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Evolution of Industrial Policy in the
Madras Presidency 1900-1947

by
Padmini Swaminathan

Madras Institute of Development Studies
79, Second Main Road, Gandhinagar
Adyar, Madras-600 020

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EVOLUTION OF INDUSTRIAL POLICY IN THE MADRAS PRESIDENCY: 1900 - 1947

In no other realm of public affairs was the difference between British and Indian perspectives as wide, indeed as fundamentally irreconcilable as in that of economic philosophy and financial and industrial policy.' To begin with, the British allowed mercantilism to be the guide; after 1813 free trade became the standard view point. Mercantilism protected British manufacturing and shipping from Indian competition and this initially reserved the benefits of the eastern trade principally to British interests. After British cotton manufacturing became the most efficient in the world, protective policies were no longer necessary, and through free trade inflicted a devastating influence on Indian manufacturing. By way of recompense later, the British sought to improve the economy of India through programmes of capital investment, agricultural technology and public works but these were never notably successful.

The justification for the misappropriation of India's meagre revenue resources were summed up tersely by a War Office memorandum that stated categorically: "India is a dependency of the British Crown, and our rule in India could

All G(overnment) O(rders) refer to those issued by the Madras Government unless otherwise specified.

1. For a more detailed discussion of British attitudes towards India covering a number of fields see Bearce, George.D. British Attitudes Towards India 1784-1858, Oxford University Press, 1961 and Wolpert, Stanley. Morley and India, 1906-1910 University of California Press, 1967, specially Chapters 8, 9 and 10.



not be maintained for a day without the moral and material support of the British Empire...The principles of fair dealing enunciated (by Lord Kitchner) might be applicable enough to two independent states in alliance with each other. They are inapplicable to a dependency inhabited by alien races, our hold over which is not based on the general goodwill of those disunited races."²

Curzon admitted before the Lords "that Indian fiscal policy is settled and decided not at all at Calcutta but in Manchester: not in Indian interests but English."³ The high cost of India's civil and military establishment coupled with the paucity of industrial development placed the heaviest burden of Indian revenue upon its impoverished peasantry, the financial load on whom remained heavy even during years of famine. The monumental failure of the Raj, for all its seemingly nobly exalted efforts and petty piecemeal reforms, were pithily summarized in Ramsay Macdonald's statement to the Commons after nearly one century of British paramountcy: "The best description ever given of India was that it was a land of poverty stricken people."⁴

The beginning of the 20th century saw the rise of a nation-wide agitation for economic self-sufficiency - the Swadeshi movement - with renewed and more vociferous demands for fiscal reform, specially tariff protection for

2. Wolpert, Stanley, Morley and India op.cit, p 216

3. Quoted in Wolpert, Stanley op.cit. p 223

4. Quoted in Wolpert, Stanley op.cit: p 227

indigenous industries and discriminating intervention on behalf of the growth and development of Indian industries.

India's demand for Swadeshism also found forceful spokespersons among Britons in London and Calcutta but throughout this era, official economic policy was really no more than, what Wolport refers to as "a futile holding action, the tacit affirmation of an intolerable status quo."⁵

In the Madras Presidency, however, the closing stages of the 19th century and the dawn of the 20th century saw vigorous attempts being made to stimulate industrial activity in the Province thanks to the ambitious, pioneering, never-say-die personality of Alfred Chatterton, an engineer by profession who was appointed Superintendent of the School of Arts in Madras in 1897.⁶ Beginning with a small grant from Government in early 1898 for experiments in the manufacture of aluminium vessels in the School of Arts, so much progress had been made by 1899 that the government applied to the Secretary of State for permission to employ Chatterton for a term of three years in furthering the progress of technical and industrial education in the Presidency. It was further proposed that he should devote himself to the restoration, organization and development of these technical trades and industries, especially metal works and connected arts, which appeared most likely to

5. Ibid. p 228

6. This and the next paragraph has been drawn from the 'Memorandum on the Department of Industries in the Madras Presidency', Home (Education) G.O.No.141, 7 February 1917.

prove successful, and that he should pay special attention to the following matters:-

- 1) The development of the aluminium industry;
- 2) The inspection and reorganisation of existing industrial schools and the establishment of new ones;
- 3) The development of indigenous industries; and
- 4) the establishment of a manual training class in the College of Engineering Workshop or elsewhere.

The Government of India recommended these proposals for sanction subject to the remark that too much had been done in the way of the commercial development of the aluminium industry; but the Secretary of State sanctioned the proposals, merely adding the remark that he had noted that the aluminium industry would be left to private enterprise as soon as the success of the industry was assured, and that trade would benefit by the methods which had been adopted under Government supervision. It is evident therefore that in 1900, the Secretary of State had no objection to the working of pioneer industries by Government on a commercial scale, provided that as soon as their success was assured, they were handed over to private enterprise (emphasis ours).⁷

Thus began a more direct intervention by the Government in certain spheres of industrial activity in the province without the aid of any formally laid out plan specifying physical and/or financial targets. The attempt in this paper is to trace the evolution of an industrial policy in

this province from such beginnings, documenting in the process,

(a) the objection to the very idea of state intervention in what was considered to be the exclusive preserve of private enterprise - the objection ostensibly being premised on the principle of laissez-faire but in fact rooted in imperial self-interest;

(b) the acceptance later of the need for the state to intervene positively to promote industrialization but the inability of the state to translate intentions into fruitful action consequent upon industry being declared a provincial subject without backing it up with adequate fiscal/financial autonomy for the provinces;

(c) the inability of the state then (as of now) to involve the private sector/indigenous entrepreneurs in the process of planning for industrial development, even after realizing that the successful implementation of any plan would require the active collaboration of the private sector.

The paper itself is divided into five sections. The first section describes the initial experiments undertaken by officials in the provincial government resulting in the setting up of a department of industries to formalize all such attempts and to foster industrial development in a more organized manner. The convening of an Industrial Conference in 1908 and the far reaching implications of the resolutions passed at this conference resulting in the eventual closure of the department of industries in 1911 marked the first

phase of activity. The second section records the subsequent development, namely, the disappointment all over the country over the Secretary of State for India's action in closing the department and the dissatisfaction over its substitution by a bureau of industrial information, the setting up of the Indian Industrial Commission in 1916 and the hope generated thereby of a more positive and purposeful intervention by the state in the industrial activity of the country in general and the province in particular. The third section takes off from the post-World War I period upto the eve of independence with discussion being centred around certain policy pronouncements made at different intervals. The fourth section attempts at putting together some quantitative information culled from census and other documents on the growth of the industrial population and the corporate sector in the Madras Presidency. The fifth and final section attempts at bringing together the various issues thrown up by our study.

SECTION I

The activities initiated during this period leading to the formal setting up of a department of industries have much to do with the drive and initiative of Alfred Chatterton. Chatterton spoke and wrote extensively on various aspects relating to the industrial economy (or rather its absence) of the Province, emphasising at every stage the need for active state promotion of industrial activity in order to provide conditions conducive for private enterprise to take off. Realizing the enormity of the task, he was convinced that it was impossible to expect any great industrial development in the Madras Presidency for many years and all that could be done was to start work by providing sound foundations on which subsequently it would be possible to build something.*

Chatterton spelt out the line of policy which he felt, the state in general and the Madras government in particular should adopt if the two were serious about taking active measures to better fit the artizan of the country to meet the stress of Western competition. In a Memorandum on the Encouragement of Indigenous Industries in India* he pointed out that in Madras alone, upwards of two crores of rupees worth of piece-goods were being annually imported and it therefore seemed to him a much more hopeful matter to try

8. 'Note' by Chatterton in Papers relating to the Industrial Conference held at Ootacamund in September 1908, Madras, Government Press, 1908 p 4 (Henceforth 'The Papers')

9. Chatterton's Memorandum recorded in Educational G.O.No.40, 24 January 1901.

and regain the local market in cotton fabrics than to attempt to create new markets in distant countries. He also felt that an enormous impetus would be given to local industries if the government of India were to issue orders that the public works in this country were to be carried out with locally manufactured stores wherever it was possible to do so. While no great industry could be established on these lines, a certain amount of success would encourage further efforts and such simple beginnings would ultimately lead to larger results than could be obtained by adoption from the outset of the huge scale of working in iron which prevailed in western countries. His chief idea was to try and make in Madras the articles which were then imported and he was certain that with the attainment of some measure of success in this direction private enterprise would take the matter up and would do the needful in the way of export trade. Both in cotton and silk, spinning and weaving as conducted by the local population needed to be carefully studied in every branch and it was possible that improvements could be effected in many details which would be within the range of the weavers to adopt that would enable them to earn a fair living in competition with machinery. While the expenditure of a few lakh of rupees would not revive the Indian industries that were suffering from competition with the West, a judicious spending of the same, in Chatterton's opinion, would serve to bring out the latent skill and capacity of the people in those branches of

handicraft that had become hereditary occupation in the most rigid sense.

The aluminium industry together with his work as Superintendent of the School of Arts occupied the greater part of Chatterton's time during the period he was on special duty but this tenure of his was also marked by the inception of experiments with handloom weaving, with oil-engines and with chrome-tanning. In order to convert Chatterton's appointment to a more permanent one and also organise his development activity on a stable and orderly basis a scheme was submitted to the government of India for the further advancement of the industrial development of the Presidency.¹⁰ To that end it was proposed to create a department which would make a survey of existing industries and would investigate the possibility of creating new ones. There were no proposals to work industries experimentally on a commercial scale, but merely to initiate experiments which might assist private enterprise to take up fresh industrial undertakings. It was also proposed to establish a bureau where the best available advice on industrial methods could be obtained.

By this time Lord Morley had become the Secretary of State for India and he did not view the general principles underlying the scheme with much favour. He regarded with scepticism the prospect of attaining satisfactory results from the direction of state effort towards the creation of

10. 'Memorandum on the Department of Industries', op.cit

industries, and he doubted whether the lack of industrial energy and progress in the Madras Presidency might not be due to economic causes beyond the reach of state endeavour. However, by way of experiment, he sanctioned the creation of the new department and the appointment of Chatterton as the Director of Industrial and Technical Enquiries for a term of five years. Thus the Department of Industries came into existence in August 1906.¹¹

A brief note on some of the activities of the department would not be out of place.¹²

Initially at his own expense and later with the help of a small grant of Rs.3800/- from the provincial government, Chatterton began his experiments with aluminium which became an integral part of the work of the School of Arts. Copper-smiths and bell metal founders were employed, indigenous ways of working were initially adopted with changes being introduced very slowly and at convenient opportunities. From the outset there was a good demand from the military authorities and from Europeans for aluminium vessels and by establishing agents and subsidiary workshops at various places, the Indian demand was also stimulated.

The work and the fair amount of success achieved by the aluminium department brought forth protests from all

11. Ibid

12. For a detailed account of the experiments undertaken by Chatterton and the controversy generated by his alleged interference with private enterprise, see Swaminathan, Padmini "State Intervention in Industrialization: A Case Study of the Madras Presidency (South India)", Working Paper No.99, Madras Institute of Development Studies, Madras, January 1991

over the country including the company that Chatterton helped to set up, namely, the Indian Aluminium Company. Chatterton, however, gave a vehement justification for the need and continuance of such work at the School of Arts:

"The aluminium department of the School of Arts is an experiment in industrial education on lines which I think are suited to the country. I started work in a perfectly fresh field; it has been so far successful and I think it would be a great pity not to allow the experiment to be carried right through. It is the first time any assistance on a scale commensurate with the necessities of the situation has ever been rendered to Indian artizans, and it seems to me desirable that the principles on which the aluminium business has been developed should have a fair trial. The fact that the aluminium department costs the government nothing, and that it returns a fair rate of interest on the capital invested is a result that has never been achieved in any industrial school before and indicates how much it is possible may be accomplished to better the position of indigenous Indian industries if government will provide the artizans with suitable scientific and commercial assistance."¹³

But in 1903 it was decided that the time had arrived when private enterprise could be left to carry on the business unaided. Accordingly in September of the same

13. Letter from Chatterton to the Director of Public Instruction dated Madras 31 July 1901, A1/1881 - Educational G.O.Nos 522-523, 16 September 1901, p 8.

year, the Indian Aluminium Company took over the aluminium department of the School of Arts after valuation.

The question of intervention by government in the Madras tanning industry was taken up in January 1903¹⁴ when the Chamber of Commerce was consulted as to the causes that had led to the decline of the industry in Madras and as to whether government could do anything to assist the industry. The Chamber ascribed the decline to a natural reaction of over production in the previous years and opined that the industry would revive in the natural course without interference by government. The Chamber also felt that chrome tanning was not feasible in Madras owing to climatic difficulties. Chatterton, however, was convinced that chrome tanning had to be introduced in India if the tanning industry was not to disappear altogether. Chatterton devoted his time and energy to one class of leather goods which were in very large demand locally, namely kavalais or buckets for lifting water from wells. According to his estimate the Presidency used not less than a million hides every year for this article alone. Though the buckets were made of well tanned leather, constant immersion in water and exposure to a hot sun caused them to deteriorate very rapidly putting the ryots to a lot of inconvenience. The introduction of chrome tanned leather for these buckets

14. 'Memorandum on the Department of Industries', op.cit

promised to be a great improvement and offered very considerable prospects of commercial success.¹⁵

Chatterton's experiments placed beyond any reasonable doubt the fact that chrome leather could be manufactured in Madras and that it was well adapted to the needs of the country. From the making of kavalais the industry diversified to the making of boots and shoes and in the process the business attracted considerable attention among the local tanners with the number of applications for admission to work in the tanning department rising considerably. Chatterton attributed the initial failure of those people who attempted to start chrome tanning units of their own to the inadequate appreciation of the fact that chrome tanning is a chemical industry and requires the possession of requisite scientific knowledge. He was convinced that before any very large business in this leather could be secured it would be necessary first of all to train sufficient number of local chemists to carry on practical work in the tanneries and at the same time to bring the products of the latter prominently before the agricultural population.

15. From among the extensive writings of Chatterton the following give a comprehensive idea of the tanning and leather industry in the Madras Presidency.

(a) A Monograph on Tanning and Working in Leather in the Madras Presidency, 1904.

(b) Agricultural and Industrial Problems in India, G.A.Natesan and Co. Madras, nd.p103-119.

(c) Industrial Evolution in India, the Hindu, Madras, 1912, (Chapter VII on Chrome Tanning, p 163-202).

The increasing scale of operations necessitated the removal of the tanning department from the School of Arts, and in March 1908, the department moved over to a tannery of its own at Sembiam near Madras.¹⁶ The commercial side of the venture attracted a lot of attention and protests were registered by not just the members of the European business community in Madras but also from outside the province, namely, the Upper India Chamber of Commerce. In his reply to these protests Chatterton referred to the circumstances under which the Government had started the chrome leather industry, namely, after the Chamber of Commerce had clearly stated that chrome tanning was not commercially feasible in Madras owing to climatic conditions.¹⁷ Deprecating the attitude of the Chamber, Chatterton maintained that the latter had no idea beyond tanning skins for export: "the tanners of Madras are mainly engaged in the export trade and care little or nothing for the internal trade, and I think I may fairly claim that it is entirely due to our efforts that the local demand for leather has received such meagre attention as has recently been bestowed upon it; ... if Government had not embarked on the manufacture of chrome leather the condition of things would have been the same as they were five years ago."¹⁸

16. Administration Report of the Department of Industries for 1907-1908 - Revenue G.O.No.2112, 3rd August 1908, p 7

17. Demi-official from Chatterton to A.G.Cardew, Secretary to the Madras Government, Revenue Department, dated 6th October 1908 - Notes to Revenue G.O.No.641, 8 March 1909.

18. Ibid

In 1905 when Chatterton had visited Cawnpore, he was told by the representatives of M/s.Cooper Allen and the North West Tannery that there was no future for chrome leather in India; but after the work and fair success of the chrome tanning department in South India "they had so far changed their opinion to put forward the proposition that the industry is now sufficiently well established to be made over to private enterprise."¹⁹ In Chatterton's opinion which was endorsed by his superiors in the government, the time had not yet arrived to stop the experimental work in the government tannery or to hand the tannery over to private enterprise. However, following the Secretary of State for India's despatch disallowing the setting up of a department of industries and/or the active promotion of industries in the province, the government had to withdraw from the venture; in the beginning of 1911 the government tannery was sold to the Rewah Durbar. "The chrome leather industry is now firmly established in India, at any rate as regards certain class of leather, and there is no doubt that the government of Madras helped materially to contribute towards this result."²⁰

In the case of weaving, Chatterton added an experimental weaving department to the School of Arts, Madras, with the object of improving the methods of handweaving in the South of India. Chatterton's idea was to

19. Letter from Chatterton to the Secretary to the Madras Government, Revenue Department, dated 10 March 1909, No.80-G - Revenue G.O.No.1160, 30th April 1909 (Confidential)

20. "Memorandum on the Department of Industries..." op.cit

try the European loom or simple modifications of it for weaving indigenous varieties of cloth. The results of the experiments undertaken in Madras based on successful field results in the Basel Mission workshops and Bengal were not really satisfactory.²¹ Initial failures only strengthened Chatterton's resolve to pursue his experiments more vigorously. Collecting more information from other parts of the country was one part of his programme. More important he tried to analyze why looms which had succeeded in one place were not effective in Madras. He was convinced that weaving could be best carried on in a damp climate and that it was climate which had, had considerable influence over the success which the fly shuttle loom had met with in different parts of India.²² While accepting that government assistance would hardly be necessary where financial proposals were good, he pointed out that in the Madras Presidency there were few people who knew anything at all of weaving and fewer still who understood the problems of the handweaver. Therefore to make capital flow easily into the handweaving industry it was essential to demonstrate on a fairly large scale that the work could be carried on in a profitable manner.²³

In 1905 Chatterton made a tour through Bombay, the United Provinces and Bengal. Passing orders on his report,

21. Letter from Chatterton to the Secretary to the Commissioner of Revenue Settlement and Director of the Department of Land Records and Agriculture, dated 19 September 1905 - Revenue G.O.No.1088, 6 November 1905.

22. Ibid

23. Ibid

the government of Madras expressed their willingness to establish a handloom weaving factory for experimental work either in Salem or Madura. For a variety of reasons the former town was selected and in February 1906, the looms and apparatus situated in the School of Arts were transferred to Salem and a new start was made. The most important work done at the factory was in connection with the first of the problems which Chatterton set out to solve, namely, experimenting with the fly shuttle loom. The type of loom ultimately adopted at the Salem factory was the old English fly shuttle loom modified in the direction of simplicity so as to make it suitable for the manufacture of indigenous cloths. Numerous other types of improved looms were kept under observation and trial and in 1908 a weaving competition was arranged at Madras with the object of procuring definite data regarding the merits of various types of loom which then were being offered to the Indian weaver. The results of the competition was to confirm the conclusions of the Salem Factory - the loom which did the best all-round work were those manufactured at Madras on the lines of the old English handloom.²⁴

Efforts were made to spread the use of the fly shuttle loom; the Salem Weaving Factory did arouse considerable interest and was the direct cause of numerous small private factories being started. A census of fly shuttle looms in ordinary use taken in 1911 revealed the existence in the 89

24. Chatterton, A: Industrial Evolution in India, op.cit (Chapter VIII on Handloom Weaving, p 203-257).

towns and villages visited of not less than 6528 looms with flyshuttle slays. Practically all these villages were in the coast districts north of Madras and it was estimated that in these districts roughly 40 per cent of the weavers had adopted the new method of plying the shuttle.²⁵

As in the case of the other industries, the Salem Weaving Factory also came in for criticism at the hands of the European mercantile community. But Chatterton defended the weaving factory as one meant to experiment with various forms of handloom on the market and as a possible way of getting handloom weavers to work under factory conditions. "If the handweaving industry is to be materially improved a great deal has to be done not merely in connection with the technical details of the weaving processes, but also in connection with the training and education of the weaver himself."²⁶ The commercial viability of the factory was demonstrated through the range of cloths produced and the increasing sale receipts. But this fact proved the factory's undoing. The Chamber of Commerce protested; Lord Morley's ultimatum followed shortly and the factory was closed in September 1910.²⁷

The operations of the pumping and boring branch were another important function of the department of industries

25. See (a) Letter from Chatterton to the Secretary to the Madras Government, Revenue Department, dated 18 January 1912 - Educational G.O.No.406, 11 May 1912.

(b) Notes connected with Educational G.O.No.406, 11th May 1912.

26. Chatterton, A: Industrial Evolution in India, op.cit, 226

27. 'Memorandum on the Department of Industries...' op.cit.

during this period. As part of his programme of work in connection with the development of Indian industries, Chatterton proposed that a number of pumping installations should be set up with the object of demonstrating the advantages of modern machinery in agricultural operations. From the first, the progress made was encouraging and by March 1905 so many applications for assistance had been received that government agreed to advances being made under the Land Improvement Loans Act for the purchase of oil engines and pumps, and provided Chatterton with the nucleus of a staff to assist those wishing to put up installations with advice and supervision. A class for training oil-engine drivers was also opened at the School of Arts. It soon became evident, that, very few of the wells in the Presidency could furnish enough water to make it worth while to put in an engine and pump, and that, in order to bring pumping installations into more extended use, it would be necessary to deepen existing wells or to sink new ones so as to tap the subterranean reservoirs, which were suspected to exist at no very great depth in certain districts of the Presidency. These results had been anticipated from the very beginning, and in 1904, a set of boring tools was purchased, with which experimental borings were put down in various places. This led to the discovery of sub-artesian water both in the Chingleput and South Arcot districts, and it became evident that it was desirable greatly to extend the scale of operations. Accordingly in 1906, the boring

branch of the department was inaugurated by the deputation of a special party to the Chingleput district, partly to develop well irrigation by the expeditious disposal of applications for loans, and partly to prevent waste of money by preliminary borings before wells were sunk. Later on, the operations of the party were extended to the improvement of existing wells, and from this time forward progress was rapid, until the outbreak of the war operated as a check. The development of irrigation by pumping with oil engines and centrifugal pumps gave rise to a considerable number of investigations regarding the duty of water in the South of India and the results were published from time to time in the bulletins and annual reports brought out by the department.²⁸

Apart from the above, other experiments undertaken but which did not meet with much success were the moves to establish a wood-distillation plant to manufacture charcoal,²⁹ the establishment and eventual sale of two pencil factories, experimentation with glass manufacture, and with lime-sand bricks.³⁰

28. More details for this can be had from

- (a) Administration Reports of the Department of Industries, various years;
- (b) 'Memorandum on the Department of Industries...', op.cit
- (c) Chatterton, A. Agricultural and Industrial Problems in India op.cit.

- (d) Chatterton A. Industrial Evolution in India, op.cit, (specially Chapter X on Well Irrigation)

29. See (a) Chatterton, A. Industrial Evolution in India, op.cit (Chapter IX)

(b) Administration Reports of the Department of Industries, various years.

30. 'Memorandum on the Department of Industries...' op.cit

In 1908 the government considered that the time had come when the best method of further developing the useful work commenced by the Director of Industrial and Technical Inquiries should be further considered. In order to discuss in what directions the industrial development of the Presidency could be further assisted and promoted by experiments made by the department, the government held a conference at Ootacamund in September 1908 to which the representatives of the leading industrial interests of the Presidency were invited.³¹

Representatives of the private sector were more keen in confining government participation to the provision of technical education. A majority of the European community condemned the local students as being ashamed of using their hands and keeping government hours; others were more circumspect and felt that the existing condition was mostly due to the fault of the educational methods, and due to a great extent to the lack of a suitable example on the part of the Europeans.³² It was also felt that no useful purpose would be served by a series of haphazard experiments in any particular industry or by indiscriminate suggestions as to the betterment of any industry that one happened to be personally interested in. What was required, it was pointed out, was a radical improvement in all the industries and

31. See (a) Revenue G.O.No.1421 dated 20th May 1908

(b) 'The Papers...' op.cit

32. See the extract of a letter from H.P.Gibbs, Chief Electrical Engineer with the Mysore Government, reproduced in 'The Papers', op.cit, p 68

manufacturers, and this could only be brought about by a systematic plan of campaign which would take the education to the villages themselves and which would be founded strictly on the survey of existing industries contemplated by the government.³³ The difference in approach to the whole question of the industrial development of the province by the European mercantile community on the one hand, the Indian educated classes on the other and the officials (mostly European) of the provincial government in between makes interesting reading.

A.J.Yorke, speaking on behalf of the Chamber of Commerce, expressed the feeling that the limits within which government could promote industry in the province were not wide, unless it was by adopting far-reaching steps such as the introduction of a protective tariff which however was beyond the scope of the provincial government to levy. The Chamber believed that industrial business could best be managed by business men and was therefore of the opinion that any general policy of government experiments in connection with established industries was to be deprecated. As regards the promotion of new industries, the Chamber did not wish to advocate government embarking on a manufacturing scale with public funds where commercial men feared to venture their own money and suggested that the Director of Technical Enquiries should devote his attention chiefly to

33. Letter from the Chief Engineer, South Indian Railway, Trichinopoly to The Agent, South Indian Railway; reproduced in The Papers op.cit, p 76.

industries where there were grounds for hoping that they would prove successful, namely. 'cottage industries'. As far as employing Indians was concerned, the Chamber vehemently asserted that in industry there was no racial question, but added that, upto a point, the Indian was excellent, cheap, and reliable employee but beyond that he failed to come upto modern industrial requirements. "The Chamber is not prepared to dogmatize as to the causes of that failure or as to the educational or other remedies possible for it but the personal experience of several of its members in connection with many factories throughout India leaves no practical room for doubt of the fact mentioned."³⁴

Diwan Bahadur Rajaratnam Mudaliar echoing largely the feelings of the Indian community, in his note, submitted, that the most effective means of carrying out the objects of government in regard to the promotion of (a) industrial development and (b) technical education, was to establish a thoroughly equipped institute of technology for conducting researches and experiments on the most approved methods, in certain specified branches of industry, in which, in the opinion of government and its advisers, improvements were possible and could be carried out with advantage. The fact that private enterprise had done very little towards industrial development during the past thirty years,

34. Note from A.J.Yorke, Chairman, Madras Chamber of Commerce, dated 4th July 1908 in The Papers... op.cit, pp83-85.

according to the Mudaliar seemed a sufficient answer to the argument that government ought not to intervene in the development of industries. He was also convinced that a reasonable amount of protective tariff was essential to give a fair start to some of the industries which otherwise could not be revived. Such protective duties formed part and parcel of the industrial policies of every major industrialized country.³⁵

The educational system came in for sharp criticism both from Europeans and Indians. F.J.E.Spring, Chairman of the Port Trust Board summed it up thus: "The so-called educated classes all through their years of development have sedulously had their attention turned away from everything of a practical, industrial nature, by us, their guides, who ought to have known better."³⁶ It was Spring's belief that the proximate cause of India's present failure to adopt industrialization on a scale anything like adequate to alleviate the poverty of her population was that her upper classes stood coldly apart from all interest in such development, partly or chiefly, because of their pathetic belief that the rulers were even now offering them the kind of education that had made Western nations great and wealthy.³⁷

35. Note on 'Industrial Development and Technical Education' by Diwan Bahadur P.Rajaratna Mudaliyar, dated 24th July 1908, in 'The Papers...' op.cit, pp 86-93.

36. Note from F.J.E.Spring, Chairman, Port Trust Board, Madras, dated 31st July 1908 in 'The Papers' op.cit, p 100

37. Ibid., p 103

Chatterton pointed out, in the Administration Report of the department of industries for the year 1907-1908, that capital was not lacking but there was an almost complete absence of men qualified technically and commercially to handle manufacturing enterprises. The larger industries were almost entirely managed by Europeans and the capital invested in them was mostly in the same hands. The manufacturing instincts were weakly developed and there was a vast field for government intervention in the way of pioneering work. It was the misfortune of India that the profits of manufacturing enterprise were withdrawn from the country to a very large extent with the result that there were few capitalists "who could afford to devote large sums of money to investigations which could end in no practical result".³⁸

Passing orders on the resolutions passed at the Industrial Conference held at Ootacamund in September 1908, the Governor-in-Council recognized as a general principle that the exploitation of industries should be regarded not as a normal but as an exceptional function of government, and on the general question of the limitations that should be set to the functions of the state in attempting to promote industrial development, the Governor-in-Council had no hesitation in accepting the conclusions arrived at by the Conference. With the restrictions which the Conference had

38. Administration Report of the Department of Industries for the year 1907 - 1908 - Revenue G.O.No.2112, 3rd August 1908, p 5.

laid down, the Government was convinced that the private enterprise had nothing to fear while it could have much to gain from the association of the State in the work of promoting the industrial development of the country.³⁹

The Government accordingly approved of the recommendation of the Conference that there should be a special department under a special officer to deal with industrial questions. This officer was to be entrusted also with the control of industrial instruction, that is, instruction in the performance of definite operations not necessarily involving the teaching of general principles but only of their application. The government however considered that technical education should continue to be under the direction of the Director of Public Instruction. The officer at the head of the new department would be styled the Director of Industries. He would correspond directly with government in the Revenue department but not through the Board of Revenue.⁴⁰

In 1909, the government of Madras addressed the government of India emphasising the need for placing the appointment of the Director of Industrial and Technical Inquiries on a permanent basis and constituting a definite department of industries. In addition to formulating the principles on which the department of industries should function, the conference submitted a comprehensive series of

39. Revenue G.O.No.2894, 17th October 1908 - Passing orders on the Resolutions of the Industrial Conference held at Ootacamund in September 1908.

40. Ibid

resolutions specifying in detail various directions/areas in which industrial development should be further fostered.⁴¹

The Finance Department of the Government of India in its despatch to the Secretary of State recommending the proposals of the Madras government stated: "We concur with the local government in their view that the valuable results which Mr. Chatterton has so far achieved justify the hope that the constitution, under his direction, of a permanent department having for its principal objects the fostering of industrial development within the limits laid down by the conference, and the control of industrial instruction as defined by them, will prove highly beneficial."⁴²

On the question of principle which was involved in the separation of the department of industry and industrial instruction from that of technical education, the Finance department despatch was of the opinion that it was not necessary to insist that the development of industrial and technical education should proceed upon exactly similar lines in different provinces. "Since such a development was still in its infancy, it would be wiser to permit a certain latitude in the methods of dealing with the problems presented to enable a system to evolve over a period of time

41. Letter from L.M. Wynch, Acting Secretary to the Government of Madras, Revenue Department to the Secretary to the Government of India, Home Department (Education) dated 3rd March 1909, No. 4294 - A/08-1

- Revenue G.O. No. 3446, 27th October 1910.

42. Despatch from the Government of India, Finance Department, to His Majesty's Secretary of State for India, dated Simla, 28th October 1909, No. 253.

- Revenue G.O. No. 3446, 27th October 1910

best suited to the conditions that had to be provided for."⁴³

The Secretary of State, however, in his despatch categorically refused to sanction a separate department of industries with a separate director. What he agreed to was that state funds could be expended upon familiarising the people with such improvements as modern science and the practice of European countries could suggest: "further than this the state should not go and it must be left to private enterprise to demonstrate that these improvements could be adopted with commercial advantage". Within the limits indicated by him, the Secretary of State felt that the objects which the Industrial Conference had in view could be accomplished by means of technical and industrial schools. However, to convert the leather or weaving school into a government factory in order to demonstrate that articles could be manufactured and sold to the public at a profit, went, in his view, beyond what was desirable and beyond what was found necessary in other provinces. He was emphatic that nothing which would interfere with private enterprise should be done.⁴⁴

43. Ibid

44. Despatch from His Majesty's Secretary of State for India to His Excellency the Governor-General of India in Council, dated India Office, London, the 29th July 1910, No.50
- Revenue G.O.No.3446, 27th October 1910

Consequent upon the Secretary of State's despatch the department of industries was ordered to be closed and the appointment of the director of industries cancelled with effect from 1st January 1911. Effective also from that date the services of Chatterton were to be placed at the disposal of the Educational department for employment as Superintendent of Industrial Education. In 1912 Chatterton's services were requisitioned by the Mysore Durbar initially for a period of six months and later extended for quite a few years in order to enable the Mysore Durbar to establish a department of Industries. After this, he did not come back to the Madras Presidency in any official capacity.⁴⁵

45. For details refer to Revenue G.O.Nos 260 - 61, 26th January 1914.

SECTION II

Lord Morley's orders prohibiting the employment of state funds in the pioneering of industries had given rise to a very widespread feeling of disappointment among many sections of people in the Presidency. Evidence of this feeling could be gleaned from repeated articles in the Indian press. At the Sixth Indian Industrial Conference which was held at Allahabad in December 1911, a resolution was passed expressing the deep regrets of the delegates there assembled, who came from all parts of India, at the action of the Secretary of State in directing the abolition of the department of industries in Madras and protesting against the prohibition of state pioneering of new industries. Further, at a meeting of the Legislative Council which was held in Madras on 22nd February 1911, a resolution was moved by a non-official member, T.V.Seshagiri Aiyar, representing the University of Madras, to the effect that the Council request the Secretary of State to reconsider his decision regarding the establishment of the department of industries in the Madras Presidency and to sanction the proposals of the Ootacamund Conference of 1908. The speakers on this resolution who were all non-official members of the Council urged that instruction in industrial schools was insufficient and required to be supplemented by practical teaching in workshops where the application of the new processes could be demonstrated. They pointed out that in a place such as Madras where industrial enterprise was

backward and private workshops almost non-existent, it was desirable that government be permitted to conduct such experiments as may be necessary to decide whether any new industrial processes could be profitably introduced. The resolution was carried by 21 votes against 3, the official members of the Council abstaining from voting. At the close of the debate, the Governor undertook to invite the Secretary of State to reconsider his decision on the subject.⁴⁶ From the discussion of this resolution and from the practically unanimous Indian vote in favour of it, it could be discerned how strongly Indian non-official opinion was in favour of the policy of state intervention to pioneer and promote industrial development.

The Governor in Council had no doubt that this resolution represented the feeling of a vast majority of the educated classes of Southern India and he felt that the wishes of this community on so important a matter deserved the sympathetic consideration of the Secretary of State. He was convinced that there was considerable force in the argument that the difference in conditions of India and those of Europe had to be taken note of; that, in a place like South India where industrial progress had hardly commenced, it was difficult without state aid to bridge the gulf which existed between mere scholastic instruction and

46. In a letter addressed to the Secretary to the Government of India, Department of Education, dated Ootacamund 8th May 1911, A.G. Cardew, Secretary to the Government of Madras, Revenue Department gave details of the forms of protest that followed following Morley's despatch of 29th July 1910.

- Revenue G.O.No.3851, 30th December 1912.

the practical application of industrial teaching unless factories under state management were established. "The government are not unaware of the risks which must attend State commercial enterprise and certainly would not propose to embark on any such fresh enterprise on any extensive scale. At the same time they would urge that the conditions which were laid down by the Industrial Conference at Ootacamund in 1908 furnish considerable safeguards against the abuse of any state action."⁴⁷

While Lord Morley in his despatch had stated that his objections did not extend to the establishment of a bureau of industrial information or to the dissemination from such a centre of intelligence and advice regarding industries, it was pointed out that such a bureau could not be properly conducted by an officer of the educational department. The functions of such a bureau, not being of an educational character, the subordination of the officer in charge of that bureau to the Director of Public Instruction was found in practice to be inconvenient and unnecessary. Consequently, the Governor in Council strongly urged that the creation of a separate department (to be styled the Department of Industries, or given any other name which was thought convenient) should be sanctioned.⁴⁸

The Finance department of the Government of India in their despatch to the Secretary of State stated: "We have carefully re-examined the whole case in the light of the

47. Ibid

48. Ibid

arguments adduced by the government of Madras and of the weighty and unanimous expressions of Indian opinion against Lord Morley's decision which have appeared in the press and on the platform throughout India. We are constrained to urge upon your Lordship the modification of that decision on the lines indicated by the Madras government. ...Indeed we are inclined to think that without some modification of the decision conveyed in the despatch it may not in certain cases, and in the present condition of India be possible to 'familiarize the people with such improvements in the methods of production as modern science and the practice of European countries can suggest'. ...It is a common complaint in all parts of India that the student of our technical and engineering colleges cannot get the practical training which is necessary to complete the training which he received at college. There seems to be an increasing disposition to exclude Indian students from factories in England, a disposition which has found expression in the case of glass-blowing, alkalis and vegetable oils. The importance of giving to India all possible facilities for becoming industrial is very great at the present time. Accordingly we recommend the creation of a separate department of industries in the Madras Presidency."⁴⁹

Lord Crewe, Lord Morley's successor, in his despatch reaffirmed his predecessor's decision against the extension

49. Despatch from the Government of India, Finance Department to His Majesty's Secretary of State for India, dated Simla, 21st September 1911.

- Revenue G.O.No.3851, 30th December 1912.

of the activities of the department of industries to trading on commercial lines. He however, had no objection to the creation of a separate department of industries provided that its functions were confined within the limits specified by him.⁵⁰ He asked for further information regarding the proposed appointment of an Inspector of Industrial Schools, and it was not until the end of 1913 that final orders were passed on this point, the control and supervision of industrial as opposed to technical schools being transferred to the director of industries for whose assistance an appointment of Inspector of Industrial Schools was sanctioned. Accordingly the department of industries came finally into existence on 21 March 1914. The functions of the director were defined thus:-

- (1) to collect information as to existing industries their needs and the possibility of improving them or of introducing new industries;
- (2) to carry out and direct experiments connected with local enquiries;
- (3) to keep in touch with local manufacturers, to bring the results of his experiments to their notice, and to obtain their cooperation in the conduct of experiments on a commercial scale;
- (4) to supervise the training of students; and

50. Despatch from His Majesty's Secretary of State for India to the Governor-General of India, dated India Office, London, 15 March 1912.

- Revenue G.O.No.3851, 30th December 1912.

(5) to advise governments with regard to technical matters involving legislation.⁵¹

A confidential note⁵² addressed to Austen Chamberlain, Secretary of State for India in 1915, outlined the urgent need for a considered central policy in the case of the manufacturing industries. It stressed the point that the people of the country had recognised their inability to carry out their programme without the help and guidance of government and confined themselves for the most part to pressing their demands for assistance from the state, and for a policy of tariff discrimination against foreign imports. Public sentiment had again and again expressed itself in the form of resolutions and questions in the Imperial and Provincial Councils, of resolutions in the Indian National Congress and at public meetings and of articles in the press. This movement which had acquired considerable political significance in India, had generally followed two particular lines of expression. In the first place, there was the constant assertion that the British government had with malice intent, or, if not, with malice, by their attitude of indifference allowed indigenous industries to be overwhelmed by foreign and especially by British competition. The second charge was that the British

51. 'Memorandum on the Department of Industries...' op.cit

52. This note signed by Hardinge of Penhurst, Beauchamp Duff, Saiyid Ali Imam, W.H.Clark, W.S.Meyer, C.H.A.Hill and C.Sankaran Nair was addressed to Austen Chamberlain, Secretary of State for India - No.51 of 1915, Government of India, Department of Commerce and Industry, dated 26th November 1915.

- Educational G.O.No.46, 12th January 1916 (Confidential)

system of education had confined the energies of educated young people to literary pursuits and the learned professions and had created among them a demand for employment limited to government service, the law and medicine. These contentions emphasized one aspect of the need for an industrial policy which would enable technical education in India to produce its best results and which would lighten the pressure on purely literary courses and reduce the excessive demand for employment in those services and callings to which these courses led.

With regard to industries, the note pointed out that account had to be taken not only of the competition with private enterprise but also of competition with similar industrial pioneering efforts in other parts of India. Though undoubted success had been obtained by pioneer factories in certain instances there was considerable element of doubt whether the degree of success had been sufficient to warrant the acceptance of the principle of state demonstration of industries on a commercial scale, and if accepted, the need to specify the circumstances under which it would be adopted and the conditions under which it could be carried on.

Lord Crewe's despatch of 1912, while it had gone some way towards relieving the disabilities imposed by Lord Morley, still left the government of India in a considerable degree of doubt as to the precise lengths to which they were justified in going when dealing with proposals for

demonstration plants, financial assistance and other forms of direct aid to industries.

"In view of the uncertainty in which we find ourselves regarding the extent to which, and the circumstances in which, these as well as other forms of state-aid may profitably be employed, we desire to examine the whole question ab initio with the help of a specially selected committee. It is necessary, if the investigations of its members are to bear full fruit, to allow them as far as possible an unfettered discretion in respect of the methods of state-aid to industries which they would be at liberty to investigate and recommend. For this reason we would ask that, for the purposes of their investigation, the Committee, if you approve of its appointment may be permitted to consider, as open to free discussion and examination all questions of direct State-aid to industries, which do not involve a modification of our existing fiscal policy, and that their enquiry may not be restricted by any rigid interpretations of the rulings laid down in the despatches of Lords Morley and Crewe. The desirability or otherwise of maintaining these restrictions can then be considered afresh in the light of the Committee's findings which will, form the basis of our future industrial policy."⁵³ (emphasis as in original)

In a resolution dated 19 May 1916,⁵⁴ the government of India made explicit its decision to take up for examination

53. Ibid

54. Educational G.O.No.622, 5th June 1916

the question of the expansion and development of Indian manufactures and industries in a more comprehensive manner than had hitherto been attempted. The government, however, listed the following as difficulties encountered in earlier attempts to help industrialization of the country, namely, the timidity and unenterprising character of Indian capital, the lack of skilled labour and want of practical information regarding the commercial potentialities of India's raw products. The government therefore decided to appoint a Commission, some of whose members would be acquainted with Indian conditions, some with industrial progress in other countries where similar objects would have been pursued and others acquainted with industrial problems generally and their business side in particular.

In framing the terms of reference, the government found it necessary to exclude two matters from the scope of the Commission's enquiry, namely, (a) any consideration of the then existing fiscal policy of the government of India on the ground that the general fiscal relationship that existed between the various parts of the Empire and other countries was, according to His Majesty's government to be reconsidered after the war. Hence it was felt that the same considerations applied with even greater force to any proposals involving the imposition of duties for the specific purpose of protecting Indian industries, a policy which would very directly affect the fiscal relations of India with the outside world. (b) In the next place it was

laid down that the Commission was not to go into those aspects of technical and industrial education that had recently been dealt with by committees working in England and India and whose reports were then under the consideration of the Government of India.

The commission was to be instructed to examine and report upon the possibilities of further industrial development in India and to submit its recommendations with special reference to the following questions:-

(a) whether any new openings for the profitable employment of Indian capital in commerce and industry could be indicated;

(b) whether and, if so, in what manner, government could usefully give direct encouragement to industrial development

(i) by making technical advice more freely available;

(ii) by the demonstration of the practical possibility on a commercial scale of particular industries;

(iii) by affording, directly or indirectly, financial assistance to industrial enterprises, or

(iv) by any other means which are not incompatible with the existing fiscal policy of the government of India.⁵⁵

We do not propose to embark on a full-scale discussion of the contents of the Indian Industrial Commission's Report, (IIC), nor an evaluation of the evidence submitted to it. Our attempt will be to begin with the underlying basis of the main proposals made in the Report and thereupon go

over to examine what changes, if any, were effected at the provincial level consequent upon the acceptance by the government of India of the recommendations of the IIC.⁵⁶

The basis of the main proposals made by the IIC could be summed up in the following three general propositions:-⁵⁷

(1) That the improvement of Indian industries was of vital importance to the future of the country, that it would throw on government many new and serious responsibilities and required a consistent and co-ordinated effort for its achievement. These considerations therefore necessitated the creation of a special department of the government of India to formulate and direct the new policy;

(2) That, for obvious reasons, the actual execution of the policy would mainly be effected by authorities under the control of local governments;

(3) That, in view of the past history of Indian industrial development and of the present conditions of industrial success in other countries, no real progress could be expected without an expert study of industrial possibilities and expert advice and assistance in undertaking the solution of industrial problems, and that the necessary staff could be best obtained and most advantageously employed by the creation of organised services.

56. Report of the Indian Industrial Commission 1916-18, Calcutta, 1918 (Reprinted 1980, Agricole Publishing Academy, New Delhi 17)

57. See also in this connection the letter from A.H.Ley, Joint Secretary to the Government of India, to the Secretary to the Government of Madras. Revenue (special) Department dated Delhi, 7th December, 1918. - Revenue (special) G.O.No.791, 28th April 1919

With these three basic propositions the government of India were in general agreement; but the principles on which the functions of the imperial and provincial departments could be correlated required in the opinion of the government of India further discussion in the light of considerations arising out of the report on Indian Constitutional Reforms. Another important part of the Commission's recommendations which the government of India believed to be one of the most valuable of the proposals made for the development of Indian industries, related to an alteration in the existing system for the purchase of government stores. The suggestion for a central purchasing department had been made before, even in the period prior to the war, while since the war broke out, the functions of such a department had in fact been exercised in a large measure by the Indian Munitions Board. In the Government's opinion it could reasonably be anticipated that with the encouragement and development of industries in this country there would progressively be a great reduction in purchases from England.⁵⁸

Before we proceed to examine the manner in which the Provincial Government went about giving effect to/operationalising the recommendations of the IIC, it would be pertinent to record here the debate that was generated accross the country in the light of the simultaneous publication during this time of the Report of the Indian

Constitutional Reforms.⁵⁹ Both the Reports emphasized the need for rapid industrialization of the economy with active state participation. However, while the IIC's Report emphasized the need to centre direction in the government of India, the Montagu-Chelmsford Report on Constitutional Reforms, confessed: "We think we have reason for saying that in some respects the machinery is no longer equal to the needs of the time. The normal work of the department is heavy ... We suspect that a root cause of some political discontent lies in such delays. But the government of India are in the worst case. In all important matters they have to consult local governments and then to secure the approval of the Secretary of State. References to the India Office are a second fruitful cause of delay."⁶⁰ The Reforms Commission therefore emphasized the minimization of central supervision and direction of provincial activities.

The main focus of the debate was on the following points:-

(a) the constitution of an imperial department of industries which would act as a nodal organization to coordinate and direct industrial activity in the provinces;

59. Some idea of the debate can be had from the replies received by the Government of India to its letter No.589-D of 7th December 1918 to Local governments inviting their opinions on the report of the IIC.

- Revenue (special) G.O.No.2221 3rd December 1919.

60. Extract from Proceedings of the Legislative Council for the United Provinces of Agra and Oudh assembled for the purpose of making Laws and Regulations under the provisions of the Government of India Act 1915, dated Allahabad, the 24th January 1919.

- Revenue (special) G.O.No.2221, 3rd December 1919.

(b) the creation of all-India scientific and technical services.

Innes, Director of Industries, Madras, commenting on the administrative proposals made in the IIC's Report stated that a careful reading of the Report brought out very clearly its centralizing tendency, even though the Commission claimed that its scheme was in general accord with the administrative changes proposed in the Reforms Scheme. It was evident that there were two antagonistic forces at work. The commission was concerned solely with India's industrial deficiencies, and deliberately it had set itself the task of devising the most efficient way of remedying those deficiencies. The reforms scheme, on the other hand, was prepared to sacrifice efficiency to other and wider considerations. Hence the one scheme hinged on centralization and efficiency and the other on decentralization even at the expense of efficiency. Ultimately, Innes felt, the decision depended on the view taken regarding India's industrial position. If the Commission was right in holding that India's backwardness in industrial development was so serious as to involve political, economic and even national danger, it was justified in asking local governments to agree, in the interests of efficiency, to a period of centralized control. At the same time, Innes felt, that this stage was to be purely transitional, and as in political reform so in industries the goal should be the largest possible measure

of decentralization to local governments at the earliest possible date. Operationally it was felt that the more reasonable course would be for the government of India to confine itself to the encouragement of such industries which were essential from the point of view of national safety or were of more than provincial importance and with these reservations to leave it to local governments to solve their own problems with their own staff in their own way.⁶¹

The Secretary, United Provinces Chamber of Commerce in his letter stated that while his Committee was in accord with the Industrial Commission on the principle that in future government must play an active part in the industrial development of the country, they were strongly opposed to the creation of an Imperial department of industries in which was proposed to be centralised the control and direction of the advocated policy. The letter added further that the idea of a new Imperial department of industries was to be abandoned altogether and industrial development made a concern of the provincial governments for which the Local governments in their respective departments of industries were to be wholly responsible and in respect of which they were to enjoy the greatest possible freedom of action and initiative. The Committee was also strongly opposed to the creation of the various Imperial India services recommended.

61. Letter from C.A. Innes, Director of Industries, Madras, to the Secretary to the Government of Madras. Revenue (special) Department, No.G.C.-295, dated the 20th January 1919.

- Revenue (special) G.O.No.2221, 3rd December 1919.

They fully associated themselves with the view that if importation of skilled technicians became necessary only recognised experts and specialists were to be engaged on special terms and short contracts and on the express condition that the training of our young men would form an important part of their work here. Similarly if the establishment of regular industrial and scientific services was found indispensable at any later stage, the provincial governments could organise the same. These services would then be provincial and not imperial services and under the control of the government under which they were to serve.⁶²

A resolution moved, in the Legislative Council of the United Provinces of Agra and Oudh also brought out the differences in recommendations on administrative machinery in the two Reports. A majority of the Council were in favour of the subject of the industrial development being transferred and made entirely provincial so that the delays incidental in making frequent references to Simla and Oudh could be avoided, and further that action could be taken in response to, and in sympathy with, the demands of public opinion. Resolving against the constitution of imperial services, the Council pointed out that informed opinion was against even the then existing Indian Educational Service. Several educational experts had opined that the wisest

62. Copy of a letter from the Secretary, United Provinces Chamber of Commerce, Cawnpore, to the Secretary to Government, United Provinces, Industries Department, Allahabad No.6806, dated the 3rd March 1919.

- Revenue (special) G.O.No.2221, 3rd December 1919

policy would be for men to be appointed as occasion arose, specially qualified men on terms arranged for in each case so that no vested interest would grow up and the best available talent could be obtained in every case and from anywhere.⁶³

It should be noted here that while witnesses before the IIC explicitly stated that no one should be imported into India unless he was a recognised expert in his own field, and that young men from abroad who were educated but inexperienced should not be brought to India and allowed to get their practice at the expense of India,⁶⁴ the recommendation of the Commission was directly contrary. The IIC wanted that recruits for new Imperial services should be obtained at an early age; these would be men who had received theoretical training in England and other countries they would come to India to pick up practical knowledge and they would spend several years in doing that. It would not be any part of their duty to bring up Indians themselves to be able to perform those duties. The net result would be that in department after department which required any technical knowledge or skill India would continue to be

63. Extract from Proceedings of the Legislative Council for the United Provinces of Agra and Oudh .. dated Allahabad, 24th January 1919

- Revenue (special) G.O.No.2221, 3rd December 1919

64. Opinion submitted by H.P.Gibbs, General Manager, Tata Hydro and Electric Supply Company to the Indian Industrial Commission

- Quoted in the Extract from Proceedings of the Legislative Council for the United Provinces of Agra and Oudh... op.cit.

- Revenue (Special) G.O.No.2221, 3rd December 1919

dependent upon imported agency very much to the same extent as before."⁶⁵

Campbell, Acting Secretary to the government of Madras, in his letter to the Secretary to the Commerce and Industry department of the government of India wanted that, in deciding the number and location of Imperial research institutions, regard should be accorded to the essential differences between conditions in Southern India and those that obtained in the North. For example, he pointed out, that a single specialized research institute for the group of subjects relating to oil-seeds would not meet the requirements of India as a whole, and that, if it were decided to establish such an institution in northern India, another Imperial institute would have to be established for research in connection with tropical oilseeds in southern India. The fear of regional discrimination was evident from the following observation made by Campbell in justifying his plea to the Imperial government to look into the requirements of different regions: "[Moreover] the usefulness of a research Institute to an industry varies inversely with the distance of the Institute from the locality in which the industry is established."⁶⁶

A related phenomenon in this context that contributed to provincial heartburn specially in the Madras Presidency was the issue of provincial finance which was dealt with in

65. Ibid

66. Letter No.792 dated Ootacamund, the 28th April 1919
- Revenue (special) G.O.No.2221, 3rd December 1919

some detail in the Report of the Indian Constitutional Reforms. What irked the Madras government was that nearly one third of the gross provincial contributions to the government of India was to be levied from Madras. As Innes put it bluntly: "...industrially the future lies mainly with Bihar and Orissa and Bengal and there is every danger that Bengal industries will be developed with Madras money."⁶⁷ Moving a resolution in the Legislative Council recommending a grant for the development of the industries in this Presidency, Rao Bahadur Ranga Achariyar pointed out "the great injustice which has been done for years as a matter of history by the government of India to the government of Madras in the matter of the financial relations between the two governments. ...It would have served the purpose of Madras if our government had been more violent and insistent in their demands and if our people also had helped the Madras government by raising a howl about this continued injustice which is referred to as a matter of satisfaction by the Montagu-Chelmsford Report. They say this is the historical condition and therefore they propose to leave it there. Not only has the injustice been there, but they propose to continue it in the recent proposals; if there is

67. Letter from C.A. Innes, Director of Industries, Madras to the Secretary to Government, Revenue (special) Department, dated 20th January 1919

- Revenue (special) G.O.No.791, 28th April 1919

See also in this connection the following G.O.s

(a) Financial G.O. Nos. 263-264, 18th February 1899
 (b) Financial G.O.No.433, 31st August 1911
 (c) Public Letter No.1104-A, 10th December 1918

any unsatisfactory feature in the proposals of the Montagu - Chelmsford Report it is this aspect about it, that they want to continue this injustice in the financial relations between the Madras government and the central government."**

The government of Madras had also addressed the government of India on the subject of the financial arrangements under the new scheme and had entered a strong protest against the proposal to base the contribution to the government of India "not on population, nor on area, nor on wealth, nor on the capacity of the provinces, but on the result of a series of provincial contracts which this government have never accepted as being fair to the people committed to their charge."** It had also been pointed out in that letter that, if burdened with such a contribution, the provincial government could not be held responsible for carrying through the large schemes of improvement to which they were committed. The feeling that Madras was being treated unfairly also came through this argument put forth in the Council: "Unless this government go to the government of India armed with public opinion in this matter, they are not likely to meet with success. Past history will repeat itself. Madras is a far-off place for those who have the

68. Extract from the Proceedings of an adjourned meeting of the Council of the Governor of Fort St. George, 13th March 1919.

- Revenue (special) G.O.No.1166, 12th June 1919

69. Letter from C.G.Todhunter, Acting Chief Secretary to the Government of Madras, Public Dept. to the Secretary to the Government of India, Home Department, dated 10th December 1918.

- Public, Letter No.1104-A, 10th December 1918

control of the purse of the government of India. The voice of Madras is seldom heard there and therefore it is necessary that your Excellency's government should apply to the government of India early enough before they make their financial adjustment with other provinces."

70. Extract from the Proceedings of an adjourned meeting of the Council of Fort St. George, 13th March 1919.
- Revenue (special) G.O.No.1166, 12th June 1919

SECTION III

As the Administration Report of the department of industries for the year 1920-21, stated, the most important event of the year in connection with the policy to be adopted to further industrial development in India was the receipt of the Secretary of State's despatch signifying his general assent to several of the proposals made by the IIC and supported by the Government of India.⁷¹ The Secretary of State's despatch marked a revolutionary change in policy, for he definitely accepted the two fundamental principles underlying the recommendations of the Commission; first, that in future government should and would play an active part in the industrial development of the country, and secondly, that, government could not undertake this work unless provided with adequate administrative equipment and forearmed with reliable scientific and technical advice. He approved in principle the proposal that an Imperial and Provincial Department of Industries would be set up on the general lines laid down by the Commission, and sanctioned the proposal of the government of India that an interim authority, a Board of Industries and Munitions would be set up which would close the war commitments of the Indian Munitions Board, take over from the Commerce and Industries Department certain items of work, undertake the initial work of organization and in particular frame detailed proposals for the new permanent department. The Secretary of State

71. Revenue (special) G.O.No.4, 3rd January 1921

thus reversed the restrictive policy laid down by Lord Morley in 1910, which though modified by Lord Crewe in 1912 and temporarily held in abeyance while the Commission was conducting its inquiry, was still in force, and recognised that, if the active participation of government in industrial development of the country was to be accepted as one of its legitimate functions, a new policy was required.⁷² For the Madras government the despatch of the Secretary of State was an endorsement of the policy repeatedly advocated by the former, namely, of the express need in India of active state participation in industrial development.

On 13 March 1920, the Governor presided over a Conference at Madras which was largely attended by representatives of commercial and industrial interests as well as by members of the Legislative Council.⁷³ The business of this Conference was not so wide as that of the Conference held in 1908, but was confined to five specific points which were to be discussed at a Conference of Director of Industries that was to be held in Simla in April 1920.⁷⁴ The Madras Conference generally approved of:-⁷⁵

72. Ibid

73. For proceedings of the conference held at Fort St. George, Madras see Revenue (special) G.O.No.640, 29 March 1920.

74. For details of the proceedings of the Conference of Directors of Industries held at Simla on the 12th, 13th and 14th April 1920, see Revenue (special) G.O.No.1278, 13th July 1920.

75. (a) Administration Report of the Department of Industries for the year 1920-21

- Revenue (special) G.O.No.4, 3rd January 1921

(b) Revenue (special) G.O.No.640, 29th March 1920

- (1) the creation of a Board of Industries for the Presidency
- (2) the creation of an Indian Industrial Service
- (3) the control of industrial education by the Director of Industries
- (4) the extension of schemes of apprenticeship; and
- (5) the establishment of demonstrational factories by the Government.

It was pointed out at the conference that, since the publication of the IIC Report and of the despatches of the Government of India and the Secretary of State on that report the number of inquiries had tended to rise consequent upon the Indian public becoming aware that it was the accepted policy of the government to take a direct interest in the development of industries. These inquiries related to both organised industries and cottage industries. They involved the investigation of such questions as the financial status of the inquiries, the supply of raw materials, the suitability of raw materials available, the supplies of fuel, the nature and cost of suitable machinery, the market for the finished product, the extent to which the industry was already organised in the neighbourhood, the action likely to be taken by rival firms and its effect, besides questions of freight and rates of exchange. The

department as it was then organized was not in a position to deal satisfactorily with all the inquiries received.⁷⁶

The Director of Industries felt that it was absolutely necessary to include in the Department a number of district officers competent to supervise industrial parties and pioneering or demonstration factories within their local area and to carry out local investigations and inquiries in connexion with industries of all classes, large, small and cottage; they would also keep in close touch with the people and encourage those interested in industries to take full advantage of the facilities offered by the department.⁷⁷

On the question of the control of industrial and technical education, the Madras Presidency supported the view of the IIC that industrial and technical education under collegiate rank should remain with the Department of Industries. The argument put forward was that the department was in direct touch with employers of labour and was more likely to be able to translate the views of such employers into practice. Moreover the department would contain experts whose opinions would always be available quickly and departmentally when new schemes of industrial and technical education were being considered. At the same time it was pointed out that the development of industrial and technical education in the Presidency was being

76. Letter from A.Y.G.Campbell, Director of Industries, to the Secretary to Government, Revenue (special) Department, Madras, dated 25th February 1920

- Revenue (Special) G.O.No.640, 29th March 1920.

77. Ibid

carefully watched and that it was not possible to lay down hard and fast lines on which it should proceed; "for the next twenty years at least it must be free from all the strangling effects of pre-arranged rules and regulations, and each scheme must be considered on its merits without too much regard to similar schemes in other parts of the Presidency."⁷⁸

The apprenticeship scheme in force in the Presidency was found to be grossly inadequate; further it made no provision for the training of suitable Indians for recruitment as superior mechanics and the subordinate supervising staff of the workshops, nor for the training of apprentices in the Engineering department.⁷⁹

At the Conference of Directors of Industries held in Simla in April 1920 all were agreed as to the desirability of constituting an Indian Industrial Service on the lines suggested by the Industrial Commission and accepted by the Secretary of State for India. It was also felt that while it was desirable to have Provincial Boards of Industries, these should be advisory rather than controlling in character.⁸⁰ At this Conference, Alfred Chatterton, in his capacity as Industrial Adviser to the Tata Industrial Bank made a plea to the Directors to adopt standard types of

78. Appendix III - Notes prepared by the Director of Industries on the subjects placed before the Conference.

- Revenue (Special) G.O.No.640, 29th March 1920.

79. Appendix IV - notes prepared by the Director of Industries on the subjects placed before the Conference.

- Revenue (Special) G.O.No.640, 29th March 1920.

80. Revenue (special) G.O.No.1278, 13th July 1920

plant specially selected to suit local requirements with a view to their manufacture in India. He attributed the success of the Pumping and Boring department in the Madras Presidency to the phenomenon of standardization, which then made it worthwhile for the manufacturers of this plant to meet in a comparatively simple manner the difficulties usually experienced in erecting, running and maintaining in working order the numerous installations which were set up.

"What is wanted is that intending entrepreneurs should be guaranteed a sufficient demand for their productions to justify them in embarking their capital and experience in the establishment of factories to turn out machinery and plant of standard types...There is not a sufficient market in India to justify the establishment of works to meet the current demand for any one of the many types of engines which may be found working out here; but it is certainly possible to select one or two types of engines which will serve practically all requirements and if the whole demand were concentrated on these selected types, it would be possible to manufacture them out here as cheaply or even more cheaply than they could be imported."⁸¹

Around this time, by a resolution dated 7 October 1921 in the Commerce Department, the Government of India set up a commission to examine with reference to all the interests concerned the tariff policy of the government of India.

81. "Standardization of Machinery and Plant with a view to their Manufacture in India". Preparatory note read at the Conference of Directors of Industries held at Simla - Revenue (special) G.O.No.1278, 13th July 1920.

including the question of the desirability of adopting the principle of Imperial Preference.⁸² Among the official witnesses who submitted their views on the Indian Fiscal Commission's questionnaire was Gilbert Slater, Publicity Officer, who, in his memorandum stated that, while he generally favoured a policy of free trade for India, he however, did not consider that a simple policy of either unadulterated free trade or out and out protection was possible. He felt that India had to have a tariff mainly for revenue but modified by a protectionist flavour. From the economic point of view he considered that direct taxation was the more suitable form and that it would be a very great benefit to India if permanent settlement were abolished, and the land revenue, in the first place, made fairly uniform in the proportion it bore to the economic rent over the whole of India, and then allowed to expand in proportion to the increase in the economic rent of land. According to him, the economic factor which dominated Indian industrial conditions was "the smallness of the amount of thought and energy which the educated classes of India have devoted to industrial achievement."⁸³

H.C.Sampson, Director of Agriculture, in his submission to the Fiscal Commission expressed the opinion that many of

82. Letter from H.G.Haig, Secretary, Indian Fiscal Commission to the Secretary to the Government of Madras, Development Department dated Simla, 7th October 1921.

- Development, G.O.No.221, 11th February 1922

83. Letter from Gilbert Slater to the Assistant Secretary to Government, Development Department, dated Egmore, the 9th December 1921.

- Development, G.O.No.221, 11th February 1922

the questions arising out of the inquiry appeared to contemplate a great industrial expansion in India. As far as Madras was considered he considered this to be impossible under the then existing conditions of food supply. The failure of the monsoon in 1918-1919 definitely proved this. If then, he queried, an industrial population was to be erected in addition to the existing agricultural population, where were their food requirement to come from? The more sanitary housing arrangements which would doubtless be insisted on for the maintenance of industrial labour and the higher standard of living which the wages paid to industrial labour would involve, would all tend to create a large addition to the population. Under existing conditions this seemed an impossible proposition.⁸⁴ One incidental point of importance, referred to by the Commission vide one of their questions, was whether British or foreign industrial firms would endeavour to establish themselves in India in order to get the benefit of the protective tariff. It was felt that this was extremely probable which probability was however, lost sight of by the advocates of protection in India.⁸⁵

K.Venkatarama Reddy, official in the development department, arguing strongly in favour of a policy of protection, tracing the history of the policy of protection pointed out that even in England, free trade as such was

84. Letter from H.C.Sampson, Director of Agriculture to the Secretary to Government, Development Department, dated Madras, the 14th December 1921.

- Development, G.O.No.221, 11th February 1922

85. See Notes to G.O.No.221, Development, 11th February 1922.
p 5.

unheard of till 1820. It took 40 years before that policy could be fully accepted by the British Parliament. The free trade policy which was fully inaugurated in 1860 had full sway for nearly 60 years. In 1919, however, England agreed to levy preferential tariffs in certain articles produced or manufactured in British colonies and Dominions and in the year 1921, England passed her Safeguarding of Industries Act. "Both these measures have deprived England of her claim to be yet known as a complete free trade country."⁸⁶ Similarly Germany, France, United States and Japan, the four great trading countries next to England were and had always been protectionist countries. While advocating protection as a policy for India, Reddy used that term in a larger sense, including not merely an import tariff, but also every act or policy or economic system which made for the growth and promotion of industries of a country, by the training of skilled labour by granting concessions, bounties, loans, foreign scholarships and by government itself starting pioneer industries and establishing research institutes and so forth. "If our protection ends with tariff laws and our endeavour to create industries stops with giving industrial and technical education, certainly it will not go a long way. But with protection of a wider character just described, it is more than possible and it is almost certain

86. K.Venkatarama Reddy prepared an exhaustive note tracing the history of British trade policy, why India needed protection and the kind of protection needed - See Notes to G.O.No.221, Development, 11th February 1922, p 6-20.



that industries will be created and developed in this country."⁸⁷

In the autumn of 1923, an Imperial Economic Conference was summoned in which India was also to be represented. The main object of the Conference was to consider whether the loss of the continental markets could not be made up in some degree by increased trade within the Empire. There were indications of a movement in certain quarters in England against allowing the floatation of Indian loans in England, unless part at least of the proceeds were earmarked for expenditure in England. Under this context the government of India addressed the local governments to elicit their views on what attitude the government of India was to take at the Conference in regard to the proposals of His Majesty's government.⁸⁸

F.Noyce, Acting Secretary to the government of Madras in his reply to the government of India, deemed it entirely undesirable that the government of India should be influenced by an Imperial sentiment which was shared only by a very small proportion of the population that they represented. If any stipulation were put forward that, when the government of India raise a loan in the United Kingdom, a portion of it should be earmarked for the purchase of

87. Ibid

88. Demi-official from D.T.Chadwick, Secretary to the Government of India, Department of Commerce, to the Acting Secretary to the Government of Madras, dated Simla, the 13th June 1923, No.3342 (confidential)

- See Notes connected with G.O.No.1406, Development, 27th September 1923.

British manufactured goods, it was submitted that a counter stipulation was to be laid that Indian raw materials should be used for the fulfilment of contracts placed by the British government. An evenmore effective stipulation would be it was felt that in cases where it was possible, the government of India contracts should be placed with firms which were prepared to establish a branch of their industry in India. "In the opinion of this government, there is very little ground for the belief which is rather widely held that there is a dislike on the part of India to the influx of capital from abroad. It is, however, certain that, if any British or foreign firm or syndicate were to propose to start manufacture on a large scale in this country, Indians would look upon such a venture with much greater favour if a portion of the share capital were offered for subscription in India and if one or two responsible Indians were placed on the Board of Directors."89

89. Demi-official from F.Noyce to D.T.Chadwick, Simla, dated 15th September 1923. Notes to G.O.No.1406, Development, 27th September, 1923

A reading of the administration reports of the department of Industries brings out clearly the limited impact that the department had on the industrialization of the Province despite organizational changes in keeping with the recommendations of the IIC as endorsed by the Government of India and accepted by the Secretary of State. The constitution of the Board of Industries, the commercial enquiries taken up by the Government as also investigations of its own into the possibility of starting new industries, the enactment of the State Aid to Industries Act, the revival of the annual Industries Conference etc. -- all this and much more really did not add up to much. Given the politics of the time, the government was not interested in a consistent and coordinated programme of development involving intense regulation of the economic life of the country, including the activities of the private sector. Being forced by circumstances to act, their method of approach was to select piecemeal certain lines of development and to concentrate on them individually without considering the economy as a whole. This attitude towards economic development and this method of approach failed to achieve any substantial improvement with large sections of the population not being touched at all. We now take up for discussion some of these attempts made by the Provincial government to boost industrial activity in the Presidency.

(a) THE MADRAS STATE AID TO INDUSTRIES ACT⁹⁰

The question of the provision of financial assistance to industries was one of the important matters which came under the purview of the Indian Industrial Commission. The Madras Board of Industries which considered in 1921 the question of financial and other forms of assistance to new industries passed a resolution to the effect that the assistance afforded by banks to new industries was not adequate and recommended that government should have power to make advances for the establishment of new industries. It was then decided to promote the Madras State Aid to Industries Bill which was passed by the Legislative Council in 1922. It was hailed by the House as a forerunner of great and successful scheme of industrialisation and there was considerable satisfaction that the principle of state encouragement to industries was at last recognised.

90. For a comprehensive account of the politics of the inception and administration of the State Aid to Industries Act, see

Tyabji, Nasir "State Aid to Industry: Madras 1921-37" in Economic and Political Weekly, July 30, 1988, PE-51 to PE-62. Other sources which we have drawn for this section include

(a) Natarajan, B. (Economic Adviser to the Government of Madras): A Report on the working of the Madras State Aid to Industries Act, 1922 - Development, G.O.No.398, 28th January 1953.

(b) Notes for the Conference of representatives of Department of Industries - Development G.O.No.1016, 28th August 1933

(c) Review of State action in respect of Industries - Memorandum submitted to the Government of India - Development G.O.Nos.360-61, 7th March 1935.

(d) Answers furnished to the questionnaire of the National Planning Committee.

- Development G.O.No.1568, 20th June 1939

The Act was amended several times in minor details. It provided for granting financial or other aid to several types of industrial enterprise, which had an important bearing on the economic development of the country. They could be (1) new or nascent industries, (2) industries newly introduced in areas where they were undeveloped, (3) cottage industries, and (4) old or established industries "provided that aid shall not be given to any old or established industry unless the Provincial government are satisfied that special reasons exist for giving such aid." The maximum value of the loans was 50 per cent of the net value of the assets of the industrial business or enterprise including any other property offered by it as collateral security. The Act provided for the constitution of a Statutory Board of Industries⁹¹ which would consist of not less than 10 and not more than 12 members including the chairman and ex-officio members. The number of government officials was restricted to a maximum of three and there was provision for cooption. The Board had one representative each from the Madras Chamber of Commerce, the Southern India Chamber of Commerce and the Madras Trades Association, and two

91. Boards of this description with different functions and powers had been previously in existence. With reference to the recommendations of the IJC, the Government sanctioned in November 1920 the appointment of an Advisory Board of Industries to advise the Director of Industries. The Board which was constituted in 1920 for a period of two years automatically ceased to exist towards the end of 1922. It was not constituted since the Advisory Committee of the Legislative Council for the departments of Industries and Fisheries had been appointed in the meantime.

representatives from the Madras Legislative Assembly, all elected in the manner prescribed under the Act.

This Act came under a volley of adverse criticisms, their general tenor being that it had not fulfilled the expectations of its sponsors. The preliminary report of the Industrial Planning Committee, government of Madras (1947), summed it up by saying:

"It cannot be said that the object of the Act, namely to accelerate the industrial development of this Province, has been fulfilled to any appreciable extent by the working of the Act during these 23 years...Methods of State Aid, other than granting of loans were rarely availed of...The annual reports on the working of the State Aid to Industries Act show that most of the cases were rejected by the Board of Industries, for one reason or other. The conditions required to be satisfied under the Act for the grant of State Aid turned away many applicants. The procedure prescribed for getting State aid involves long delays...Even the Press Communique issued in 1944 inviting applicants for state aid and promising state assistance in a large and effective measure did not evoke any response, as the provisions of the State Aid to Industries Act had still to be followed to get state aid (vide section 4 of the Act) which prohibit state aid to industries, except under the provisions of the Act."⁹²

92. Quoted in Natarajan B:A Report on the Working of the Madras State Aid to Industries Act, 1922, op.cit.

Taking the period from the passing of the Act upto the end of 1947-48 of the 307 applications received by the Board of Industries, 104 or about one-third of the total were recommended to the government for sanction of aid. Of these 104, only 62 applicants were granted aid by government. The total amount of aid for which applications were made was Rs.1,39,77,058 while that for which the Board recommended aid was Rs.46,61,586 or 33.4 per cent and that which government sanctioned was Rs.28,60,636 or 20.4 per cent of the total aid applied for.⁹³

The Board of Industries had rejected nearly two-thirds of the total number of applications received. Under the Act there was no provision for a review of the order of refusal of the Board but an order sanctioning aid could be reviewed by the government. Among the reasons advanced by the Board for rejection were the following:-

- (1) Ineligibility of certain industries to get aid under the provisions of the act.
- (2) Ignorance, inexperience or inefficiency of the applicants to undertake and manage the enterprise or business concerned.
- (3) Failure to furnish full particulars
- (4) Unsound financial conditions of the applicants
- (5) Insufficient assets and
- (6) Failure to furnish adequate security

An important fact that emerged from an analysis of the fortunes of the 400 and odd applicants was the small number of applications from experienced businessmen and entrepreneurs.

"It cannot be said that this province suffers from paucity of business talents. Promoters of new industries, who had any reasonable prospect of securing help from private financial agencies hardly thought of approaching the Board. Hesitant and reluctant generally to apply for state aid, they could not have been encouraged when applications of some enterprising firms like the Mettur Chemicals, and J.M. Jamal Bros. were turned down."⁹⁴

Reliable statistics relating to the number of enterprises established in the Province, including those belonging to the cottage and unorganized industries are and were never available. But in respect of the 29 industries which had been brought within the scope of the Industrial Statistics Act of the government of India upto September 1949, statistics relating to the number of registered factories, number employed, fixed and working capital, etc., were available. The number of factories in these 29 industries was 1244 and the amount of fixed capital invested in 11 of them was Rs.10,71,62,117 and total productive capital Rs.35,32,37,774. The total financial aid of Rs.63.47 lakhs granted under the Act forms 4.92 per cent of the fixed capital and 1.80 per cent of the total production

capital of these 11 industries consisting of rice milling, sugar distilleries and breweries, vegetable oils, soaps, tanning, glass and glass-ware, ceramics, plywood and tea chests, matches and cotton textiles. The contribution of the Act to the industrial development of the province had thus been inconspicuous.⁹⁵

The greatest drawback in the administration of the Act was the lack of provision of technical and other facilities. In this context the State of Mysore stood in contrast to Madras. There, individuals interested in particular industries could apply to the government for a detailed enquiry to be conducted regarding their prospects. The matter would be referred to the Board of Industries and Commerce which would conduct a preliminary enquiry and make its report available to the intending entrepreneurs. In the case of industries aided by the State, the government would arrange for the selection and import of machinery and plant and later help the firm with their engineers and technical personnel in their erection. Between 1912-13 and 1935-36, the Mysore government had thus helped in the installation of more than 700 factories of which 22 were sugar mills, 33 oil mills, 78 flour mills and 136 rice mills.⁹⁶

Apart from technical assistance, facilities for the supply of raw materials, assistance in marketing etc. were also conspicuously absent in the Province. But these

95. Ibid (See also Notes for the Conference of representatives of Department of Industries, op.cit, for a similar conclusion reached in 1933 itself)

96. Ibid

supplementary measures, though they could not be incorporated in the Act itself, had to be accepted and acted upon if the financial and other aids granted to industries wear to bear maximum fruition.

A REVIEW OF OTHER FORMS OF STATE ASSISTANCE (OTHER THAN STATE AID TO INDUSTRIES ACT)

From the copious and detailed notes written by L.B.Green, the Director of Industries and Commerce, Madras, it was clear that the government was seized of the necessity of accelerating as far as possible the industrial development of the province.⁹⁷ Prior to 1926 the policy of the local government in regard to industrial development included the starting of pioneer industries with a view to ascertaining the commercial possibilities of manufacturing articles not produced in the Presidency. In view of the so-called facilities afforded by the State Aid to Industries Act when it became law in 1923, the policy of government in regard to the pioneering of industries underwent some modification in 1926 and it was laid down that the experimental work of the department of industries should not ordinarily proceed beyond the stage of laboratory tests and that pioneer manufacture on a commercial scale should be

97. Among the many 'notes' that L.B.Green authored during his tenure the more important ones, in our opinion, include: (a) Industries - Appendix I in Census of India, 1931, Volume XIV, Madras Part I - Report by M.W.M.Yeats, Supdt. of Census Operations, Madras, 1932 (Reprinted 1987 by Usha Publications, New Delhi) pp 200-263.

(b) A Note on "The Economic Resources of the Province of Madras and Possibilities of their Development"

- Development G.O.No.900, 4th April 1939.

left mainly if not entirely to private enterprise. It was also considered advisable to concentrate the attention of the department on the organization and development of small industries preferably on cooperative lines, particular stress being laid on the importance of village or rural industries with special reference to their suitability as subsidiary occupations during the slack season for the agriculturists who constituted the bulk of the population. This policy was followed in subsequent years with little or no change. Unfortunately the political system of governance did not provide any mechanism to translate intentions into action with the result that the elaborate plans for action remained inactive. Further, the transfer of the government's pioneering endeavours into commercial possibilities would have involved close cooperation with intending entrepreneurs mostly in the private sector which again the system did not facilitate. Consequently, government's industrial ventures did not really stimulate large scale industrial activity in the province nor did it make a perceptible impact on the rural population who had been severely affected by the economic depression and the fall in agricultural prices, whilst the decay of local industries left them with no supplementary sources of income outside the seasonal periods of their agricultural work.

In the Administration Report of the department ending 31st March 1939, Green observed that the problems involved in a national effort to develop the economic resources of

India were so vast and complex, that the more closely they were examined it became evident that mere ad hoc measures were bound to produce unsatisfactory results. He noted that nothing short of comprehensive and centralized planning could ensure the maximization of national effort in all its aspects. While industries of national importance could no doubt have to be established in areas which possessed superior resources in raw materials and commanded the largest markets, it was very desirable that industrial development in India be spread over as wide an area of the country as possible instead of being concentrated in a few large urban areas.⁹⁸ In order that the resources of Madras be kept prominently in view in drawing up schemes for the development of industries on an All India basis, Green drew up a note on the "Economic Resources of the Province of Madras and the Possibilities of their Development" before proceeding on leave.⁹⁹

On many occasions Green referred to the fact that in considering the possibilities of development of industries one was greatly handicapped by the lack of accurate knowledge of the geological and mineral resources of the province. He therefore stressed the advisability of attaching a mining geologist to the department of industries

98. Administration Report of the Department of Industries and Commerce, Madras for the year ended 31st March 1939.

- Development G.O.No.2474, 9th October 1939.

99. L.B.Green :A Note on "The Economic Resources of the Provinces of Madras ... op.cit

and the need for conducting an intensive and extensive geological survey of the Province.

While it was realized that the establishment of large-scale industries had to be encouraged not only for the direct employment which they provided but also because they rendered possible and greatly facilitated the development of new, medium and/or small scale industries it was generally recognised that no scheme for the economic reconstruction of a vast agricultural country like India could be complete without adequate provision for the introduction and development of rural industries. In the Madras Province, 86.44 per cent of the population lived in villages. Only a small percentage of the population found employment in factories. The number of operatives employed in factories represented only 0.39 per cent of the total population while the number of those employed in factories other than textiles could not be regarded as altogether satisfactory. It had therefore become very necessary to attempt to develop rural industries.¹⁰⁰

The point to be stressed here is the fact that officials like L.B.Green, V.Ramakrishna¹⁰¹ etc., have written detailed notes, submitted precise memorandums to official bodies like the Tariff Board listing out the problems that hindered the rapid industrial development of the Province in general and of the cottage/small industries

100. Ibid

101. L.B.Green handed over charge to V.Ramakrishna at the end of December 1938.

- G.O.No.2474, 9th October 1939.

in particular with concrete suggestions to make the rural economy more vibrant. In 1927 the government had appointed a special officer to make a detailed survey of the cottage industries in the Presidency to devise means for the revival and extension of rural industries on an economic footing and for the organization of subsidiary occupations for agriculturists. The special officer submitted a report for each district and also a consolidated account for the Presidency as a whole. The reports were duly published for general information. The government constituted a Committee of non-officials, with the Director of Industries as Chairman to examine the special officer's report and to submit proposals for the effective encouragement of cottage industries. The committee formulated its recommendations in respect of 15 major industries. While these proposals were under examination the financial position of the Provinces became unfavourable and the government passed orders on such of the recommendations of the committee as did not involve additional expenditure but deferred consideration of the other recommendations. The development of the following industries was assisted in one form or other: Button-making, Bee-keeping, Basket making, Cane and Mat making, Coir, Chalk, Embroidery, Handmade paper making, Slate and Toy industries. But it could not be claimed that there had been any considerable revival of cottage industries. Since the report of the special officer for the survey of cottage industries in the Presidency was published in 1929, little

further data in regard to the existing cottage industries other than textiles had become available as there was no district staff to collect such information. The only remedy the government could think of in such a situation was to constitute again a committee of the provincial economic council "to examine the whole question of cottage and small scale industries and the steps that could suitably be taken to revive and develop them."¹⁰²

Among the difficulties which had tended in the past to restrict the development on a large scale of industries in Madras, were the high price and scarcity of fuel owing to the fact that nowhere south of the Hyderabad state had coal been found to exist in workable deposits. However the possibility of establishing several important industries not thought of years ago had been opened up by the advent of electric power over a wide area of the Province. The weakness of India's economy were clearly revealed during the depression when her dependence upon exports of agricultural produce brought about a very difficult position, the sharp fall in commodity values upsetting her balance of trade. It was also realized that the industrial position of a country

102. For more details of a descriptive nature see

(a) Village Uplift and Village Industries - Measures taken by this Government - Resume furnished to the Government of India

- Development G.O.No.1402, 11th October 1935.

(b) Cottage Industries - Scheme for a Board of Rural Development and Cottage Industries Institute

- Development G.O.No.307, 27th February 1935

(c) Cottage and Small-scale industries - Development and Resuscitation

- Development G.O.No.2604, 24th October 1939.

whose industries depended to any considerable extent for their supplies of materials upon foreign sources which were liable to be interrupted in the event of international complications arising must be precariously placed. Thus it was felt that the first step was to draw up a definite programme or plan for the development of industries on an all-India basis after conducting enquiries as to what industries of economic importance offer scope for development in the various provinces. According to Green the initiative in this matter had been taken by the Minister for Industries and Labour in Madras whose efforts had resulted in the setting up of a National Planning Committee.¹⁰³

"The necessity of drawing up an orderly plan of economic development for India had become so generally recognised that even if the National Planning Committee had not been set up it would have been a question of choosing not between planning and *laissez faire*, but between having in India a number of isolated, sectional and even conflicting plans, each laid down by some government group or interest, and an attempt to plan comprehensively the general policy which, industries, as a whole is to pursue. Fortunately, this possibility has been avoided and it is now realised that the character of modern technical development in industry is such as to force upon us in India a publicly planned economy as a means of preventing the growth of

103. Green, L.B. :A Note on "The Economic Resources of the Province of Madras ..." op.cit

unemployment, and that the extension of government interference into the economic field is bound to remain a permanent feature of the new order."¹⁰⁴

Efforts were made by the provincial government and through resolutions passed by the different Chambers of Commerce to get the automobile industry established in the province¹⁰⁵ and also to have a definite share in the proposed aircraft factory at Mysore.¹⁰⁶ Green in his letter to the Secretary to government pointed out that if Madras did not take active steps in the direction of establishing some basic industries, there was ground for apprehension that we should in a few years be importing from other parts of India considerable quantities of industrial products which might be manufactured in this Province.¹⁰⁷ It was also pointed out that if important industries were to be attracted to the Madras Province it would be necessary in the interests of promotion of industrial development to adopt in suitable cases a similar liberal policy to that followed by certain Indian states, in the absence of which, the drift of industries to other states would become more pronounced in the future consequent upon the increase of taxation and the introduction of an excess profits duty in

104. Ibid

105. For details see the correspondence between the Madras Government and the Government of India.

- Development G.O.No.2662, 25th October 1938

106. Details in Development G.O.No.1316, 22nd July 1941 (confidential)

107. Letter from L.B.Green to Karunakara Menon, Secretary to Government, dated 1st May 1941

- Development G.O.No.1316, 22nd July 1941

British India. As compared with Bombay and Bengal, Madras was extremely lacking in industrial enterprise and a change in the outlook of the moneyed classes of the Province was also needed: "some of the people who speak the most about the need for industrial development are the most reluctant to invest money in industrial enterprises."¹⁰⁸

In August 1944 the Madras government felt the need to lay down its policy towards industries and a press communique was issued about it. Industries were divided into four classes:-

(a) Those wholly financed, controlled and managed by government;

(b) those in which the government would take a majority of the shares but would allow private management where necessary;

(c) important industries in which government would take a fraction of the shares and would also have representation on the Directorate; and

(d) private enterprises in which government would give the necessary help, advice, as well as technical and other assistance.¹⁰⁹

Schemes for industries in classes (a) and (b) were to be prepared by government themselves with the help of technical experts. Schemes for industries in classes (c) and (d) were to be prepared primarily by private industrialists but government would make skeleton schemes

108. Ibid

109. Development G.O.No.1033, 13th March 1945

available for industries in this class. The Industries Sub-Committee of the Post-War Reconstruction Committee had endorsed this classification.¹¹⁰ As to the particular industry to be brought under each head, it had been decided to examine each case on merits as and when it came up instead of following a rigid alignment. At the same time the general principle had been accepted that basic and vital industries would be brought under classes (a) and (b)

In 1945 the government of India issued a Statement on Industrial Policy on the ground that a stage had been reached when they considered it would be in the public interest to make an announcement of the conclusions reached by them on various aspects of policy.¹¹¹ The Government of India Act of 1919 had made industries a provincial subject. Thereafter the government lost direct interest in industrial development and the Provinces had neither the financial nor technical resources to stimulate development on any significant scale. Under the Government of India Act, 1935, the development of industries was still a provincial subject but it was open to the centre to declare by law that the development of certain industries under central control was expedient in the public interest and thereupon, the development of such industries would become a central

110. Recorded in the letter from the Development Department, Madras to the Secretary to the Government of India, Department of Planning and Development, dated 2nd June 1945.

- Development G.O.No.2785, 17th July 1945.

111. Post-War Development - Government of India's Statement on Industrial Policy

- Development G.O.No.2785, 17th July 1945.

subject. However, no such Act had in fact been passed by the Central Legislature with the result that the development of industries remained a wholly provincial subject. In 1945 the government of India felt that the continuance of their existing policy would not help India meet the objectives of post-war development. In other countries technological advances had been immense with a striking increase in the total volume of skilled labour. If India was to make rapid headway and if the standard of living of the masses had to be effectively raised a vigorous and sustained effort was necessary in which the State no less than private industry had to take a part.¹¹²

The primary point in industrial policy was the extent to which the state would take part in industrial enterprises. In India, ordnance factories, public utilities and railways together formed a considerable proportion of the total industrial enterprise which was already very largely state-owned and state operated. This arrangement was to continue. Further it was decided that the bulk generation of electric power would, as far as possible, be a state concern. Apart from these, basic industries of national importance would be nationalized provided adequate private capital was not forthcoming and it was regarded as essential in the national interest to promote such industries. For the purpose of government policy basic industries could be defined as including

112. Ibid

aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, electro chemical and non-ferrous metal industries. All other industries would be left to private enterprise under varying degrees of control. There was to be no control except such as was required to ensure fair conditions for labour in the case of such industries as those catering for ordinary consumers' demands and subject to free competition; in the case of industries of a semi-monopolistic nature or those that controlled scarce natural resources there could be a stricter control varying with the circumstances of each one. The views expressed regarding the scope of nationalization was to be discussed with provinces and also with the more important Indian States and a further statement issued as to whether the scope was to be enlarged at all, and if so, to what extent.¹¹³

The government of India had also come to the conclusion that they must take power to licence industrial undertakings. They had then no power except for emergency war-time controls, to regulate the growth of industry. One effect of this unregulated freedom to promote industrial enterprise had been the concentration of industry in certain areas; further, there was a tendency for entrepreneurs to go in for schemes which promised quick returns leading to lopsided development, a scramble for some industries with the danger of over production and excessive competition and

113. Ibid

inadequate attention to other industries which were equally necessary in the national interest. To overcome this difficulty the government felt it necessary to fix targets, to allocate them on a regional basis and to see that these targets were achieved. As government had no authority then to do all this, it was proposed to take power to licence the starting of new factories, the expansion of existing factories, for, without this power, planned industrial development would be quite impossible. At the same time in order to avoid unnecessary delays it was proposed to set a monetary limit to the plants or projects requiring licence so that very small plants, moderate extension of existing plants or replacements which do not add to output would not be subject to licensing. It was realized that the administration of the licensing system must be such as to assure Indian states that their legitimate desire for industrial development was not overlooked. It was accordingly proposed that a Board should be constituted at a high level to advise the Central Government in the matter of granting licences for specified industries.¹¹⁴

Reacting to the Government of India's Statement on Industrial Policy, the Madras government felt that India was moving towards a Central government exercising unified control over matters of wide and vital concern to Provinces which was an anomaly considering the federal structure of

114. Ibid

the existing Constitution.¹¹⁵ Emphasising that industry could not be built piecemeal - "what is done now in, say five years, will make it difficult to follow a different course later" - the Madras government made it clear that the function of the centre in relation to autonomous provinces was more properly coordination than direction in respect of subjects which had been accepted as falling within provincial competence. The Madras government therefore preferred the formation of an all-India Board of Industry in which the Central and Provincial governments were represented at a high level, and the decisions reached by the Board were felt by the provinces to be decisions in the framing of which they had their share. The mechanism of such a Board of Industries would fit both into the present Constitution and a future federal Constitution. The government of Madras hoped that this organization commended itself to the government of India. If however, the Central Government did not agree then the Madras government laid down that in all the industries which affected the province and to the extent that they affected, the control and financial interest of the province would be on a par with that of the central government. The provincial government felt that there was practical agreement between the policy of the government of Madras (as stated in the latter's

115. Letter from the Development Department, Madras to the Secretary to the Government of India, Department of Planning and Development, dated 2nd June 1945.

- Development G.O.No.2785, 17th July 1945.

announcement of an industrial policy in August 1944) and the views expressed by the government of India.¹¹⁶

However, while the government of Madras welcomed the re-iteration that central control would give industrially backward provinces a preference over others through the machinery of licensing, no serious attempt was being made to determine in what form and how the broad objectives of regionalization could best be achieved in practice. The views of the Madras government on the issue of regionalization are worth quoting in some detail.¹¹⁷

"While this government are fully aware that the shutting out of outside capital is inexpedient and harmful to industrial development, they feel that there can be no objection to preference being given to local capital whenever it is forthcoming. To achieve this object this government consider that suitable safeguards should be provided for in the legislation contemplated by the Government of India and ample powers given to the provincial government to enforce these safeguards.

In regard to the promotion of new industries in this Province this government consider that they would be fully justified, while issuing licences to company promoters in stipulating that they should in the allocation of shares, give preference to subscribers of capital in the province. Such stipulation will not be unfair to the companies for it

116. Ibid

117. Letter from the Development Department, Madras, to the Secretary to the Government of India, dated 12th July 1945
- Development G.O.No.2785, 17th July 1945.

leaves the door open to them to allocate shares upto any amount which they have not been able to raise locally to persons outside the province. It is not the intention that any restriction should be placed on the freedom of the public to buy and sell shares after they have been allotted, but the following further conditions may be stipulated:-

(a) The managing agency should not, except with the consent of the provincial government be given to persons who are not natives of or domiciled in this province;

(b) the majority of the Directors should be persons domiciled in this province;

(c) preference should be given other things being equal to persons whose domicile is in this province in making appointments, and

(d) they should take and train apprentices sponsored by government.

If the points specified above are made the conditions of a licence, their enforcement will not be difficult. Any contravention of the conditions will render the licence liable to cancellation. Since the industrial concern cannot function without a licence a risk of its cancellation will operate powerfully to secure compliance with its conditions. Moreover, each of the industrial concerns will be dependent on the provincial government for various facilities and concessions, and a risk of withdrawal of these concessions will also operate to secure compliance with the conditions of the licence. To enforce the conditions stipulated above,

it is essential that the power of issuing licences should be given to the province concerned. Unless the licensing powers are vested in the Provinces, it will be difficult to impose on licences terms which are best adapted to the peculiar conditions prevailing in each province...when the central government undertake legislation for the licensing of industries they should make provision in the Act vesting licensing powers in the provincial governments."¹¹⁸

We do not have the reactions of the public to the Government's Statement on Industrial Policy but an extract from the journal, Eastern Economist (which the provincial government had deemed important enough to be filed) could be taken as some sort of representative opinion of the private sector.¹¹⁹ Commenting on the objectives of industrial development as spelt out by the Government's press communique, the journal said: "The country has heard all this before and if it is not impressed by these new declarations and affirmations, it is because this government when it had the chance of a generation had miserably and wantonly failed to avail itself of it. If a gigantic and totalitarian war requiring every ounce of resource for the purpose, defence and attack has failed to carry India forwards, what is the hope that anything tangible will be achieved so long as the same regime

118. Ibid

119. Extract from the Eastern Economist, Volume IV, No.17, dated 27th April 1945. Recorded in Development G.O.No.2785, 17th July 1945.

continues to be in the saddle?"¹²⁰ On controls, the article argued that controls were essential but should be the very minimum required and that they should be informed by adequate knowledge and administered by men with an average degree of honesty. "It is no condemnation of the government's enunciation of the principle of control to say that the public have no confidence in the present machinery of control which has been singularly incompetent and restrictive of development. The objectives of control have been set down in too vague and general terms; one would like to know the methods which would be adopted to secure balanced investment in industry, agriculture and the social services. Apparently they have not been worked out."¹²¹

In 1949 the government was still talking of the procedure to be adopted for government assistance to intending industrialists. There had been no response to the communique issued by the provincial government in August 1944. Subsequently the Provincial Post War Reconstruction Committee on Industries was abolished and a new Industries Committee with sub-committees to deal with specific groups of industries was constituted as a subsidiary body formed out of the post war reconstruction general committee. The sub-committees and the general committee itself had examined the possibilities of starting various industries in the

120. Ibid

121. Ibid

province.¹²² But as always, action and operationalization of the recommendations eluded the political system.

122. See 'Note' - Development department recorded in Development G.O.No.5631, 24th November 1949.

SECTION IV

In this section we attempt to put together some data culled from the census and other reports to get an idea of the percentage of population supported by the industrial sector on the understanding that the industrial policies pursued by any government and specially one aimed at promoting the industrialisation of the economy should get reflected to some extent in such statistics. Our attempt is also to highlight the fact that ever since the beginning of the century the non-availability of rigorous and authentic data on the state of the economy hampered planning, which fact was recognised, recorded and solutions were laid down but never operationalized.

In 1902 a note on the material condition of the Madras Presidency based on the 1901 census,¹²³ noted that with regard to the occupations of the people no full and useful comparison could be made between the results of the last two censuses partly on account of changes in grouping and classifying the occupations - a refrain that was repeated after every decennial census and which made any sort of intelligible comparison between censuses almost impossible. The 1901 classification under occupations showed 71 per cent of the people dependent for their subsistence on agriculture, 17 per cent on industries including petty trading, 3.3 per cent engaged in government service or the learned professions, 2.9 per cent in personal service, 2.2

123. Revenue G.C.Nos.711-12, 11th August 1902.

per cent in commerce or trade and the remainder unskilled non-agricultural labourers or of indefinite occupations.

Not only was the proportion of industrials exceedingly small but the bulk of the industries were petty; nearly half of the so-called industrials were wholly concerned in the petty trades and businesses supplying the small wants of the villages, such as the toddy-drawers, rice pounders, leaf plate stitchers and others engaged in small occupations connected with the supply of food and drink. In these industries the wages, skill, status and intellectual standard of the workers were at a low point, much of the labour ranked little above unskilled labour, and there was no scope for advance beyond ancestral methods. In factories the output was much larger than 10 years ago and the quality showed some improvement, but all factories and mills were not on the same level of enterprise of technical and business knowledge and or organization. It may be noted that in 1901 there were in Madras, inclusive of enterprises worked by Europeans, only 335 Joint Stock companies of all sorts including 242 banks - mostly nidhis or co-operative thrift and loan associations - 39 trading companies, 32 mills and presses, 4 mining associations, 6 sugar factories and 3 other enterprises. The increase in the number of joint stock companies between 1891 and 1901 had been chiefly among nidhis - from 215 with a paid-up capital of Rs.172 lakhs to 335 with a paid up capital of Rs.253 lakhs.¹²⁴

124. Ibid

It was this smallness of the industrial base that prompted Chatterton to record in a note drawn up for the Committee set up to consider the subject of industrial education that it was useless to provide for technical and industrial education unless, at the same time efforts were made in some way or the other to improve the status of existing industries and provide for the introduction of new ones.¹²⁵ Another aspect revealed by the census data was that hardly 11 per cent of the population lived in towns. Consequently it was pointed out that it would be almost impracticable to get to the industrial classes of the population by mere establishment of industrial schools without taking this aspect into consideration. Under these circumstances, Chatterton pointed out the necessity of taking up, one by one, the important industries of the Presidency and making a detailed survey of them in order to discover whether it was possible to effect improvements, and if so, to point out the lines on which they could be made and to assist private enterprise with expert advice.¹²⁶

Contributing a note on "industrial occupations" for the Madras Presidency for the 1911 Census, Chatterton observed that the Presidency was almost wholly devoted to agriculture, and, with the exception of a few cotton and jute mills, two or three sugar factories, and a cement

125. Letter from Chatterton to the Director of Public Instruction, dated 13th November 1903.

- Educational G.O.No.313, 12th May 1905.

126. See notes connected with G.O.Nos.313, 314, Educational, dated 12th May 1905.

works, it possessed no primary industries organized on modern lines, unless such preliminary industrial processes as cotton-ginning, rice-hulling and oil-milling were included. There was no import of raw materials from abroad, except for what may be called secondary industries, and much of this, as well as what was retained in the country of the local produce was worked up by methods which had as yet been but slightly influenced by the industrial revolution which had occurred in more advanced countries. Chatterton attributed the prevailing unsatisfactory state of affairs to two reasons: (a) the complete dissociation of the intellectual classes in the country from its industries, and (b) the absence of mineral wealth.¹²⁷

The census returns, supplemented by the vast amounts of statistical information which was collected by the various departments of Government which dealt with agriculture, industries and commerce while throwing a good deal of light upon the economic conditions of the people also revealed in unmistakable terms the poverty of the country measured by a European standard. The returns emphasized the fact that the Presidency was essentially an agricultural country, with only 5 per cent of its population actually engaged in industrial work. There had been no large industrial development of any kind which would give occupation to a large number of people, whilst there had been a by no means

127. Census of India, 1911 Volume XII, Madras, Part II - Industrial Occupations (Alfred Chatterton), Superintendent of Census Operations, Madras, 1912.

insignificant development in the use of machinery, which had thrown out of employment much industrial labour of a low type. For instance, hand-spinning was practically extinct, rice pounding was beginning to disappear, and in a number of other occupations small factories employing machinery was displacing hand labour.¹²⁸

During the ten years under review it could be fairly said that the people of Madras had come alive to the necessity for the creation of some measure of industrial life. The conditions in Madras were probably less favourable than in any other part of India for the creation of an industrial system on modern lines. Not only were natural resources limited to agricultural products, but there was no concentration either of industry or population in local centres which would create favourable conditions for the disposal of local manufactures. For nearly every class of goods the market was widely diffused, and extremely vulnerable to imports owing to the extensive sea coasts with numerous ports of entry. Much of the progress between 1901 and 1911 Chatterton claimed, was due to the Government's efforts to give suitable assistance to private enterprise. The Government accepted the policy that industries must exist before technical education could be of any use, and that the Education Department could only provide for existing wants and could not create new openings. The work done under government supervision had resulted in the

128. Ibid

successful establishment of the aluminium industry, of the chrome leather industry, of irrigation by pumping, of the rural industrial factory, and in the substitution of the fly-shuttle loom for the indigenous hand-loom over large areas.¹²⁹

An examination of the provincial census returns for 1921 revealed that, while the population as a whole had only increased by 2.2 per cent, the increase in the population supported by pasture and agriculture was 4 per cent from 29,586,737 to 30,781,678. At the same time it was difficult, as Cotton noted, to suggest any adequate explanation, if the figures were reliable, for the extent of the fall under the general head "Industries" from 5,591,058 to 4,812,771, equivalent to nearly 14 per cent, though the high price of foodgrains in parts of the country when the census was taken and general trade depression could have led to a temporary abandonment of many cottage industries in favour of agriculture or emigration.¹³⁰

On the 31st March 1921 there were 511 factories subject to control under the Indian Factories Act though 14 were out of commission throughout the year. Of these 323 were perennial and 179 seasonal. 155 of the seasonal factories were connected with the cotton industry. The average daily attendance of the operatives was 101,655, 7177 being

129. Ibid

130. Census of India, 1921, Volume XIII - Madras. Part II - Industrial Occupations, contributed by C.W.E. Cotton, Superintendent of Census Operations, Madras 1922.

employed in Government and Local Fund concerns and the remainder in privately owned factories. In the case of establishments employing 20 or more persons, it was possible to institute comparisons between the figures for 1911 and 1921. The total number of such establishments rose from 867 to 1384, the increase being most marked in the case of textile and connected industries from 109 to 302 and food industries from 149 to 325. The total number of persons employed was 131,644 in 1911 and 166,465 in 1921, the proportionate increase being lower than in the number of establishments, which supported the contention that the majority of new establishments were on the small side. The number of skilled workman rose from 41141 to 43412 only, while the additions in the number of women and children employed were not proportionate to the general increase.¹³¹

The census figure for 1931 did not record any dramatic changes when compared with those of 1921. Again definitional problems do not allow for any accuracy in comparison. But, taking, earners and working dependents to be equivalent to the 'actual workers' of 1921, the number of employed went up by nearly 6 millions. Much or most of this, however, was accounted for by the swollen figures of domestic service - probably over 5 millions. Making allowance for this, the 1931 total became little above that of 1921, and workers would thus appear to have increased

131. Ibid

much less than the 10 per cent by which the total population grew. Agriculture continued to dominate the occupation list accounting for about 70 per cent of those employed. In 'industry' the numbers employed increased by 3 per cent, the chief contributor being textiles which had 70,000 more associated persons representing a 13 per cent increase.¹³²

By the close of 1930, the number of factories had increased three fold (from 511 in 1921) to 1661 and these were made up of 1223 permanent and 438 seasonal factories. The number actually in commission was 1527 the remaining 134 having been closed for various reasons. 166 of the perennial and 319 of the seasonal, that is about 30 per cent of the total number were connected with the cotton industry while industries of food, drink and tobacco accounted for 769 factories. The average number of operatives employed daily (that is, in the 1527 factories) increased within the ten year period to over 142,000, that is, by about 40 per cent.¹³³ However as already pointed out earlier, the number of operatives employed in factories represented only 0.39 per cent of the total population while the rate of increase in the number of employees in factories other than textile

132. Census of India, 1931, Volume XIV - Madras, Part I - Report. Chapter VIII - Occupation, Superintendent of Census Operations, Madras. (First edition 1932) (Reprinted 1987, Usha Publications, New Delhi)

133. Appendix I - Industries, Contributed by L.B.Green in Census of India, 1931. Volume XIV - Madras Part I - Report, op.cit

could, by no stretch of imagination, be regarded as satisfactory.¹³⁴

An observation that was repeatedly made right from the early decades of the century was the need to capture more authentically the economic status of the province. Chatterton recorded this absence of accurate and complete information in his review of occupations in the Madras Presidency for the 1911 census

"The unrest and discontent with the existing regime, which has marked the opening years of the twentieth century in India is largely due to economic causes and to ignorance of real facts. On the one side too much attention is probably concentrated on the rapid expansion of the foreign trade of the country, whilst on the other, too narrow a view is taken of the land revenue administration and the effects of periodic revision of the land settlements. A wide and more detailed knowledge of the economic condition of the country on the part of the educated public is called for, and it seems possible that it would be advantageous to introduce legislation to enable this result to be obtained with greater accuracy than is at present possible."¹³⁵

Chatterton drew attention to an English Act passed by Parliament in 1906 for taking a census of production. This

134. L.B.Green, A Note on the Economic Resources of the Madras Presidency ... op.cit

135. Census of India, 1911. Volume XII, Madras, Part II - Industrial Occupations, op.cit

Act empowered the Board of Trade in England to call for returns from every factory or workshop under the Factory and Workshop Act of 1901; from every mine or quarry, from every builder, from every person who by way of trade or business executed works of construction, alteration or repair, from every person who by way of trade or business gave out work to be done elsewhere than on his own premises, and from every person carrying on any other trade or business which may be prescribed. It provided that the returns so received would be treated as confidential, and that the data derived from them would be published in such a way as not to disclose information which would be detrimental to the individuals or companies furnishing the same. Finally it authorized the imposition of penalties for infraction of the clauses enumerated. It was generally felt that the enforcement of such an Act in India would be impracticable when the scale of production was extremely small. Nevertheless the opinion was expressed that it would be useful to take power to carry out at convenient intervals a census of such items of production, chiefly in the way of tools and plant, which would furnish reliable data on which to base generalizations regarding economic questions.¹³⁶

Both the Economic Enquiry committee of 1925 and the Royal Commission on Agriculture in India emphasized sufficiently forcibly the need for the constitution of a separate statistical organization to deal with questions of

136. Ibid

economic interest. The Madras Economic Depression Enquiry Committee remarked that the absence of a central depository for statistics in the Presidency had been keenly felt in the course of preparing material for the Committee; and they recommended that there should be a permanent Economic Committee with a bureau of statistics in charge of a responsible officer. The Madras government decided that there should be one officer for the collection of all statistics and that the statistical officer would work under the Board of Revenue, the statistics hitherto compiled in the departments of Agriculture and Industries being transferred to the officer. The concentration of statistics in one bureau, if adopted by all provinces, would, it was suggested, facilitate the interchange of statistical information.¹³⁷

Apart from the question of how best to organize the compilation of statistics, the absence of certain statistics, particularly those relating to the inland trade of India, was keenly felt. Formerly statistics of inland trade - rail and river borne - were compiled, but these unfortunately were discontinued in 1922. In almost all the major investigations instituted by the Madras department of Industries thereafter, specially those in connection with the several enquiries conducted by the Indian Tariff Board, the need for such statistics had become manifest. In the

137. See Note on "Coordination and Development of statistics bearing on Industries" in the Notes for Industrial Conference, recorded in Development G.O.No.1016, 28th August 1933.

case of the handloom weaving industry it was possible upto 1922 to ascertain approximately the quantity of yarn consumed by the handloom weavers in the Madras Presidency, but since the discontinuance of the inland trade statistics, this was no longer possible except by arbitrary deductions from the figures of consumption of yarn in India as a whole. The Madras Department of Industries therefore requested the government of India to resume the registration and publication of the inland trade statistics with a view primarily to ascertain the movements of commercial and industrial products and raw materials for industries.¹³⁸

A new publication issued from the beginning of 1932-33 by the department of Commercial Intelligence and Statistics was entitled "monthly statistics of the production of certain selected industries of India" and included jute manufactures, paper, iron, and steel manufactures sulphuric acid, sulphate of ammonia, petrol, kerosene oil, cement, sugar, matches and wheat flour. The majority of the concerns engaged in the above industries had agreed to supply the information on a purely voluntary basis. The Madras government expressed the opinion that legislation could be used to increase the coverage to include all the industries coming under the operations of the Factories Act and also enforce the supply of the necessary figures from the mills and factories.¹³⁹

138. Ibid

139. Ibid

In 1938 in a note again emphasising the need for undertaking of industrial survey of the country both in respect of raw materials and manufactured goods, Green wrote: "In regard to manufactured goods a stage has been reached in the industrial development of India when the need for a census of industrial production in the different provinces and preferably the states also has become manifest." In their report on a scheme for an economic census of India, the statistical experts, Dr. A.L. Bowley and Mr. D.H. Robertson had stated that they had discussed the proposal for a census of production with Chambers of Commerce and with individuals in Calcutta, Bombay and elsewhere, and that the general consensus of opinion was in favour of a census that was general and compulsory and so long as identification of individual firms was rendered impossible in the report on it. It was felt that the cost of census for the whole of India could not be considered as prohibitive considering the great gain in statistical knowledge that would result from such an undertaking.

Green also laid down in his note that the census of production should be imposed as in Great Britain, by an Act of the Central Legislature which made communication of the facts demanded compulsory. The actual conduct of the census would be entrusted to the Director General of Commercial Intelligence and Statistics. The questionnaire could be

140. Letter from L.B. Green to the Secretary to the Government of Madras, dated 26th October 1938.

- Development G.O.No.292, 3rd February 1939

141. Ibid

prepared by the Director General in consultation with Directors of Industries and trade representatives and could in general be on the model of that in use in Great Britain with necessary modifications to suit conditions in this country.¹⁴⁸

There was no doubt much to be said in favour of strengthening the economic and statistical organization of government as on its expert advice must, or should, depend the framing and shaping of policies. But in this, as in many other spheres, the Government of India had yet to give effect to the many concrete recommendations made.

SECTION V

To recapitulate the burden of our argument so far:

- (a) the policy of "discriminating intervention"¹⁴³ that the colonial government pursued in India, left, especially, the Indian hand industries in a decadent condition without stimulating other forms of economic activity to meet the onslaught of Western competition based on superior technology and raw materials;
- (b) the meagre but serious attempt made by the Madras government (largely due to the enthusiastic guidance and drive of Alfred Chatterton) was aborted prematurely by Lord Morley's despatch disallowing active state participation in industrial activity;
- (c) the widespread condemnation of Lord Morley's action and the gathering storm of the Swadeshi movement forced the government to act; the latter responded by setting up the IIC;
- (d) the provincialization of industrial development coupled with inadequate financial powers and insufficient drive on the part of officials who were content to hope that private enterprise would come forward to commercialize

143. Following Sabayasachi Bhattacharya ["Laissez-Faire in India" in The Indian Economic and Social History Review, Volume II, No.1, January 1965] we use this term to denote the fact that the kind of interventions made by the colonial government in the Indian economy did serve some interests but not necessarily the interests of the Indians.

the few successful experiments that the department had conducted in some fields did not lead to any resurgence or reawakening of large scale industrial activity in the Presidency;

- (e) statistics of production and employment while showing some improvement decennially did not reveal any dramatic change in occupational classification; on the contrary definitional problems, notwithstanding, then (as of now) the elaborate machinery of government failed to capture in any form the various aspects of the state of the economy

Even granting the difference in perception between the central and provincial governments over the policy to be pursued, the fact remained that the very logic of colonialism negated whatever good intentions the provincial government may have had and the overall direction of policy was one dominated by Imperial self-interest.¹⁴⁴ Given this scenario of an economy functioning within a colonial context, we would like to record a few observations arising from our analysis of the functioning of the department of Industries in Madras and the industrial policy pursued by the Madras government;

- (1) In the first place, right from the time Chatterton functioned as Director of Industries and Technical

144. See in the context Tyabji, Nasir "Government and the Chemical Industries in Colonial Madras" Madras Institute of Development Studies, 1991 (mimeo)

Inquiries, it was expressly stated, that, for industrial enterprise in the Madras Presidency to be kindled, the state would not only have to depart from its policy of non-intervention but intervene in a big way. The failure of entrepreneurship in the South of India (as compared to its counterpart in the West and East of India) has been widely documented by officials of the Madras government. While this could be true to a large extent (relatively speaking), it has to be located in the tremendous control exercised by English private capital over sources of finance, export trade and most of wholesale trade; this coupled with their capacity to influence the ultimate authorities in Britain, restricted the impact of any seemingly 'radical' policy that the provincial colonial government may have adopted to appease nationalist sentiments.¹⁴⁵ The post-war years saw the acceptance of the policy of state intervention and the enunciation of policies on several fronts but this somewhat favourable climate created for industrial growth did not qualitatively change the entrepreneurial scenario in the state. If the state failed to produce another Chatterton, the indigenous private sector did not noticeably assert itself with the result that there was no structural transformation either of the economy or at least of the industrial sector. The private sector then (as of now) in

145. For a similar observation see Ranajit Das Gupta "Industrial Change in Colonial Bengal" in Achir Chakravarthi (Ed): Aspects of Socio-Economic Changes and Political Awakening in Bengal, State Archives of West Bengal, Government of West Bengal, Calcutta, 1989.

the province always maintained a low profile compared to its counterpart in other parts of the country and the phenomenon remains an unsolved puzzle even now.

(2) The question of regionalism in general and regional economic growth in particular which featured time and again, in the discussion of specially those policies where the Central government had a large say, was never adequately addressed. The recognition of the lack of sufficient enterprise in the south of India was one manifestation of this regional perspective which made the provincial government justify its departure from the accepted policy of laissez-faire. When subsequently, industry was made a provincial subject, state participation was circumscribed by debarring government from going beyond certain pioneering activities and more important by inadequate financial resources. The devolution of finance between the centre and the provinces was another issue that acquired an important regional perspective. Subsequently in 1945, when the government of India announced a Statement of Industrial Policy giving industrialisation the semblance of a national effort, the operationalization of the policy and the role of the provinces did not figure as part of the statement. Hence the question of how the growth of industry would be regulated to achieve at the same time a "diversified and widely spread industrial structure integrated with

agriculture"¹⁴⁶ was never really worked out which exercise would necessarily have brought out very sharply the regional issues involved.

(3) The recognition of the need for comprehensive and coordinated planning is by itself not a revolutionary principle. But the questions that the government failed to address then was the end towards which planning would have to be directed, the means towards this end and the adequacy of the machinery of administration for discharging these functions. (It cannot be said that these are being/have been dealt with satisfactorily now). The colonial government obviously was not interested in fundamental reorganization of the economic system, involving changes in the laws of inheritance and property and was content to suggest that the first duty of a planning organization would be to:

(a) collect all the relevant information and statistics, to arrange and publish them in suitable form, to prepare indices of the main currents of economic life and to interpret and coordinate changes in them so as to give a correct picture of the general trend of economic activity of the country and

(b) conduct research into obscure problems of economic causation and to carry out special enquiries that may

146. "Post-War Development: Government of India's Statement on Industrial Policy", in Development G.O.No.2785, 17th July 1945.

(c) coordinate the government's economic activity into a unified whole and to establish continuity of policy.¹⁴⁷

The above observations relating to the low key entrepreneurial activity in the province, the fear of regional discrimination that always persisted and the half-hearted and inadequate level of planning that characterized subsequent attempts made by the government of India when forced by the nationalist movement, are in some sense, the legacies inherited from the colonial regime. To a large extent these have been carried over into the post-Independent period, the contradictions inherent in them becoming even sharper, albeit in a qualitatively different political structure.

147. See Appendix III of the 'Note for the Provincial Council' recorded in Development G.O.No.2419, 30th October 1937.