or other European foreigners double duties were to be charged.²⁴ But in 1818, on the orders of the Court of Directors, the exemption granted to the Chinese inhabitants both in Penang and Malacca was also discontinued.²⁵ Phillips, writing in 1817 and 1819, held that the disparity of customs duties between Penang and Calcutta was detrimental to Penang's revenue, and he recommended a further equalization of duties between them. Furthermore, he considered that the full duty levied on goods imported at Penang in transit to the other Presidencies should be retained in Penang.²⁶

The basic difficulty concerning customs duties was that the government's aims of attracting trade on the one hand and of increasing revenue from duties on the other were in direct opposition, since the imposition of high

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23. Penang Consultations 20 June 1816, SSR (IOL) LV.
 24. Penang Consultations 21 October 1814, SSR (IOL) XLV, 2546.
 25. London to Penang 3 July 1817, Penang Consultations 5 February 1818, SSR (IOL) LXV, 147-8.
 26. Penang Consultations 28 December 1817, 29 June 1819, Minutes by Phillips, SSR (SNL) A13, 10-12; A14, 330-7, 356-8; Cowan (1950), 72-3, 94-7.

tariffs was unlikely to attract trade to the island. However the improved method of collecting customs duties introduced in 1805 initially brought about increased revenue from duties. The sum collected rose from \$21,600 in 1804-5 to \$33,755 in 1805-6 and \$92,820 in 1806-7. After rising to \$99,733 in 1811-12, the figures decreased somewhat in the ensuing years, partly because of the decreased trade and because of the reduction of duties in 1812. Between 1805-6 and 1810-11 the proportion of customs duties to the total revenue was about 38%. Thereafter it rose to half the total revenue, but this was caused by the abolition of the gaming farm in 1812 rather than by any increase in customs revenues, which in fact declined.²⁷

III

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The revenue farms of Penang, begun by Captain Light in an effort to raise some local revenue, were the principal source of the island's income in 1805. Arrack, opium and gambling farms were introduced in the first few

27. See Appendix IV F. These figures, from T. Braddell, Statistics of the British Possessions in the Straits of Malacca (Penang 1861), are slightly higher than those recorded in the Penang Consultations, but the main trends are similar.
28. For a comprehensive study of Penang's revenue farms see Wong Lin Ken, The Revenue Farms of Prince of Wales Island 1805-1830. (Academic Exercise, University of Malaya 1954).

years of settlement, followed by attap and tobacco farms in 1800. About the same time, separate opium, arrack and gaming farms were established at the settlement of Jamestown, but since it had neither the population nor the trading activities of Georgetown, the revenue from this quarter was never very great. Next came the setting up of a betel-leaf farm in 1804, and in 1805, on the suggestion of the inhabitants of Penang, Farquhar imposed import duty farms on wood, oil, ghee and hogslard, to defray the expenses of a projected police establishment. A pork farm was established in 1805, a salt farm in 1806, and a toddy and bhang farm in 1808. The latter proved to be an increasing source of revenue, but in 1807, the tobacco and salt farms were discarded, along with the oil, ghee, and hogslard farm.²⁹ From 1 May 1807, duties on the imports of these products were to be collected at the Customs House.³⁰ Also, the salt farm had proved to be unprofitable because the inhabitants had previously hoarded a great quantity of salt. Then in 1810 the last import farm,³¹ the wood farm was abolished. In spite of these changes however, the earliest established and most popular

29. The dates of the setting up and abandonment of the various farms compiled from various tables in the Penang Consultations SSR (IOL) and in Braddell (1861). See Appendix I.C.

30. See Appendix IV B.

31. See Wong Lin Ken (1954), 22 (From Penang Consultations 5 April 1810, SSR (IOL) A7).

farms, those of opium, arrack and gaming, continued to yield by far the greatest profits.³²

The Directors had realised this in 1805. They also considered that opium farms and gaming houses encouraged "the two most dangerous vices in society", but admitted that since both Chinese and Malays were addicted to these habits it was impossible to eradicate them. They could be best controlled by farms which would at the same time provide the government with a source of immediate revenue. But it was hoped that from both a political and moral point of view these practices would eventually be suppressed.³³

In its reply to this expression of opinion by the Directors, the Penang Government stated that the annual revenue from the farming of duties on opium, gaming-houses and arrack, had increased to: Opium \$25,500; gaming-houses \$25,800; and arrack \$21,240. They agreed with the Directors that these practices were somewhat objectionable, but at the same time pointed out that so much of the population was transitory and already addicted to these vices that it was impossible to improve them either by good example or by the suppression of the farms. The only result would be a decrease in the island's revenue.³⁴

32. See Appendix IV E.

33. London to Penang 14 April 1805, para. 51, JIA, VI, 26.

34. Penang to London 12 November 1805, para. 49-50, JIA, VI, 86-7. See also H.R.C. Wright, Indian Economic Problems (London 1961), 167.

Nothing further in this connection ensued until 1808-9 when a discussion arose in connection with the powers of the newly established Court of Judicature. The Charter required the transfer of revenue jurisdiction from the long established Revenue Committee (consisting of Company officers) to the Court of Judicature at its Quarter Sessions. The proposed amendment had given rise to certain questions, one of which was how to reconcile the farming system with the framework of English law as provided by the Charter. ³⁵ Simultaneously the Recorder and Jury initiated a discussion on the evils of the revenue farms. A memoranda was submitted against their continuance, because they tended "to vitiate the morals ³⁶ of the lower classes".

Both the Governor and the members of Council disagreed with the opinion of the judicial body. The Governor replied that the farming system, adopted in both Dutch settlements and Malay kingdoms in the East, had prevented crimes and been a source of revenue to the government.

35. Penang Consultations 13 April 1809, SSR (IOL) XXII, 294. At the same time it was resolved that the powers hitherto exercised by the Revenue Committee must cease, and that all offences against the Regulations would come before the Court of Judicature, which was vested with authority over all matters of revenue.

36. Penang Consultations 13 April 1809, SSR (IOL) XXII, 288-92. In 1808 the Jury had made a presentment against the farms, as a cause of want of moral obligation among the lower classes and of the numerous and atrocious crimes. Wright (1961), 167-8 (From SSR (IOL) IX, 1127).

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In fact opium was merely the alcohol of the East and it was likely that many inhabitants would emigrate if gaming and opium smoking were prohibited.³⁷ Furthermore the farms, particularly gaming farms, should be continued because it was better to supervise the various indulgences rather than attempt in vain to suppress them. When gaming took place legally it could be controlled in a particular building by government officers, but if it became illegal its practice privately among the Chinese could not possibly be checked.³⁸

But the Governor's views were not heeded in London.

The Directors agreed with the unfavourable view of the farms expressed by the Jury [supposedly the most respectable and experienced residents at Penang], and ordered that the gaming farms should not be renewed and that regulations should be passed for the suppression of the vice. Since they were aware of the wide-spread addiction to opium, and also of the benefit it was to the revenue of Bengal, they did not order the opium farms to be suppressed, except for the preparation called "chandoo" which was considered to be particularly harmful.³⁹ The Penang government

therefore continued the opium farms, but took no action against "chandoo," since they did not agree with the

37. See Wright (1961), 168-9 (from Penang Consultations 13 April 1809).

38. Penang Consultations 13 April 1809, Minutes by Governor and Phillips, SSR (IOL) XIII, 297-300; 300-307.

39. See Wright (1961), 169. (SSR (IOL) 187, 4 May 1810).

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Directors' opinion on its harmful effects. The gaming farm was abolished, however, with disastrous effects on the total proceeds from revenue farms.⁴⁰

The method of farming as a means of collecting revenue had long been used in the East, both by the local rulers and by the Dutch. This indirect method, "the granting of licenses to certain persons responsible for their conduct and under specific regulations for the management of such farms",⁴¹ proved to be the most convenient form of collection in Penang as well. The various farms were sold periodically by auction to the highest bidder, usually Chinese, who for the payment of an agreed sum gained the exclusive privilege of keeping houses for the retail of the particular article. Later, the farms often came under the control of rival Chinese secret societies,⁴² and often, auctions were manipulated so that only low bids were offered, and most of the profits went to the Chinese rather than to the government. In spite of the Directors' dislike of the farming system, it continued to be the only practical means of ensuring the proper collection of such revenue, particularly as the Collector's office was overburdened with other problems.

40. Ibid., 169-70. (Penang Consultations 22 March 1811); Penang Consultations 22 March 1811, SSR (IOL) XXX; Penang Consultations 16 April 1811, SSR (IOL) XXX, 413-14; Penang Co London 15 August 1811, para. 46-8, 71, SSR (IOL) XXXI, 1004-5, 1016.

41. Wright (1961), 168.

42. See L. Comber, Chinese Secret Societies in Malaya (Singapore 1959), 34-43, for information on Chinese Secret Societies in early Penang.

In 1815, following a further suggestion of the Directors to "discontinue as far as practical" the farming of internal revenue, Phillips explained at length the reasons for his disagreement with such a measure. The sale and smoking of opium was regulated by the existence of the opium farm, which at the same time provided a profitable source of revenue. The same applied to the arrack, as well as the toddy and bhang farms. The proceeds of the pork farm formed a fund for aged, infirm and deceased Chinese, and could not be collected more effectively than in this manner. The vital advantage of the system however was that the farmers themselves were the most effective means of preventing evasion of the regulations as against any direct measures that could be imposed by the government. The farming system therefore continued unchanged.⁴³

Apart from the Court of Directors' continuing objection to the means of farming as the most preferable mode of collecting revenue, the other objection to the system was the increasing deficit in the payments to government by the renters of the farms. In spite of the confidence expressed by Council until 1807 that revenue would increase,⁴⁴ their optimism proved to be premature. ~~The~~

43. Phillips to Clukey 8 April 1815, Penang Consultations 13 April 1815, SSR (IOL) XLIX, 700-5.
44. Penang to London 17 January 1807, SSR (SNL) B2, 68-76; Cowan (1950), 30.

consequence of the small annual payments made each year, the arrears due to government continued to increase.

The largest arrears were for the Georgetown opium, arrack and gaming farms. The situation led the government in 1809 to investigate ways recovering these arrears. The 'distress and loss' of the renters was recognised, along with the impracticability of recovering the balances because of the depreciation of the landed property and pepper gardens, on which most of the farms were secured.

It was resolved to appoint a Committee of Revenue

[consisting of the Collector, the Accountant, the Police Magistrate and Surveyor], to "enquire into the state of the different securities mortgaged by the renters and the circumstances of the parties", to find out the actual state of the lands mortgaged as security, and to suggest the most advisable means of preventing a further depreciation of their value by temporary aid to the proprietors.

In the following October the Committee submitted a report on the circumstances of the renters who were in arrears, and suggested means of liquidating them. The recommendations of the Committee were approved, and orders were issued accordingly.

45. Penang Consultations 31 August 1809, SSR (IOL) XXIII, 819-21.

46. Penang Consultations 26 October 1809, SSR (IOL) XXIII, 950-62.

After 1810 the revenue gained from the farms began to decrease. The total amount fell from \$148,271 in 1810-11 to \$85,140 in 1811-12, and to \$63,202 in 1812-13,⁴⁷ due to both external and local factors. As the Penang Government informed the Directors in 1811 and again in 1812, the decrease of the amount of revenue from the sales of the farms was connected with the low price of pepper, the staple produce of the island, and the "great and unprecedented stagnation of trade" brought about by the British conquest of Java.⁴⁸ Local factors that caused a decrease in the amount of farmed revenue were, most important, the abolition of the gaming farm,⁴⁹ one of the three most profitable farms, and secondly, the fires in Georgetown in 1812 and 1814 which destroyed the town, dispersed much of the population, and caused great hardships to the renters of farms. So great were these losses that in July 1812 financial relief for the renters of farms was suggested to alleviate their losses from the fire. They were allowed to forgo part of their payment for the year, and it was agreed that the renters of the farms were to be assisted by loans of \$4,000 for

47. See Appendix IV E.

48. Penang to London 15 August 1811, para. 46, SSR (IOL) XXI, 1004; Penang to London 23 May 1812, para. 60-61, SSR (IOL) XXXIV, 593-4.

49. Penang to London 23 May 1812, para. 46, 71, SSR (IOL) XXXIV, 1004, 1016; and see above, footnote 40.

the opium and arrack farmers, and \$1,500 for the pork farmer, to be repaid before 30 April 1813. A deduction of one quarter was to be made in the annual amount for which these farms were sold for the years 1812-13. No foreclosure of mortgaged properties was to take place because this step would ruin the renter. Council also expressed the wish to remit the remaining balances, but it was not within its power to do so. ⁵⁰ After the second fire in Georgetown in 1814, which severely damaged the town and destroyed the premises of some of the farmers, the government again stepped in. The payment of one third of the rent of the opium farm and one quarter of that of the betel-leaf and pork farms was remitted, and \$100 per month was reduced from the rent of the arrack farm. In addition, interest-free loans of \$3000 were granted to the renter of the opium farm and \$1000 loans to the renters of the betel-leaf and pork farms on similar terms, good security being taken for ^{their} ~~its~~ later repayment. ⁵¹

Following the abolition of the gaming farm the revenue derived from farms dropped sharply, never again reaching its pre-1812 figures. The total revenue was also affected, and the general decrease was a serious matter,

50. Penang Consultations 2 July 1812, SSR (IOL) XXV, 844-53, 902-4.
51. Penang Consultations 13 and 21 October 1814, SSR (IOL) XLV, 2377, 2539-42.

considering the state of the island's deficits. This loss to Penang's revenue was one of the reasons for the voicing of opinions in favour of the renewal of gaming farms in 1817-18. In February 1818 Governor Bannerman, in supporting such a move, quoted similar opinions expressed by P. Carnegie, one of the members of the Grand Jury of 1808 and 1809. Bannerman held that the abolition of gaming houses had tended to promote rather than decrease the vice, that gambling in "private houses and private retreats" had become far more frequent, and that the arrangement was fraught with greater dangers both to the person gambling and to the public than if it was done openly. Since both the Chinese and Malays were largely itinerant dwellers and addicted to gambling, it was impossible to suppress the habit immediately. The only effect had been to deprive the government a revenue of at least \$10,000 per annum.⁵² But neither Bannerman, nor his successors Phillips and Fullerton, were successful in their hopes or re-introducing gaming farms, and in 1830 they were abolished in all the Straits Settlements.

IV

A third but only small source of revenue was derived from land, in the form of quit rents and a duty on the

52. Penang Consultations 26 February 1818, Minute by Governor, 33R (IOL) LXV, 369-88.

sale of houses and lands. A quit rent [of \$1 or \$2 per grant] had been introduced by Light, but was never collected because of the lack of persons to do so. A duty of 2% on the sale of houses and land was also introduced but was collected regularly only after 1800. Following the establishment of the Presidency, land revenue, under the direction of the Collector, showed some signs of increase, but was constantly hampered by the confusion existing in all forms of land administration and tenure. Most unwritten grants lacked any clause for the payment of quit rent, and those that did were difficult to enforce.⁵³ The revenue from the duty on the sale of houses and lands was usually larger than that from quit rent, except for the year 1809-10 when an economic depression sharply reduced the land sales on the island. But the total revenue from land was insignificant, both compared with the total yearly revenue and with its real value as a source of revenue to Penang.

V

In spite of the exertions of W.E. Phillips, the Collector, whose efforts were acknowledged by the Directors,

53. See Chapter V.

54. London to Penang 28 April 1809, para. 28, Penang Consultations 18 January 1810, SSR (IOL) XXVI, 67.

in no year did the revenue of Penang meet its expenses, and bills were annually drawn on Bengal to make up the difference. This state of affairs was not entirely due to the insufficient revenue gained locally, but to the high expense of the government. The largest was in the Civil Department, particularly because of the high salaries paid to the Governor, the Councillors, the heads of departments, and to a lesser extent to their deputies. Other expenses included the establishments of all five Departments, Civil, Judicial, Revenue and Commercial, Marine and Military, as well as the annual gratuity to the Sultan of Kedah. There were, in addition, the expense of buildings and fortifications, which in 1807 included the hospital, wharf and aqueduct.⁵⁵ Since the civil charges were the heaviest of the expenses, the Directors in their orders for a reduction in the establishment in 1810 specified a pruning of expenditure within the Civil Department. Greater reductions could have been made in the highest posts, because the salaries attached to them were, even after the reduction, considerable even by present standards. But instead, the salaries of the lowest paid personnel were even further reduced.⁵⁶

55. See Appendix IV F.

56. See Chapter II (11).

During the period after 1810, the decrease of trade and of revenue led to the continuance of, and indeed an increase in the annual deficit. During the nine years from 1805 to 1814 the average deficits were \$325,793 or £81,448.⁵⁷ The Directors in 1815 warned the Penang Government against its tendency to increase the expenses of its establishment, instead of making efforts to lessen them. They ordered economy in all branches of expenditure, and in particular they stipulated that no expenses on account of buildings or increases of allowance were to be made without permission.⁵⁸ This warning proved to be merely a prelude to the Directors' orders in 1816 for a further reduction of the establishment.⁵⁹ These reductions had little apparent effect on Penang's deficits. According to Cowan, the Directors' orders "seem to have been treated merely as recommendations or statements of policy, and did not produce an appreciable reduction in expenditure," and further, that "a reduction in the gap between income and expenditure never seems to have meant more to the officials at Penang than the practicability of increasing taxes on trade and on land and property. Real economy was impossible where all thought in terms

57. See Appendix IV G and IV H.
 58. London to Penang 25 May 1815, SSR (SNL) C2, 217-19; Cowan (1950), 58.
 59. London to Penang 7 February 1816, SSR (SNL) C2, 354-60; Cowan (1950), 59-60. See Chapter II (iv).

of retaining their posts and privileges intact." 60

Governor Bannerman hoped to lessen the deficits by proposing certain systems of taxation. These included various stamp duties on sales of goods, transfers of money, taxes on goods sold by auction, on horses, carriages, houses, lands, on passes to Chinese leaving the island, and assessments for roads, bridges and other public works, and on the rent of houses and land. But the proposals had first to be referred to the Court of Directors for approval before they could be implemented. 61

More important were the attempts made by the Penang Government to convince both the Directors and the Supreme Government of the value of the island. It was argued that its economic importance should be judged not by the inadequate local revenues but by the additional revenues Penang's trade brought to the other Presidencies of

62 India. As Phillips stressed in 1817, its commercial importance as a collecting and distributing centre between India and the archipelago, was considerable. He also held that trade between the Company's Indian Territories and the Malayan Archipelago was greater than if the settlement at Penang did not exist, since it attracted ^{both} capital and Agency Houses. Thus the value of the settlement ought

60. Cowan (1950), 7-8.

61. Penang Consultations 19 February 1818, Minute by Governor, SSR (SNL) A13, 171; Cowan (1950), 74-6; also SSR (IOL) LXV, 347-54.

62. Cowan (1950), 8.

not to be considered only by the amount of revenues collected, although these were "susceptible to improvement," but by the wealth it attracted to India.⁶³ The policy of Governor Bannerman, in spite of the fact that he had been sent out from a seat on the Court of Directors to impose drastic economies, was based on his belief in Penang's importance as a trading centre and political outpost, and his conviction that the advantages it brought to India would compensate for the subsidies required to balance its deficits. The Penang officials were more concerned over Bannerman's argument than were those in Bengal, for they did not want to lose what revenues they had.⁶⁴ For this reason Phillips opposed any reduction of customs duties, which he felt would again decrease revenue and bring further discredit to Penang in both Bengal and London.⁶⁵

By 1819 the revenue question at Penang was certainly as serious, if not more serious, as it had been since the establishment of the Presidency.⁶⁶ The initial hopes of making ends meet had long been disappointed, and the

63. Penang Consultations 28 December 1817, Minute by Phillips, SSR (SNL) A13, 10-12; Cowan (1950), 73.
64. Cowan (1950), 8-9.
65. Penang Consultations 29 June 1819, Minute by Phillips, SSR (SNL) A14, 330-7, 356-8; Cowan (1950), 94-7.
66. See Appendix VI I - Revenue 1815/16 - 1821/22.

Penang Government had resorted to experimentation with new ways of gaining revenue. At the same time it was attempting to divert the attention of the authorities away from its deficits by convincing them of the overall political and economic value of Penang. But worse was to come. The competition of Singapore and the abolition of Penang's customs duties in 1826 diminished its income even further. After Penang [and Malacca] proved to be an excessive financial burden to the combined Presidency, the Directors went to the root of the matter, and in 1830 cut down the establishment to the barest minimum and reduced it to Residency status under the direct control of Bengal.