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Trade in the Madras Presidency, 1941-1947
A Doctoral Dissertation

R. Jayasurya, Ph.D.

TRADE IN THE MADRAS PRESIDENCY 1941 – 1947

THESIS

Submitted in partial fulfillment for the Award of Degree of Doctor of Philosophy
of the Bharathiar University, Coimbatore.

By

R. JAYASURYA, M.A., M.Phil.,

Under the Guidance of
Dr. K. KAMAL MUSTAFA, M.A., Ph.D.,



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**DEPARTMENT OF HISTORY
GOVERNMENT ARTS COLLEGE (AUTONOMOUS)
COIMBATORE – 641 018**

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Trade in the Madras Presidency

R. Jayasurya, Ph.D.

DECLARATION

I **Mrs. R. Jayasurya** hereby declare that the thesis, entitled “**TRADE IN THE MADRAS PRESIDENCY FROM 1914-1947 AD**”, submitted to the Bharathiar University, in partial fulfillment of the requirements for the award of the **Degree of Doctor of Philosophy in History** is a record of original and independent research work done by me during August 1996 – July 2004 under the Supervision and guidance of **Dr. K. Kamal Mustafa, M.A., Ph.D., Professor and Head (Retired)**, Department of History, Government Arts College (Autonomous), Coimbatore and it has not formed the basis for the award of any Degree/ Diploma/ Associateship / Fellowship or other similar title to any candidate in any University.

Signature of the Candidate

CERTIFICATE

This is to certify that the thesis, entitled “**TRADE IN THE MADRAS PRESIDENCY FROM 1914-1947 AD**”, submitted to the Bharathiar University, in partial fulfillment of the requirements for the award of the **Degree of Doctor of Philosophy in History** is a record of original research work done by Mrs. R. Jayasurya during the period from August 1996 to July 2004 of her study in the Department of History at Government Arts College (Autonomous), under my supervision and guidance and the thesis has not formed the basis for the award of any Degree / Diploma / Associateship / Fellowship or other similar title to any candidate of any University.

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ABBREVIATIONS

IAR	Indian Annual Register
CEHI	The Cambridge Economic History of India
FR	Fortnightly Reports on Internal Situation
PMLA	Proceedings of the Madras Legislative Assembly
PMLC	Proceedings of the Madras Legislative Council
TNA	Tamilnadu Archives
NNR	Native Newspaper Reports
USSF	Under Secretary's Secret Safe
SICC	South Indian Chamber of Commerce
CWT	Hundred weight, 1/20 th of one ton.

PREFACE

The thesis entitled “ Trade in the Madras Presidency” – (1914 -1947 A.D) is the outcome of my research work under the guidance and supervision of Dr. K. Kamal Mustafa, M.A., Ph.D., Professor of History and Head of the Department, Government Arts College (Autonomous), Coimbatore – 641 018. The period 1914 – 1947 marks the significant stage in the economic history of the Madras Presidency witnessing far-reaching economic changes not only in the Presidency but also in India and in other nations of the world. The year 1914 the outbreak of the First World War caused tremendous impact on the trade of India and the Madras Presidency as well. The year 1947 witnessed the end of the old colonial economic policy in India and the beginning of free India’s new economic policy. Thus the period undertaken for research covers a comprehensive study of the British trade policies in its internal and external trade. An honest attempt has been made to find out whether the British Government in India was genuinely interested in developing the Indian trade in general and the Presidency trade in particular or her own.

The thesis has been divided into five chapters excluding introduction and conclusion. The introduction deals with the backdrop of the British Colonial

Policy. The first chapter examines the causes of the first World War and its impact on trade in India and the Madras Presidency. The second chapter explains about the inter-war period (1920-1939) and the trade of the Presidency in details. The third chapter gives a succinct account of World War II and its profound effect on the inland and international trade of the Presidency. The next chapter is a discussion on the trade of the Presidency with Sterling areas in respect of its imports and exports. The last chapter evaluates trade policies and problems faced by the industries in the Presidency. The Conclusion is a derivation of the preceding chapters.

The scholar has reviewed to a very great extent the Annual, Fort Nightly and Weekly Reports on trade, which provided every kind of detail to write out the thesis. Equally important and useful have been the government orders available in the Tamilnadu Archives, Chennai. No other source reflects the mind and mood of the Government more than the Government Orders and the notes thereon. Besides, Despatches, Dairies, Minutes, Proceedings of the Legislative Assembly and the Council, Letters and Acts were highly useful in writing the thesis. The information they supply is not exhaustive and complete. A few published unpublished M.Litt and Ph.D thesis and some important secondary and tertiary sources have been consulted. Among them mention may be made about the following.

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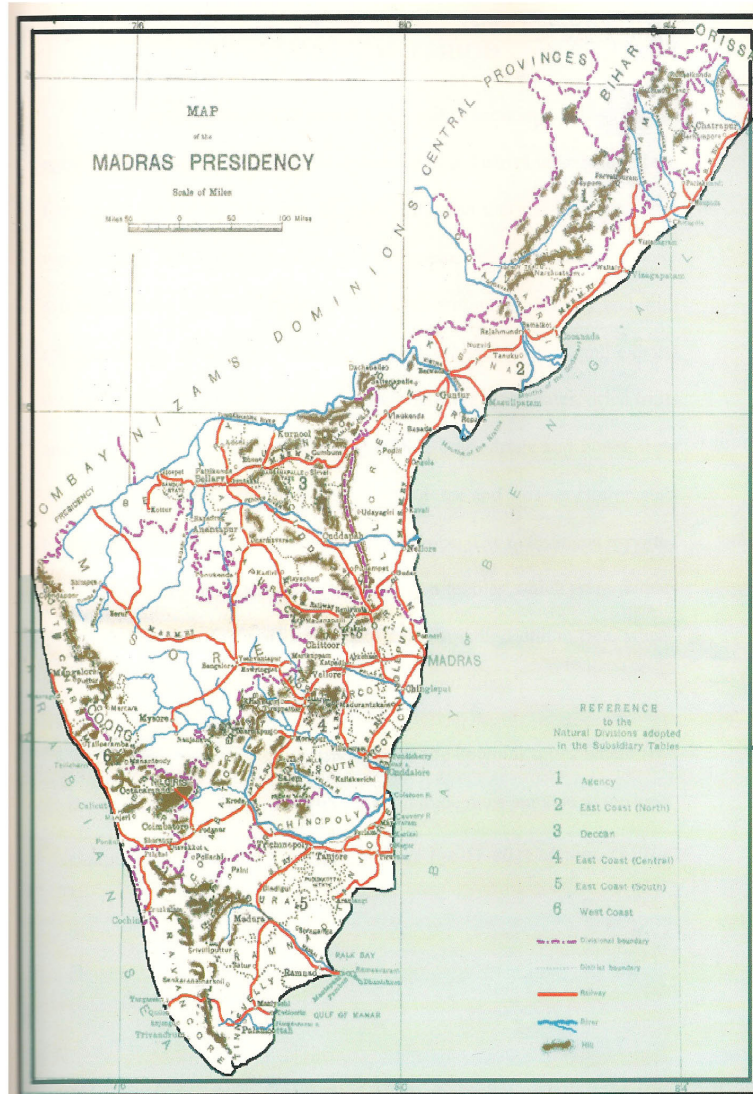
Trade in the Madras Presidency

R. Jayasurya, Ph.D.

John E. “War – Time Development in Indian Currency”, M.Litt dissertation, University of Madras, 1982, Krishnamoorthy .R “India through Slump and Recovery” -1929 -1937; Being a study of the trade cycle in relation to India – M.Litt, dissertation, University of Madras, 1940, malathivaratharajan; “Foreign Trade of India since 1939”, M.Litt. diss, University of Madras, 1955, Meenakshi, T, “The Finance of Madras Government Since, 1919”, M.Litt, dissertation, University of Madras, 1950, Natarajan, K.V: “Economic and Financial Condition of the Residuary Madras State”, M.Litt, dissertation, University of Madras, 1956, Ponniah, J.S: “The Production and Marketing of Raw Cotton in the Madras Presidency with special Reference to the Districts of Bellary, Karnool, Coimbatore, Madura Rammnad and Tirnelvelly”, D. Litt, dissertation, University of Madras, 1944 and Shantha, M.C: “State and Industry in Madras – 1800 -1940”, Ph.D. Thesis, University of Madras, 1966, Sivasankara Reddy, Y, War Time Public Finance in india -1939- 1945, M.Litt, dissertation, University of Madras, 1950, Vallisaroyal, C, Labour Disputers in Tamil Nadu during the First Congress Ministry (1937-1939)”, M.Litt, dissertation, University of Madras, 1987.

However, none of these works give an indepth study of the topic undertaken for research. The prime object of the thesis is to find out whether the British government willingly or grudgingly or indifferently rendered help to accelerate or

to hamper the industrial growth and to examine how the economic or trade policy of the British Government became the roots for the present industrial growth of the Madras Presidency.



PRE-COLONIAL PERIOD

India in the pre-colonial period had a stable economy. Self –sufficient agriculture, flourishing trade and rich handicraft industries were some of the features of the Indian economy. In spite of the fact that the Indian villages were largely self-sufficient units and the means of communication were primitive, India enjoyed extensive trade both within the country and with other countries of Asia and Europe. A balance of the imports and exports was maintained. The items imported into India were wool, dates, dried fruits and rose-water from the Persian Gulf; coffee, gold, drugs and honey from Arabia; tea, sugar and silk from China; gold muck and woolen cloth metals like copper, iron and lead and paper from Europe. The main items exported from India were cotton textiles. Besides cotton textiles which were famous all over the worlds, India also exported raw silk indigo opium rice, wheat, sugar, pepper and other spices precious stones and drugs¹

The major features of Indian trade in pre-colonial times where (i) a favourable balance of trade and (ii) a foreign trade most suitable to the level of manufacturing in India. A favourable balance of trade meant an excess of exports over the imports i.e., India exported more than it needed to import. Since the economy on the whole was self sufficient in handicrafts and agricultural products.

¹ Gadgil, D.R. *Industrial Evolution in India*, Pp:57-60 (Calcutta, 1950)

India did not need foreign imports on a large scale and continued to enjoy a healthy trade. Secondly, India's foreign trade suited its requirements very well. In other words, the commodity pattern, so important to any country's foreign trade was in India's favour. India exported the items it specialized in and imported ones it needed.

One major change that occurred in India's foreign trade from pre-colonial to colonial times was in its commodity pattern. Although India continued to have an export surplus, the pattern of foreign trade turned up side down and thereby ruining India's rich traditional handicrafts.

India was a land of extensive manufacture. Indian artisans were famous for their skills all over the world. In fact, the reason for India's favourable foreign trade was its excellence in indigenous production. India involved in a large scale manufacture of cotton and silk fabrics, sugar, jute, dyestuffs, mineral and metallic products like arms metal wares and oil. Towns like Dacca and Murshidabad in Bengal, Patna in Bihar, Surat and Ahmedabad in Gujarat, Jaunpur Varanasi, Lucknow and Agra in UP; Multan and Lahore of the Punjab, Masulipattnam and Visakapatnam, of Andhra; Bangalore of Mysore and Coimbatore and Madurai of Madras were flourishing centers of textiles industry. Kashmir specialized in

wooden manufacture Maharashtra, Andhra and Bengal were prominent centers of ship building industry. Many European companies brought India's ships for their use.

Towards the end of the 18th century India was undoubtedly one of the main centers of world trade and industry. This status of India was completely destroyed under colonial times. Its beginnings can be traced to the aftermath of the industrial revolution in England. The machine-made cloth of England began to replace indigenous manufacture, Indian artisans were forced out of production. It was this pressure from British goods, which led to the decline of India's traditional centers of economic activity mentioned above. The number of weavers also declined.²

Colonialism is a system of domination, exploitation and underdevelopment of one society by another. The stages of colonialism may be classified into three:

The first stage of the colonial rule was that no basic changes were introduced in the colony in administration, the judicial system, transport and communication, methods of agricultural or industrial production, forms of business management or economic organization, education, culture and social organization.

² Bipan Chandra, *The Rise and growth of Economic Nationalisation in India*, Pp. 70-77, New Delhi, 1966.

The second stage of colonialism was the making of the colony into a subordinate trading partner which would export raw materials and import manufacture. The colony's social surplus was to be incorporated through trade on the basis of selling cheap and buying cheap.

Politically and administratively, the third stage of colonialism meant renewed and more intensive control over the colony.

Regarding colonialism in India, the crucial role was played by the colonial state i.e. Britain in the subordination of India to her and in constructing, determining and maintaining other features of the colonial structure. India's policies were determined in Britain in the interest of British economy and the British capitalist class.³

It may be stated here that sharp differences have always existed and continue to persist among scholars and historians of the west regarding their evaluation of the impact of the British colonial rule over the economy society and policy of India. According to many western scholars, British rule provided political unity

³ Bipan, Chandra, *Essays on Colonialism*. Pp: 63-65 and 69, Oriental Longman Ltd, 1999, New Delhi.

and stability of governance to India. British scholars have maintained that the British rescued India from chaos and provided political stability.

Indian political unity was at first myth, an abstract concept that was characterized into reality by British rulers. In the absence of political unity, eighteenth century India had a very low level of commerce and capital accumulation and its implication was that British rule to India has to deal with a very low level of economy. This argument of western writers challenges the nationalist argument that India was economically very attractive and profitable for British.

Western writers have suggested that the history of India revealed a very low level of agricultural productivity because it was based on a 'nonanimalpowered agriculture'. According to many Western historians the absence of any worthwhile technology kept a large proportion of India virgin land as late as 1870. The British in India introduced Tobacco, potato and peanut cultivation.

According to them, India could not claim any great achievements in manufacturing because it lacked technology. Although India had some excellent craftsmen and produced textiles and few other manufactured goods, but they were the result of hard work and not of any developed technology. The evidence for this

viewpoint is gathered from the seventeenth century records of the English that point out to the inelasticity of textile productivity in India. W.H. Moreland and many other scholars have used the evidence of early European travelers to prove that Indian technology was poor. On the basis of such evidence, Morris observes that, “The Indian sub continent was a region in which per capacitor income was relatively low in the country before 1800. Given the lack of political stability, low agricultural and non agricultural productivity and insignificant commerce no other conclusion is supportable.”⁴

If the opinion of Morris D, W.H. Moreland, or European travelers or British factory records are accepted that India was underdeveloped when the British gradually conquered it, then the implication is that the British conquest of India was beneficial for the economy, society and polity of this country. India achieved benefits from British rule and they are enumerated by the western scholars thus: The British provided political unity; they developed a system of roads and rail transport which had a positive impact on the economic development of India; they developed irrigation and other public works which facilitated the growth of agriculture, commerce and manufacturing activities in India.

⁴ Basu, B.D. *The ruin of Indian Trade and Industries*, p. 210, Calcutta, Second Edition, 1993.

The western writers made two points clear regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found a highly underdeveloped India with productivity in agriculture very low per capita income and absence of any developed technology or tools for manufacturing. The benevolent policies of the British helped in the establishment of political unity, a system of governance and it laid the foundations of economic development in India.

As against the western view-point, the Indian nationalist scholars put forward a different hypothesis. Dababhai Naoroji, Ramesh Chandra Dutt in the nineteenth century and Rajni Palme Dutt in the twentieth century represented the Indian nationalist perspective. The two important aspects of British colonial rule over India highlighted by them were the 'drain theory', and the theory of 'de-industrialization'.

The drain theory, as formulated by the Nationalists, referred to the process by which, a significant part of India's national wealth, was being exported to England for which India got no economic returns. In other words, India was made to pay an indirect tribute to the English nation. Needless to say, this drain of India's wealth to England in the form of salaries to the British officers posted in

India, home-charge and the profits made on the British capital invested in India, benefited England and diminished the sources for investment in India. The British benefited immensely from the plunder and exploitation of India. Lord Curzon wrote: “India is the pivot of Europe..... if the empire loses any other part of the Dominion we can survive, but if we lose India the sun of our Empire will have set”⁵

The company obtained Dewani or Civil administration rights over Bengal, Bihar and Orissa in 1765 and this opened new opportunities for plunder by the Company because of Diwani rights caused land revenue to be remitted by the Company to England. This monopoly of plunder and exploitation by the Company continued till the end of the eighteenth century when England moved from mercantile capitalism to the industrial revolution and the emerging industrial capitalists in Britain started demanding the end of Company rule in India.

Besides the external drain theory, the nationalists argue that British rule led to the de-industrialization of India. India was an exporter of cotton manufacture and this was how the Company started its trade but gradually India became an exporter of cotton manufacture and thus Indian artisans, craftsmen and important

⁵ Gopal, S. – *British Policy in India, 1858-1905*, Pp: 175-77, New Delhi, 1975.

trading centers collapsed and whatever manufacturing activity existed was destroyed under the impact of imports of cotton manufacture almost exclusively from Britain. Amiya Bagchi observed ---- “for more than seventy –five up to 1913, India remained the major importer of cotton goods from Britain, often taking more than forty percent of the British exports”⁶

Thus the industrialization of England was accompanied by the decline and destruction of the Indian cotton on manufacturer. From the early 19th century onwards India witnessed a steady decline in population dependent on indigenous industries and consequent over burdening on agriculture as a result, Sumit Sarkar has summed up these proved injurious to both political ramifications up.

“The sufferings of artisans have to be kept in mind as a significant factor in the understanding of many movements of our period; both in the way in which de-industrialization stimulated patriotic sentiments among intellectuals alike in the Moderate Extremists and Gandhian era, as well as more directly, in occasional urban and rural explosions of various types”⁷

⁶ Bipin, Chandra, Colonialism, Stage of Colonialism and the Colonial State

⁷ Chandra, Bapin, *Essays on Colonialism*, Pp : 62-69, Oriental Long man Ltd, New Delhi, 1999

The decay of Dacca, Surat, Murshidabad and many other flourishing towns bear testimony to de-industrialization of India. Sir Charles Trevelyan observed in 1840.

“The population of the town of Decca has fallen from 1,50,000 to 30,000 or 40,000 and the jungle and malaria are fast encroaching upon the town..... Decca which was the Manchester of India, has fallen off from a very flourishing town to a very poor and small one; ‘the distress there has been very great indeed’”⁸

The twin processes of the drain and de-industrialization were carried out extensively through the various stages of colonial rule. The process itself started from 1757 when, with the battle of Plassey, the East India Company, representing the British mercantile class, took over Indian control. During the same period a fundamental change was taking place in Britain by a series of inventions leading to the Industrial Revolution. Before the inventions, the Bank of England was established in 1694 and the plunder of India helped capital accumulation and inventions helped in generating the Industrial Revolution. The transformation in England created new interests and to East India Company became the target of

⁸ *Ibid.* Pp: 70-71

attacks in England and finally its fate was sealed by the war of Indian Independence in 1857.

The impact of British rule in the initial stage has been summed up by R.P. Dutt.

“While machine-made cotton goods from England ruined the weavers machine-made twist ruined the spinners. Between 1818 and 1836, the export of cotton twist from England in India rose 5200 times. The same process could be traced in respect of silk goods, woolen goods, iron, pottery, glass and paper.

The effects of this wholesale destruction of the manufacturing industries of India on the economy of the country can be imagined. In England the ruin of the old handloom weavers was accompanied by the growth of the new machine industry. But in India, the ruin of the millions of artisans and craftsman was not accompanied by any alternative growth of new forms of industry..... The old populous manufacturing towns, Dacca, Murshidabad... Surat and the like, were in

a few years rendered desolate under 'Pan-Britanica' with a completeness which no ravages of the most destructive war or foreign conquest could have accomplished"⁹

The merchant capital of Britain, found new opportunities in India, when the Company started its conquests in which monopolistic buying of Indian materials was undertaken by the revenue earned from India and they were exported to foreign markets with maximum profits. The pre-industrial British capital, instead of making so called 'investments' were buying Indian commodities for profitable exports on the basis of money earned from revenue in India. Thus the conquest of India by the British East India Company gave it the 'power to levy and collect and revenue and other taxes' and on the basis of the gross profits the Company exploited Indian commodities. This 'Semi-bondage' situation in India made by British mercantile capitalism earns 'tribute from conquest'. According to professor Habib, during the later half of the eighteenth century the total British imports from India increased from 12 percent to 24 percent and the British exports to India increased from 6.4 percent to only 9 percent of the total British exports.¹⁰

⁹ Dutt, R.P. *India Today*, Pp. 131-132, Bombay, 1979

¹⁰ Dutt, R.C. *The Economic History of India*, Vol.II, Pp: 173-175 (Reprint), Delhi, 1956.

The phase of merchant capitalism gave way to the phase of Industrial capitalism towards the beginning of the 19th century. Now the emphasis shifted from revenue collection and trade to new forms of surplus appropriation. Indian economy was now geared to serve the interests of industrial England. India was now used to provide new material to the industries of England and a market for the ready made British manufactured industrial goods. Indian resources continued to be drained out in England, although in different forms. Similarly the process of de-industrialization also got accelerated.

After 1857, when the British government took on direct control of India, some British capital also started pouring into the Indian market, along with the manufactured goods. This was the result of accumulation of capital at an unprecedented level in the leading industrial countries. Now England needed India, not only as a market for their goods but also as a favourable ground for the investment of their capital. As a result India started getting industrialized but only on foreign capital. All the major industries like Railways, Jute Iron and Steel (With the exception of cotton textiles) were being run by British Capital. Its result was a further drain of wealth, as all the profits made on British capital were going back to England. Thus up to the end of nineteenth century India was sucked by the British

during both phases of colonialism i.e. during mercantile capitalism and the industrial revolution in England.

The term 'Madras Presidency' was applied to certain areas in South India which passed to the British through historical causes, in course of time and its basic formation was completed by the beginning of the 19th century. Before that the East India Company's possessions included the northern circars, the Jagir of Chingleput district and a number of isolated 'factories' along the coast. Then the company obtained a large number of portions of Tipu's Kingdom including Malabar, Salem and parts of Dindigal. There was another considerable accession of territory, comprising Coimbatore, Canara and Wynad after the Mysore Wars. The administration of Tanjore was taken over from the Raja. The Nizam of Hyderabad relinquished the districts to the British. Then, the Nawab of the Karnatak was relieved of his territories and Nellore, North Arcot, South Arcot, Tiruchirappali, Madurai and Tirunelveli were added to the company's possessions. These areas constituted the Madras Presidency. Except North Canara which was transferred to the Bombay Presidency, the area continued as it, when India became independent in 1947.¹¹

¹¹ Rathnasamy .N, *some influences that made the British administration in Madras*. 1939, Page -2.

The establishment of the three Presidencies of Madras, Calcutta and Bombay was the natural outcome of the efforts of a foreign naval power to secure footholds on the Indian subcontinent for enlarging its commercial prospects. These original factory settlements, meant purely for establishing trade contacts with the natives, later became three vital strategic points from which the British after eliminating the rivalry of the French advanced simultaneously in the North, South and West in India. They formed the nuclei around which were grouped the territories that the British came to acquire by cession or conquest. Of the three Presidencies, Madras held a place of prime importance in the early history of British India. Fort St. George was built before the cession of Bombay and the founding of Calcutta. Above all, Madras was strategically the most vital place for English in the early stages of these consolidations. The Presidency of Madras was formed by the acquisition of territories from the native rulers through conquest and cession. Both war and diplomacy, played their parts in its formation.¹²

Commerce, in the full sense of the dictionary definition, is “the interchange of merchandise on a large scale between nations and individuals”. Commerce may

¹² Sadasivam, D. *The Growth of Public Opinion in the Madras Presidency 1958-1909*. M. Litt. Thesis Published, Madras, 1974, 807.

be said to have been born in Madras only towards the end of the year 1639¹³ Indian trade and crafts had been an important contributory factor from time immemorial to her immense wealth in the past. The finished products of Indian industry as well as her natural products such as pearls perfumes, dyestuff, spices, sugar, etc, were exported to distant countries and Indian imported gold, copper, zinc, tin, lead, wine, horses, etc., but there was always an excess of exports over imports, which meant necessarily the influx of a large quantity of gold. In the first country Pliny, the Greek Geographer bitterly complained of the drain of gold from the Roman Empire caused by the use of Indian luxuries.

During the first hundred years of this survey, the trade and general prosperity of Madras increased with astronomic rapidity. But from the middle of the eighteenth century a long period of trade recession set in and the forward march was, for nearly a century, seriously checked. The main reasons for this are not for to seek, and may be recorded under three main headings.

Firstly, War and misrule in the interior as a result of which many thousands of the tillers of the soil left their villages and fled to the hilly tracts.

¹³ Hodgson G.H. *Three Hundred Years of Madras Commerce in Madras, Trycentenary Commemoration Volume*, P. 235, Madras.

Secondly, the industrial revolution in Europe resulted in the gradual introduction of the steam – driven loom, and the growth of the factory system.

Thirdly, the result of the ‘revolution’ led to the ‘policy of protection’.¹⁴ One might also add a fourth cause, namely the long drawn – out wars in Europe resulting in the struggle for supremacy in India between France and England which centered mainly round Madras.

The indigenous industries declined by the 19th century. This was partly due to the competition of cheap goods produced by machinery and partly due to the unwillingness of the Government or the Company to protect or encourage Indian trade and crafts.

So, by the first half of the 19th century, India lost the proud position of supremacy in the trade and industry of the world which she had been occupying for well over two thousand years and, gradually transformed into a plantation for the production of raw materials and dumping ground for cheap manufactured goods from the West.

The position did not improve even under the rule of the Crown. The Government did not think of protecting the rendering aid to indigenous industries

¹⁴ I bid, P. 237

because this would have adversely affected British trade and industry which was flourishing after the Industrial Revolution. This non-interference was defended on the academic ground that the British Government adhered to the policy of Laissez Faire as the best policy to be followed by the state in economic matters. This policy suited the interests of British, traders and industrialist admirably well, who were able to exploit the raw materials and the rich resources of undeveloped countries like India.

The Indian spinning and weaving trades were the most badly affected by foreign competition. Raw materials like cotton were exported to England where they were made into cloth. Finished cloth was imported into India and sold in Indian markets at competitive rates. This ruined the Indian cotton industry and rendered the weaving community unemployed. “The rapid development of machinery and manufacturers and the cheapness with which cotton clothes were produced in England led to India being flooded with Manchester goods to the injury of the weaving classes”¹⁵

Another industry which had suffered foreign competition was the manufacture of iron. In this essay of Indian economics Mr. Justice Ranade wrote

¹⁵ Srinivasa Raghvaingar S. *The memorandum on the progress of the Madras Presidency during the last forty years of British Administration* PP. 117-118.

“The iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of material tuned out had also world – wide fame. The famous iron pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who have endeavored to account for it.... The Indian Steel found once considerable demand for cutlery even in England. The manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago.¹⁶

The Salem District Gazetteer states, “Iron – smelting in Salem District is an art of extreme antiquity. The remains of slag mounds and furnaces in numerous villages, not only in Attur, Salem, Omalur and Tiruchengodu but also on the border line of Hosur and Krishnagiri taluks, and even in the heart of Anchette jungles, testify to the wide extent and importance to the industry.”¹⁷

It is a fact that British did not develop this industry. Of course elaborate enquiries were made in the last decade of the nineteenth century as to whether the iron ores of Salem District could be exploited on a commercial scale. But the idea was dropped on the pretext of the heavy expenditure to be incurred on fuel.

¹⁶ As quote in B.D. Basu – *The Ruine of Indian Trade and Industries* Pp. 3-4.

¹⁷ *The Salem District Gazetteer*, P. 272.

The destruction of indigenous manufacturers had the effect of impoverishing the artisan classes and driving them to agriculture which owing to the capriciousness of the seasons was a precarious industry and the result was that the population as a whole was growing poorer and poorer everyday and losing in stamina. The position of the laborers had thus deteriorated under the rule of the Crown.

Not merely did industries suffer but indigenous trade also declined. Foreign trade rapidly increased during the nineteenth century. Internal trade was accelerated on account of marvelous improvements in communications Nicholson in his Manual of the Coimbatore District has so well described the revolution in trade effected by the improvement of communications in that district that his remarks may be usefully quoted. He stated 'from various reports it is known that in 1800 there were practically no roads, but merely tracks, there was not a cart in the district and what the traffic existed was carried on by pack bullocks, and by ponies and by basket boats on the Cauvery.'¹⁸

Laying of roads, the gradual introduction of railways and other communications like the post and telegraph have increased the volume of trade during the nineteenth century but, in the absence of real industrial development in

¹⁸ *The Manual of the Coimbatore District* - Vol. II, P. 131

the country, this development of trade only benefited Western industrialists, helping the exports of raw materials from India and import of Western manufacture.

The volume of overseas trade began to increase enormously with the opening of the Suez Canal. In 1855-60 the average annual value of Indian trade was about fifty –two lakhs of rupees.¹⁹

During the five years beginning with 1869 when the Suez Canal was opened. The average annual value of exports amounted to nearly crores of rupees. The average in 1900 exceeded two hundred crores. But, this did not satisfy the Indians because trade was to a large extent monopolized by foreigners who had ousted the natives of the soil from their legitimate fields of enterprises. Further these improvements were utilized for impoverishing the people still further. They were able to procure raw materials from remote parts of the Presidency and export them to their country in order to import them as finished products.²⁰

The State took no interest in industrial development till the 20th century. The following instance shows this apathy. Alfred Chatterton, Director, Public

¹⁹ Sadasivan, D. *The growth of public opinion in the Madras Presidency (1958-1909)*, M.Litt, Published Thesis. P. 104, Madras, 1974.

²⁰ Venkatraman, T.K - *Histry of India*, vol. II, P. 30.

Instructions of the Madras Presidency, wanted to improve technical education in the Madras Presidency and even set up a department of industries in 1906. Handloom- weaving, chrome tanning and aluminum industries were encouraged and pioneer government enterprises were even set up. This roused the alarm of European business interests.

Lord Morley, the Secretary of State for India in London ordered the closing of the department. The government was confined to collect industrial information and provide some technical education.²¹

The efforts of Alfred Chatterton to improve indigenous industries were not encouraged by Britain. The public resented this anti-national economic policy of the Government, hence developed the Swadeshi Movement.²²

An ardent advocate of Swadeshism in South India was V.O. Chidambaram Pillai who with devoted patriotic followers spread the ideals of swaraj and swadeshism all over South India. He did not content himself with merely addressing meetings exhorting these ideals to the people. He also took concrete

²¹ *Manual of the Coimbatore District*, Vol.II, P.135.

²² *Madras Year Book*, 1924,P.344

steps in that direction and started a Swadeshi Steam Navigation Company at Tuticorin.

In 1906, the National Fund and Industrial Association was formed in Madras “for fostering and improving indigenous industries for the promotion of scientific and technical education and diffusion of knowledge on industrial matters among the people by means of demonstrations, lectures, leaflets and the like, provision of scholarships for the study of industries in India or in any foreign country, the helping of students trained as above in the starting of industries, the establishment of a Bureau of Information relating to the industries, trade and commerce in India.

Chennai Jana Sangam was started on the 11th of January 1908, with an object similar in scope and aim to the National Fund and Industrial Association and also having its special purpose in furthering nationalism in the city by delivering lectures on Swadheism, and boycott of foreign goods, by founding a school for physical culture, a reading room and library and by training young men to preach on Swadeshism. Such Sangams were established in different parts of the Presidency.

The British Government resorted to all sorts of tactics to put down the Industrial Association’s activities. Besides, in the absence of facilities for technical

instructions industrial advance could not develop. Another cause was the lack of sufficient capital. It is only gradually that Indian capitalists got over their shyness to seek investment in industries. However, the most important reason was that not only was the Government indifferent to industrial interests, it was generally antagonistic to the development of industry in India.

CHAPTER – I

The world war started by the news that Germany had declared war on France and Russia. The war arose over the assassination of an Austrian Archduke in Serbia. The Austrians wanted to punish Serbia. The Russians, who were friendly to the Serbs, interfered. Germany supported Austria and France supported Russia. England would not have intervened, had not Germany decided to march through Belgium in order to attack France on her undefended flank. By doing this, Germany violated a treaty signed by all the Great Powers, guaranteeing the neutrality of Belgium. The Kaiser of Germany spoke of this as a ‘scrap of paper’. Belgium appealed to England for protection and Great Britain war on Germany on 4th August 1914, the most fateful day, perhaps, in the history of the world. Almost all the nations of the World, whether big or small, had taken part in it under one pretext or other. The war was fought from August 1914 to November 1918 lasting for 1565 days²³.

²³ Davies, H.A. – *An outline History of the world*, London, 1950, P. 533;
The Hindu dated 4th August 1914,
The Hindu, dated, 11th November 1918.

It was a total war in the sense that the warring nations were compelled to mobilize totally their resources, their man power, manufacturing industries, their farming, shipping, and transport and communication system²⁴.

The First World War led to a great dislocation in the economic life of the world. Masses of people had been killed or made unfit for work. Many men died through a series of epidemics of influenza. The generation was affected by a lack of nutrition. There had been colossal destruction of property. Many areas had been devastated²⁵. Production had suffered by industrial organization being diverted to the purpose of war. Merchant shipping had suffered being turned to serve War organizations and through destruction by submarines and mines. High taxation was necessary as the war also increased the cost of living. All this dislocation led to the rise of prices all through the world and trade became disrupted; but this shows that modern Wars were highly injurious to the life of the community²⁶. England had borrowed large sums from the United States and had lent money to her allies out of this amount. These inter-allied debts became mixed up with the reparations which

²⁴ Venkatraman, T.K – *A Manual of British History, Vol. II, Recent Times (1789-1945)*, Madras, 1950, P. 247-248.

²⁵ *Ibid*

²⁶ Bhagavti, Jagadesh (ed) and Srinivasan, - *Foreign Trade and Economic Development – India*, Columbia University, New York, 1976, P. 17.

were claimed by Germany and worsened the economic situations²⁷. In nearly the belligerent countries, the war had led to experiments of public control. The Government regulated trade, fixed prices, taxed profits and confiscated private property for war purposes. Hence socialist thought received further strength. One of the results of the war was that labour hereafter became important. The example of the Communist Revolution in Russia also stimulated labour agitation. Labour became a political power and Socialist Governments appeared in several countries.

The First World War brought about disruption of normal international trade channels because of the fact that the countries involved in the war directed much of their natural and human resources for the production of goods necessary for the prosecution of war. There was also scarcity of shipping space and there was danger arising out of submarine warfare in the oceans²⁸.

The outbreak of the war resulted in immediate setback to India's international trade. Trade with Germany ceased immediately and trade with Great Britain became difficult because of shortage of shipping space. The immediate impact was decline in both India's imports and exports. But soon exports started

²⁷ Dharma Kumar:- *Cambridge Economic History of India*, Vol.2, (1757-1970), page 27.

²⁸ G.O. Ms. No.3239, Trade and Customs, dated 21st September, 1914, T.N.A.

moving up as there was increasing demand from foreign countries for Indian's Cotton Textiles, iron, and steel, Mica, Saltpetre, Wolfram and Wheat. The volume of India's exports gradually started rising from 1915 onwards in relation to 1914²⁹; but India's imports continued to decline. On the whole, during the war, both India's exports and imports declined until the end of war in 1918³⁰.

It is difficult to summaries briefly the effect brought about by the outbreak of hostilities on trade of India, but an attempt may be made to indicate the main features. At first the cessation commercial relations with Central European Powers caused considerable dislocation. Exporters of raw cotton from Bombay and of raw jute from Calcutta lost in Germany, one of their best customers. The prices of both these staple commodities fell and among articles of secondary importance had created a serious situation. At the same time, the exclusion of invaded Belgium and the military pre-occupations of Marseilles upset the oil-seed trade and the trade in groundnuts in particular for a time. The activities of the "Emden" in the Bay of Bengal and in the neighbourhood of the Laccadives during the first five months of the war and the meance of the "Konigberg" in the Arabian Sea paralysed exports generally. Further, there was a great shortage of freight due to vessels being

²⁹ G.O. Ms No.3735, Trade and Customs, dated 28th September, 1914, T.N. A.

³⁰ G.O. Ms. No.3742, Trade and Customs, dated 30th November, 1918, T.N. A.

commandeered for military transport and the inability of neutral shipping visiting Indian ports to make good all at once the elimination of the German and Austrian Mercantile Marine. The jute mills were working short time and were faced with a reduced demand for their manufacture³¹.

With the allies entering upon an in terminate period of trench warfare on the Western Front, an enormous demand arose for sand bags. Unlimited quantities of hides were required for the manufacture of boots for the new armies and more extensive orders from Japan for raw cotton coincided with an unusually abundant Indian crop. The Government of India found themselves the fortunate possessors of large treasury balances in August 1914 which they placed freely at the disposal of trade through the Presidency, banks and a run on deposits in the Postal Savings Banks by small depositors though severe, was soon arrested. Emergency legislation was passed to strengthen the gold standard reserve and sterling exchange was supported by selling reverse Councils³².

The War affected the trade of India both directly and indirectly. The first direct effect was naturally to stop the considerable trade with Germany and

³¹ G.O. Ms. No.373, Trade and Customs, dated 218th October, 1914, T.N. A.

³² Madras Administration report for the year 1914-15, pp. 64-67

Austria. The total foreign import trade of the Madras Presidency in private merchandise was in 1913-1914 at Rs. 1,635.46 lakhs of which Rs. 92.32 lakhs or 5.6 per cent was with Germany and Rs. 27.35 lakhs or 1.6 per cent with Austria – Hungary. Similarly, the total value of exports in 1913-14 was Rs. 2, 590.93 lakhs and of this Rs. 247.19 or 9.5 per cent was with Germany and Rs. 43.64 lakhs or 1.7 per cent with Austria – Hungary³³. In the Presidency as in the rest of India, closing of the export trade to these countries was more serious than before because the latter could be replaced from other sources, but the loss of these two customers caused a serious drop in values as well as in quantities, quite apart from the question of exchange³⁴.

There was further a complete stoppage of trade with Belgium and a large diminution of the same with France. Trade with Turkey had also ceased. In addition to the loss of trade with enemy countries, the export trade with allied and neutral countries had also suffered. There was a serious tonnage arising partly from the taking up of vessels for military transport purposes and partly due to the increased demand elsewhere; freight rates had in consequence been high and in addition war risks had to be paid³⁵.

³³ Ibid, pp 84-85

³⁴ Ibid

³⁵ Ibid

TABLE-I SHOWING THE RISE OR FALL IN EXPORT AND IMPORT TRADE DURING THE WAR PERIOD

S.No	Year	Import / Export in Private merchandise	Fall / Rise
01	1913-1914	Exports	17 % Fall
02	1914-1915	Import of private Merchandise Export,	10 % expanded 13 % increased
03	1915-1916	Import of Merchandise, Export	9 % decreased 35 % declined
04	1916-1917	Import of Merchandise, Export	16 % declined 35 % declined
05	1917-1918	Import Export	55 % declined 21 % declined

(Source: - Report on the Administration of the Madras Presidency for the years 1913-14 to 1917-18).

The causes for the rise or fall may be thus given here. During 1913-14, the German Cruiser “Emden” made several successful raids on trading vessels in the Bay of Bengal and Arabian Sea and caused a temporary dislocation of trade. The net result was the foreign trade declined.³⁶

It must be borne in mind that the increase in the year 1915 was largely due to the high prices prevailing almost every where and that the quantity of trade by sea was in most cases materially less than the previous years. The United Kingdom had increased her trade with Madras both in imports and exports and this was also

³⁶ G.O. Ms. No.3773, Trade and Customs, dated 26th November, 1917, T.N.A.

true in the case of the United States of America and Japan. Therefore foreign trade including Government transactions improved.³⁷ The volume of trade actually declined during the period of the First World War to a much larger extent because the value of most of the commodities imported and exported were considerably higher than in the previous year.³⁸ As the war advanced, it became necessary to impose restrictions on the exports by food stuffs and articles capable of being turned to warlike uses to neutral destinations owing to the risk of their being diverted to the enemy.³⁹ The amount of import duty was enhanced under the revised tariff and as a result of the high prices of the articles. The restrictions imposed on a variety of imports and exports on account of military and political considerations and with exchange difficulties, helped to hinder trade. As regards internal trade, there were constant complaints over the unavoidable shortage of raw products formerly exported to Europe were seriously help up.⁴⁰

Shipping and weaving concerns were fully employed in meeting the orders of the military authorities. The tanning and leather industries, at first adversely affected, recovered owing to the placing of large orders for coir screening for

³⁷ Madras Administration Report for the year 1917-19, PP-64-69, T.N.A

³⁸ Ibid

³⁹ G.O. Ms. No. 1852, Trade and Customs, dated 25th June, PP-71-73, T.N.A.

⁴⁰ G.O. Ms. No.507, Trade and Customs, dated 1st September 1917, PP 61-64, T.N.A.

camouflage purpose in France. Rice factories, especially, in the northern districts were hard hit by the shortage of rolling – stock and many were forced to close down. Factory situation made a marked advance, but with factories working intermittently. There was regular demand for factory labour and factory wages, as compared with those outside, ruled low.⁴¹

The Government pencil factory and the soap works increased their turnout and profits to a considerable degree. There was a tendency to multiply the installation of small rice milling and other plants beyond the limits of economic conditions. The Department of Industries devoted its attention to the centralization or correlation of such plants rather than to further installation.⁴²

The First World War revealed the industrial potentiality of India and also the military importance of industrialization. As the Montague Chelmsford Report observed; “Nowadays the products of an industrially developed community coincided so nearly in kind, though not in quantity, with a catalogue of munitions of War that the development of India’s national resources became a matter of military necessity.” It also revealed the dangers of depending up on imports of

⁴¹ G.O. Ms. No. 4140, Revenue, dated 1st September, 1917, PP 65-66, T N A.

⁴² Madras Administration Report for the year 1917-18, PP 64-71 T.N.A

essential goods such as iron, steel, machinery etc. At the same time, fall in imports and the consequent encouragement given to Indian Industries led to the rise and progress of many new industries. But the fillip given to industries during the war India had to face foreign competition.⁴³

The successful adoption of protective tariff in many countries particularly Germany, Japan and the United States, revealed how indispensable the protection was to backward countries like India. Indian leaders began to agitate for protection of political reforms under the Act of 1919 would be inconsistent without some fiscal freedom⁴⁴.

The great awakening of interest in industrial development in Southern India was reflected in the considerable number of new companies. With the object of introducing improved methods and machinery among handloom weavers, the Government sanctioned the starting off ten additional weaving parties, of which six actually began work. A notable development of the manufacture of finished leather goods, including footwear, was signaled by the establishment of three leather-manufacturing firms in Madras. A company was newly formed for the manufacture

⁴³ Gandgil, D.R. – *Industrial Evolution in India*, Calcutta, 1950, PP 182-185

⁴⁴ Anstey, Vera.- *The Economic Development in India* (London) 1952, PP 203-214.

of salt on improved methods and a movement was on foot to revive the glass-making industry, which made an unsuccessful beginning in Madras⁴⁵.

The visit of the Indian Industrial Commission helped to throw light on the happenings, but did not do much in the way of removing the difficulties of getting expert assistance for the stoppage of imports from Europe. One important event was the transfer of pumping and boring to the control of Agricultural Department. A proposed demonstration of a gas suction engine had to be postponed owing to the impossibility of shipping the plant from England.⁴⁶

Arrangements had been made for systematic survey of the rice mill industry with a view to improve the methods of manufacture. The attempt to establish a glass bottle industry in Madras was reluctantly abandoned, the main difficulty lying in the fact that it was impossible to obtain the services of a glass expert and the more or less amateur suppression must necessarily result in commercial failure. Similarly it had been found necessary to terminate the attempts to manufacture lime, sand and bricks on a commercial scale since it was not found feasible to produce bricks cheaply enough to compete with the superior quality of Clay-

⁴⁵ G.O. Ms. No. 1791, - Trade and Customs, dated 24th October, 1918, PP 61-63, T.N.A.

⁴⁶ Report of the India Industrial Commission 1916-18, Calcutta, 1918, (reprinted, 1980), New Delhi PP 66-72.

bricks. Hitherto efforts to use Indian wood and Indian graphite had not been encouraging, but the raw material for the industry had been obtained from East Africa and Ceylon. The position of dyes was unchanged. It found it unfeasible to replace synthetic dyes even when their price was prohibitive by use of natural and indigenous colours⁴⁷.

There were difficulties and obstacles in the way of the development of industrial enterprise. Tonnage became scarce and was strictly controlled from the British Home Government. The shortage of costing steamers imposed a heavy burden on the railways which were themselves handicapped by a shortage of rolling stock and by heavy military traffic. Most industrial concerns felt serious anxiety in respect to coal and coke and also experienced difficulty in obtaining wagons to move their finished products. Imports of hardware and metals from the United Kingdom almost ceased. Local stocks became depleted and prices went up correspondingly⁴⁸.

The Government had to take control over industry and trade. Coal and coke railway traffic, the tanning industry, tanstuff, wool, pig iron all came under some

⁴⁷ G.O. Ms. No.637, - Revenue (Special) Department, dated 7th December, 1918, T.N.A.

⁴⁸ . G.O. Ms. No.791, - Revenue (Special) Department, dated 28th April, 1919.

control which was extended in further directions. Notwithstanding these difficulties, there was considerable activity particularly in Madras itself. The weaving mills were for the Indian Munitions Board and the demand for yarn owing to the shortage of imports from England, kept all the spinning mills fully active⁴⁹.

The tanning of skins was prohibited owing to the necessity of conserving the supplies of avaram bark, but immense quantities of hides were tanned for army requirements. The finished leather industry also was very brisk owing to the urgent need for accoutrements and army equipments generally. Large quantities of metal fittings were also required for the army and most of the blacksmiths, as well as Engineering shop of Madras were busily engaged in making buckets, shackles and similar articles for the Madras Arsenal. A new company was established to assist in meeting this demand and the manufacture of webbing and tape was organized in a European firm for the purpose of supplying army demands. Tent making was revived in a small scale at the Madras Arsenal and a private firm was also taking up this industry as a war enterprise. Among, other new developments may be mentioned the manufacture of lather, looms and loom parts and of pruning knives

⁴⁹ *Indian Annual Resister* – 1914-1919, Vols. II

and planters tools. A new large textile factory entirely financed by an Indian Syndicate was opened on the West Coast⁵⁰.

The energies of the department of industries continued to concentrate on the supply of ammunitions up to the end of the War found it possible to devote attention to problems of industrial development. The Madras Presidency, not being rich in mineral wealth industries, had been for the most part depending on agricultural product and utilization. The questions of occupying the forefront of the department's programme were the treatment of vegetable oils, the manufacture of leather, mechanical engineering as applied to agriculture and hand-loom weaving⁵¹.

The Secretary of States gave his general assent to the recommendations of the Indian Industrial Commission and accepted the two fundamental principles underlying those recommendations viz., that in future that the Government should play an active part in the industrial development of the country and for that purpose, it should provide itself with adequate administrative equipment and reliable scientific and technical advice. The publication of the Commission's report

⁵⁰ Natesan, G.A. – *Indian Review*, Madras, 1919 Vol. II, PP 411-13.

⁵¹ Swaminthan, Padmini, - *State Intervention in Industrial Development: A case study of the Madras Presidency*, proceedings of the seminar on South Indian Economy, 1914-1945, Vol. 1. Tiruvananthapuram, 1985, PP 85 to 87.

and of those Despatches of the Government of India and the Secretary of States thereon led to a great awakening of interest in such development as was evidenced⁵².

The total number of factories during the war period is given below:-

S.No	Year	Factories	Fall / Rise	Reasons
01	1914	385	--	War restrictions
02	1915	417	Increase	Due to the starting of new factories
03	1916	460	Increase	-do-
04	1917	492	Increase	-do-
05	1918	482	Decrease	Due to the removal of factories
06	1919	483	Decrease	-do-

(Source: Report on the Administration of the Madras Presidency for the years 1914-1919)

The Table above indicates that during the World War I, there was no increase in the number of industries, factories and mills nor the expansion. This was because of the difficulty of obtaining new machineries and securing raw materials⁵³. In the case of entrepreneurs who intended to start industries, the lack of provision of

⁵² Swaminathan, Padmini, - Cit, PP-112-151

⁵³ G.O. Ms. No. 791, Revenue (special), dated 28th April, 1919, T.N.A

technical assistance facilities for the supply of raw materials, assistance in marketing etc., were also conspicuously absent in the Madras presidency during the World War I. In the case of industries aided by the state, the Government did not arrange for the selection and import of machineries and plant them nor helped the firms with their engineers and technical personnel in their erection⁵⁴.

It cannot be said that the Madras Presidency suffered 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 of Industries. Hesitant and reluctant generally to apply for state aid, they could not have been encouraged when application of some enterprising firms were turned down.⁵⁵

During the war, it was realized that drastic steps were necessary to increase the revenue. Hence in 1917, the general import duty was further raised from 5% to 7 ½ % the cotton excise duties and excise remaining unaltered, at 3 ½ %. Excise duties were imposed on both tea and jute⁵⁶. In 1917, the attitude towards cotton excise was modified. In 1917, the duty on imported cotton piece goods was raised

⁵⁴ Ibid

⁵⁵ G.O. Ms. No. 1166, Revenue (Special) Department, dated 12th June, 1919., T.N.A

⁵⁶ Boag, G.T.- The Madras Presidency, 1881-1931, Madras 1933, PP 81-84

from 3 ½ % to 7 ½ % and the export duty on jute was doubled. It was at this point the first change in policy appeared as the countervailing was left at 3-½%⁵⁷.

One of the results of the war naturally had been to increase the British Empire's share of the aggregate trade of the Madras Presidency. This share was 63 per cent before the War, 75 per cent in 1916-1917 and 81 per cent in 1917-18. The value of imports declined by 2 per cent and that of exports by 27 per cent giving a total decline in trade of 18 per cent. The trade with other countries also declined by 44 per cent⁵⁸. The trade with the United Kingdom represented 40 per cent of the total trade compared with 48 per cent in 1916-1917 and declined by 37 per cent. If the tanned hides and skins shipped under the Government control were included, the fall in the total trade was reduced to 22 per cent. The trade with the British Empire representing 81 per cent of the aggregate trade of the Presidency declined by 18 per cent. The trade with the continent of Europe showed a decline of 73 per cent and the decline occurred mainly by the trade with France and Italy. Smaller trade with the Philippines, Java and Japan resulted in a decrease of 7 per cent in the trade with Asiatic Ports. The trade with Africa declined by Rs. 3.05 lakhs owing to

⁵⁷ Ibid

⁵⁸ Baliga, B.S – Compendium on History of Handloom Industry in Madras, Madras, 1960 PP 143-145.

cessation of exports to reunion and that with America, which was practically confined to the United States of America declined by 45 per cent⁵⁹.

To total value of coastal trade excluding Government transactions improved by 13 per cent. Imports of private merchandise improved slightly by Rs. 1.24 lakhs, larger imports of tanned and rawhides, cotton twist and yarn and kerosene oil having been counterbalanced by smaller imports of grain and pulse and teakwood. Exports rose by 27 per cent, the result of larger shipments of raw cotton, groundnut, coffee and spices⁶⁰.

The relative importance of the trade of the out ports remained much the same as in 1915-1916. Mangalore improved its position from sixth to fifth place at the expense of Calicut. Dhanushkodi was the only port to show an appreciable increase of trade but Mangalore and Cannanore both handled more merchandise than in 1916-1917. The value of the sea-borne trade on account at the port of Madras represented nearly 42 per cent of the trade of the whole Presidency compared with 45 per cent in the previous year and 11 per cent in 1915-16⁶¹.

⁵⁹ Ibid

⁶⁰ Ibid

⁶¹ Madras Administration Reports for the year 1916-1917, PP 64-65

The total revenue receipts for the Presidency increased from Rs.107.86 lakhs to Rs. 115.03 lakhs or by 7 per cent. The total disbursements on account of customs for the whole Presidency amounted to Rs. 6.65 lakhs compared with Rs. 70.01 lakhs in 1916-1917. There were no customs cases of particular importance. The number of offences dealt with under the Sea Customs Act during the year was 936 against 1,494 in the previous year. Penalties realized amounted to Rs. 19,175 against Rs. 27,019 in 1916-17. Five hundred and four cases occurred at Madras and 432 at the out ports⁶².

The dislocation of trade during the war was enormous. The coasting trade, whose recrudescence was the result of the war, had of course suffered severely, freights for timber, for instance, had fallen from Rs. 120 per ton in 1918 to the low figure of Rs. 30. Super dues on exports and imports were still necessary to maintain the solvency of the Port of Madras in view of the depleted volume of trade. The shortage on land naturally affected the movement of products by sea; thus an enormous and unprecedented quantity of Burma rice was imported while no Indian rice was exported owing to the prohibition. There was a notable decrease in imports of sugar owing to the retrial from the market of the Bombay buyers; the

⁶² Ibid

general increase of the value of sea-borne trade over the figures for 1918 was as forty per cent. An interesting feature of the year was the persistent smuggling of gold from the Straits of Settlements in contravention of the prohibition-a business rendered extremely profitable by the prevailing rates of exchange⁶³.

The rise in the price of machinery and restriction on imports with the scarcity of liquid fuel to retard any advance in the mechanical engineering branch. A tendency was there to multiply the installation of small rice milling and other plants beyond the limits of economic conditions and the energies of the department may be devoted to the centralization or combination of such plants rather than to further installations. So far as the unsatisfactory nature of the prevailing conditions had permitted, the activities of the department had been vigorous and comprehensive and the financial results had been everywhere favourable, the soap works presenting a specially promising record⁶⁴.

The cotton mills in the Presidency had nearly 4,100 power looms and 1,95,000 spindles at work and gave employment to about 30,000 operatives. Two of the concerns worked as Joint Stock companies. The number of spinning and

⁶³ Madras Administration Reports for the year 1919-20, PP 64-65

⁶⁴ G.O. Ms. No. 130, Trade and Customs, dated 19th January, 1920, T.N.A

weaving concerns, which were not worked by mechanical power and were therefore not closed as mills decreased by two to four. Handloom weaving was an important cottage industry in the Presidency and the Department of Industries endeavoured as usual to introduce improved methods and machinery amongst the weavers. An investigation was also undertaken into the condition of industry in its technical aspects and to the social and economic condition of the weavers. The three jute mills in the Northern Circars continued to work during this period. Owing to the boom in the leather trade, the number of tanneries increased from 24 to 46 of which three, together with the two leather works came under the Factories Act⁶⁵. There additional leather manufacturing firms had been established in Madras City, and it was probable that the manufacture of finished leather goods would develop considerably in Madras during the next few years and that an export trade in foot-ware might be developed; especially in South Africa where there was a large market for this class of leather goods. The prohibition on the tonnage of sheep and goat skins by the Madras tanners, which had been in force during the great, part of 1917-18 and 1918-19 was removed early in 1919 with the result that certain tanners immediately stopped the input of hides and turned their attention to skins, but owing to the exceedingly high price of raw skins, many continued

⁶⁵ G.O.Ms. No.1111, Revenue (Special), dated 15th June, 1920, T.N.A

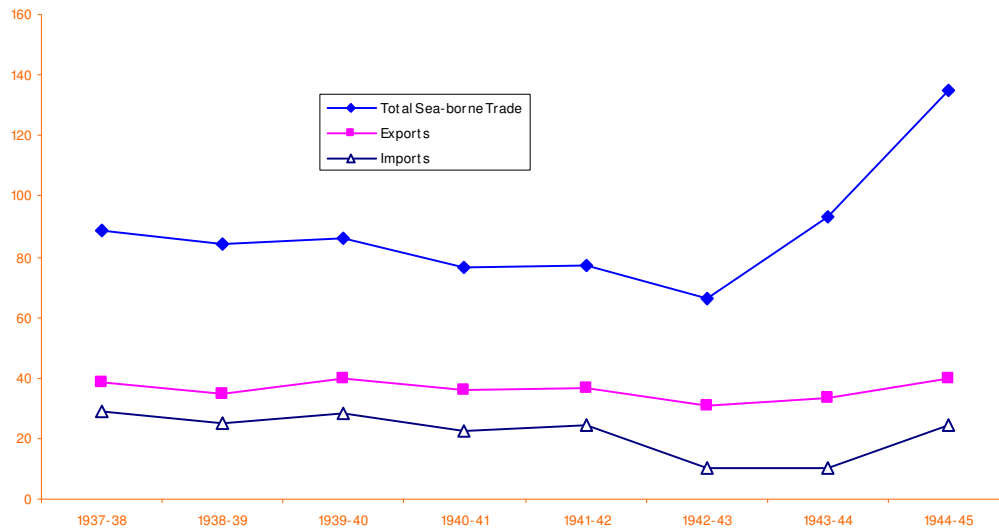
tanning hides and skins so long as they could dispose of them to Government under the scheme of control⁶⁶. An important event of the year in connection with the trade in hides and skins was the passing of an Act by the Government of India imposing a tax of 15 per cent on all hides and skins exported from India but providing for a rebate of 10 per cent on hides and skins as were exported within the British Empire.

The coir industry was represented by 22 concerns as against 18 in the previous year. The number of cotton, ginning and pressing factories remained almost the same as in the previous year. For some time past attention had been devoted to the question of controlling and licensing cotton gins and presses in order to reduce the advantage of the lint which resulted from the bad condition of the small ginneries and to prevent the mixture of short and long staple cotton. The Indian Cotton committee recommended that all ginning and pressing factories should be required to take out licenses and laid down a series of conditions to which such factories should be required to conform. The government of India accepted the Committee's recommendations⁶⁷.

⁶⁶ G.O. Ms. No.829, Revenue (Special), dated 29th April, 1920, T.N.A

⁶⁷ Report of the Department of Industries for 1919-20; See also: G.O. No. 1206 Revenue (special) dated 2nd July 1920, T.N.A.

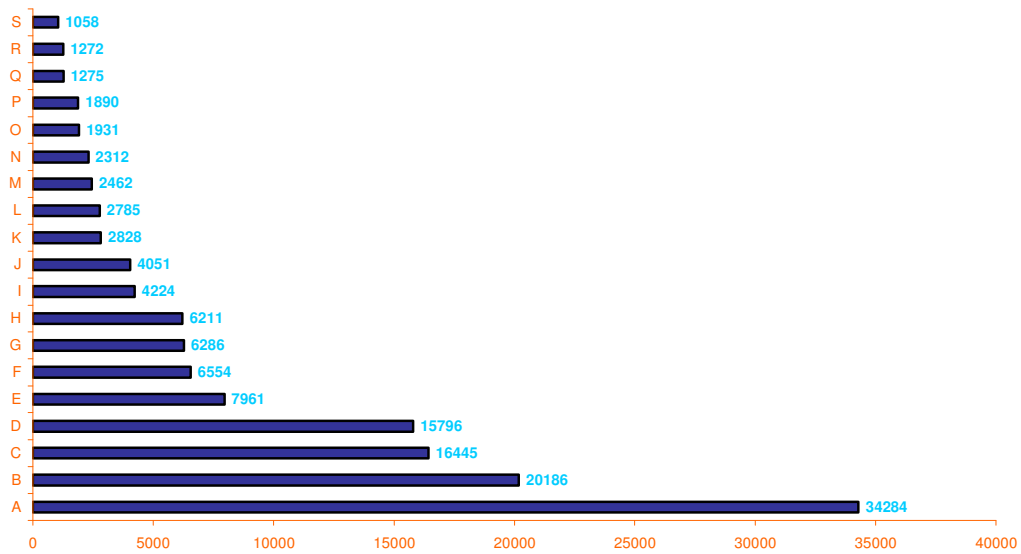
CHART - VIII
SEA - BORNE TRADE 1937 -38 TO 1944-45



Source : Madras Administration Report for the year 1944-45

- A. ORDNANCE FACTORIES
- B. COACH BUILDING AND MOTOR REPAIRING WORKS
- C. ARMY CLOTHING, HOSIERY, SILK AND OTHER TEXTILE FACTORIES
- D. TANNERIES AND LEATHER INDUSTRIES
- E. TOBACCO FACTORIES
- F. SUGAR FACTORIES
- G. ROPE WORKS
- H. CHEMICALS, OIL MILLS BONES AND MANURE WORKS ETC
- I. TEA FACTORIES
- J. GROUDN NUT DECORATICATING, PADDY BOILING, CHEST NUT CURING, CONDIMENTS AND GRAM MILLS
- K. COFFEE CURING WORKS
- L. JUTE MILLS
- M. PRINTING, BOOK BINDING ETC
- N. ENGINEERING INCLUDING ELECTRICAL ENGINEERING ELECTRICAL GENERATING STATIONS, FOUNDRIES MINERAL AND METAL WORKS, Kerosine TINNING AND PACKING ETC
- O. BRICKS AND TILES SAW MILLS, PENCIL AND CABINET WORKS
- P. RICE MILLS
- Q. RAILWAYS AND TRAMWAY WORKSHOPS AND DOCUKYARDS
- R. COTTON GINNING AND BALING PRESSES, JUTE FIBRE AND FORAGE PRESSES
- S. COTTON SINNING, WEAGVING AND OTHER FACTORIES

CHART - I RELATIVE IMPORTANCE OF THE DIFFERENT CLASSES OF FABTORIES
IN MADRS DURING 1931 (VALUE IN LAKHS)



CHAPTER – II

Import and Export trade in the Madras Presidency during 1920-21 was more abnormal than any of the war years, consequent on the dramatic collapse of the European exchanges, the depreciation in the value of rupee as a result of the adverse balance of trade, the accumulation of large stocks bought at high prices by overseas customers and in the first year of 1921-22, the reduced purchasing power of the country consequent on the unsatisfactory monsoon of the previous year coupled with the high price of imported goods presented absorption of the heavy stocks in the market. Owing to the increase in the general rate of import duty and imposition of enhanced duties on luxuries, fresh imports received a check. The export trade failed to come up to general expectations. In the next two years, the trade of the Presidency was passing through a period of recuperation and although under the stimulus of high prices, the value of the export trade expanded above 10 crores of rupees, the value of imports declined by over 1 ½ crores of rupees⁶⁸. The depression in Europe generally restricted the Presidency's outlet for produce and in turn diminished her purchasing power.

⁶⁸ G.O.No. 310 *Trade and Customs*, dated 15.12.1921;
G.O.No. 372, *Trade and Customs* dated 27.12.1922. T.N.A.

The year 1924-25 witnessed a further expansion in the export trade owing to fairly good crops in that year, the large demand for them as a result of the improved economic conditions in buying countries and the consequential rise in the prices of most of the exported produce while a partial revival in the export trade also was in evidence. In the next year, the import trade in most articles was depressed despite favourable exchange and the tendency of the fall in prices considerably restricted imports, especially cotton piece goods, the price paid by the consumer was still above the general average before the war. In the case of exports, however, there was satisfactory progress. The prosperity of the rubber and tea industries and the large crops of groundnut and cotton were contributory factors. Exports in many staple articles were adversely affected by the depreciation of the franc. Consequent on a market improvement in the imports of cotton manufacture, sugar, dyes and colours, machinery and work, paper and paste board, there was an expansion in the foreign import trade of the year 1926-27⁶⁹. The total value of this trade would no doubt have been still higher, had the world prices of staple articles such as cotton, sugar and steel remained at the previous year's level and had not the coal strike in Britain retarded the forward progress of the cotton steel and other industries of that country. On the other hand, there was an

⁶⁹ G.O. No. 313 Revenue (Special), dated 20.01.19256, T.B.A; *The Samarasa Bhodhini* (Tanjore), 7th Jan 1926, NNR.

appreciable decline in the foreign export trade by over 6 crores, chiefly under cotton and groundnuts, owing to the competition resulting from a plentiful supply of cheap American cotton in the case of former (cotton) and unsettled state of the continental exchanges, the difficulty of securing freights owing to the coal strike in England⁷⁰.

In the next two years, the trade assumed prosperous dimensions. Exports and imports in the year 1928 – 29 in particular attained a level (4,659 and 2,759 lakhs respectively) never reached previously or subsequently. This was due to a general stability in the financial condition of the world, a stable exchange and a comparatively good supply of freight at reasonable rates. The year 1929-30, however, showed a slight dimension in the foreign trade of the Presidency⁷¹. In the beginning of the year 1928-29, the conditions appeared favourable for a steady development in trade, but these hopes were not fulfilled owing to phenomenal financial stringency in the chief money markets of the world brought about by over speculation and the resultant failure and adverse effects on credit and purchasing power. It was, however, only in the year 1930-31 judging from the trade figures that the effects of the world-wide depression made themselves fully felt and unfortunately for this country, certain additional factors such as Civil Disobedience

⁷⁰ G.O.No.321, Trade and Customs dated 27.01.1928, T.N.A.

⁷¹ *Census of India* 1931, Vol.XIV, Madras Report, Part I, pp 216-217.

Movement and boycott of British goods accentuated further and the general economic distress⁷².

The Madras Presidency in common with the rest of the world had since been passing through a period of unprecedented economic depression and like all producers, of primary products had suffered severely from the fall in prices. Following Great Britain's departure from the gold standard in September 1931 and the linking of the rupee with the depreciated sterling, there was an immediate rise in price of all principal commodities and this afforded a definite stimulus to the export trade. It was though in some quarters that the improvement was a sign of better times but more cautious observers took the spirit of optimism but there had been a definite retrogression in the situation. Practically all commodities had declined in price during the last few months. Tanned hides, one of the principal exports of the Presidency, had actually declined below the September level. The production of agricultural products seemed to have run ahead of demand and the real problem was the correct of oversupply extending over a wide range of commodities. The rise in the value of gold and as a corollary, the fall in prices of commodities was still further accentuated by the unfortunate position of the counties engaged in primary production. The general basis of world prosperity

⁷² *Ibid.* Part II, pp 224-225.

undoubtedly was in a satisfactory level of commodity values whereby the primary produced could earn satisfactory profits, but this could only be affected when excess production was overtaken by an increase in consumption and the expansion of consumer's demand which was so greatly desired. It would be folly to overlook or minimize the gravity of the present situation. It would be also unwise to exaggerate it for there was no instance in economic history of a crisis that was not followed by a period of stability and prosperity. The long delayed improvement came and India became one of the first countries to spare it⁷³.

COTTON

It will be seen from the following statement which shows the area on which cotton was grown during the last ten years, with the weight and volume of the cotton exported, that the value of the export trade had undergone considerable fluctuations during the period⁷⁴.

In the Madras Presidency, the cultivation of cotton was largely carried on in the districts of Tirunelveli, Ramnad, Madurai, Coimbatore, Tiruchirapalli, Salem, Cuddapah, Anantapur, Bellary, Nellore, Kurnool, Guntur, Kirshna, Godawari and Vizagapattnam. The trade name of the several varieties grown were 'Cambodias',

⁷³ *The Indian Annual Register*, Calcutta, 1931, Vol.I, pp 434-435.

⁷⁴ G.O.Ms. No. 805, *Trade and Customs*, dated 13.06.1932, T.N.A.,

‘Tinnevellies’, ‘Salem’, ‘Northerns’ and ‘Western’ and ‘Coconadas’. ‘Cambodia’ were grown in Tiruchirapalli and portions of Coimbatore and Madura, ‘Tinnevellies’ in Tinnevelly, ‘Salems’ (Uppam) in Salem and portions of Coimbatore, ‘Northerns’ and ‘Westerns’ in Bellary, Kurnool, Anantapur, Cuddapah and Chittoor and ‘Cocanadas’ in Krishna and Guntur. Of the Southern India Cotton, ‘Tinnevellies’ were well situated for the production of 40s counts and below, while others were suitable for 24s counts and below. The ‘Northern’ staple was 7/8s, the ‘Eastern’ 3/4s, the Cocnada 5/8s, the Karunganni 7/8s, the Tinneveli 3/4s and 7/8s and the Salem 3/4s. There were about 2,500,000 acres of land and normally the yield was about 5,00,000 bales of 400 Lb each⁷⁵.

There were 28,905 persons engaged in cotton ginning, cleaning and pressing in 1931 while the corresponding figures for 1921 was 20,844 representing an increase of about 40 per cent. The number of ginning factories and presses in the Madras Presidency coming under the Factories Acts was 424 in 1931 against 205 in 1921⁷⁶.

⁷⁵ G.O. Ms. No.153, *Trade and Customs*, dated 02.02.1932, T.N.A.,

⁷⁶ G.O. Ms. No.637, *Trade and Customs*, dated 09.05.1932, T.N.A.,

The industry of hand spinning was as old as the Vedas and had been in existence from time immemorial. Hand spinning was still largely carried on in the coir, wool and industries. As regards cotton, however, when cheap and superior mill-made yarns were placed on the market, the handloom weavers gradually abandoned the use of hand-spun yarn. Hand spinning of cotton then ceased to be a remunerative occupation and consequently fell into destitute. In the last decade, however, there had been a partial revival of cotton hand-spinning industry. It was estimated by the 'All India Spinners Association' that in 1930-31, Khadi was produced in the Madras Presidency (Andhiradesam, Tamilnad and Keraladesa) to the value of Rs.31,08,302 out of a production for the whole of India valued at Rs.57,81,952. Taking 6 annas per yard as the average cost price or 2½ yards per rupee, the production of khadi in the Presidency amounted to 8,448,800 yards. The industry of hand-spinning was carried on chiefly in the districts of Cuddapah, Karnool, Anantapur, Ramand, Madura, Tinnevelly, South Kanara, Salem, Guntur, Tanjore, South Arcot, Chittoor, Krishna, West Godawari, East Godawari, Nellore, Vizagapattnam and Ganjam. Generally in the Ceded Districts and Northern Circars, the industry was more developed than in the southern districts.

The average annual imports of Madras during the last few years had been 7 million pounds of yarn and 70 million yards of cotton piece goods. The following table shows the progress made by the mill industry since 1919.

Statement showing the progress of Cotton Spinning and Weaving Mill Industry:

Year	Number of Mills	Number of Looms	Number of Spindles	Number of hands employed daily
1919	12	423,232	2,727	24,118
1929	23	775,928	5,233	32,866
1930	-	-	-	-
1931	25	-	5,493	-

(Sources – Report on the Administration of the Madras Presidency for the year 1919 to 1931).

The textile cotton industry of the Madras Presidency afforded a means of subsistence to a large number of people and ranked in importance and magnitude next only to agriculture. Except the Nilgiris, all other districts of the Presidency

were handloom-weaving areas. Fourteen districts contained more than 10,000 looms each⁷⁷.

The various classes of people engaged in the industry from time immemorial were Devangar, Sourashtras, Kaikolas and Padmasalis and also the depressed classes and the industry provided work for men, women and children. The importance of the industry to the Presidency can be gathered from the fact that although there were only 1,69,451 looms in the Madras Presidency in 1921 out of a total of nearly two million looms in the whole of India, the consumption of yarn in the province was only a little less than one quarter of that the whole of India in the decade ending with the year 1920-21 and an increase of 15 per cent to 1,73,474 in 1931⁷⁸

There were twenty Hosiery factories in the Presidency which were generally run by power⁷⁹. The more important factories were situated in Malabar and at Karur and Salem, the Malabar and Karur concerns manufacturing mainly net banians while those at Salem were engaged mainly on the manufacture of knitted

⁷⁷ *Annual Report, Department of Industries*, 1919-1931.

⁷⁸ N.G. Ranga, *The Cotton Mill Industry to the Madras Presidency – The Indian Journal of Economics*” Vol.XI, 1930-1931.

⁷⁹ *Ibid*

banians. The factories appeared to be fairly well employed as although they experienced severe competition from the cheap and inferior Japanese goods some benefit was derived from the preference shown for the Swadeshi article. Competition was, however, very keen and prices were often non remunerative to the manufacturers. Consignments of hosiery goods were frequently forwarded by manufacturers for payment as and when they were sold and sales conducted on these lines were expensive. The market for hosiery goods in India was a growing one, only the fringe of the potential demand having yet been touched. India was Japan's principal customer for knitted goods⁸⁰.

Certain places in the Presidency had attained a reputation for dyeing different kinds of fabrics and in select colours; Kumbakonam and Conjeevaram for dyeing silk and artificial silk, Nagapatnam for its black dye, Madura for certain fast bright red and its Chungadi sarees and Saya Veshties and Coconada and Nellore for certain kinds of dyed clothes. The location of the industry in particular places had been chiefly due to the patronage of the rich in the neighbourhood and the facilities available, particularly, the suitability of water in the area for dyeing purposes. The classes of people engaged in the industry were chiefly Telugu,

⁸⁰ *Ranga*, N.G. Opct, p.50

Baliya and Kapu in the northern districts, washerman in Godawari and Vizagapatnam District, Rangarajus or Rangaries in the central districts and several classes, eg. Mudaliyas, Yadavars, Banias, Nattars, Woddars, Pallas etc., in northern districts⁸¹.

The jute grown in the Madras Presidency was not the crochorus variety but Deccan hemp. The area under this variety had averaged about 65,0000 acres of which Vizagapatnam District contributed about 75 percent Guntur District over 15 per cent. There were two jute mills in 1921 in Chuttivasal and Ellore; the mill at Nellimaria was not started until 1922 while at Guntur which was started in 1904, was not working at the time of 1911. The number of looms and spindles employed in these four mills at the close of 1930-31 was 941 and 20,394 spindles, giving employment to nearly 6,500 hands an increase of about 4,000 over the figure for 1921⁸².

The importance of the tanning industry to the Madras Presidency may be gauged from the fact that there were 400 to 500 tanneries giving employment in normal times to about 40,000 hand with an estimated wages roll of over Rs.95

⁸¹ Bhogendranath, N.C., *Development of the Textile Industry in Madras* (Upto 1950), Madras, 1957, pp12.

⁸² *Annual Report*, Department of Industries, 1921-1931.

lakhs per annum. Tanned hides and skins had been one of the most important exports of Madras ever since the figures of sea-borne trade were published. The trade during the previous decade had been abnormal in many respects owing to the effects of the war⁸³.

The production of cashewnut kernels was an important industry on the west and east coasts, particularly the former, Mangalore being the chief centre. The production of raw nuts in South Kanara was estimated of about 70,000 to 80,000 bags of 140lbs., each, while an equal quantity was produced in the adjacent parts of Malabar, Cochin and Travancore some of which was imported into Mangalore. The East Coast districts accounted for 50,000 bags, while Goa and Coastal tracts of Bombay Presidency probably accounted for 110,000 bags⁸⁴. The total production in India of Cashewnut was therefore about 300,000 bags. The requirements of the industry in Mangalore alone were stated to be about 200,000 to 300,000 bags, the deficiency was made good by the importation of African nuts which came into the Mangalore market from December to April., i.e., when the Indian crop was exhausted and thus served to keep the factories going throughout the year. There were five or six factories in Mangalore engaged in the industry which provide

⁸³ *Census of India*, 1931, Vol. XIV, Madras Report, Part II, Page 232.

⁸⁴ *Ibid.*, pp.235

deployment for about 4,000 persons, mostly women and the annual wage amounted to about 4½ lakhs of rupees. This industry had shown marked development during the decade as will be seen from the table below which shows the total exports of cashew kernels for the past ten years⁸⁵.

Exports of Cashew Kernels from Mangalore Port

Year	Quantity Cwt	Year	Quantity Cwt	Year	Quantity Cwt
1922	10,637	1925	16,671	1928	26,063
1923	8,735	1926	13,533	1929	26,432
1924	9,586	1927	19,546	1930	30,733
				1931	37,663

(Sources: Report on the Administration of the Madras Presidency for the years 1922-1931).

The above figures did not, however, represent the total production of cashewnut kernels in Mangalore, since during the south-west monsoon when the port of Mangalore was closed; a considerable quantity of cashew kernels was railed to Cochin and other parts for shipment⁸⁶.

⁸⁵ *Census of India*, 1931, Vol.XIV, Madras Report, Part II, pp.222-223.

⁸⁶ Bhoag G.T., - *The Madras Presidency*, 1881-1931, Madras, 1933, pp.207-209.

The expression, “coconuts, the consols of the East” aptly indicates the value placed on the products of the coconut palm and the part these play in the economic life of the people in several parts on South India, Ceylon, etc., for there is or was no essential requirement of the people which some part of it cannot or could not supply. Apart from several uses of the chief products, viz., coir, copra, coconut oil and oil cake, the hollowed trunk serves as a canoe, the nut forms a staple article of diet and a very wholesome one, the leaves may be used for many of the purposes of paper, are frequently employed as thatch and for the manufacture of brooms, baskets, umbrellas, tattis and fans and utilized as crude torches in a dried form or burnt as fuel or for manufacture. The shell is also used as fuel either as it is or in the form of charcoal. The fresh or fermented juice of the stem is consumed as a beverage, by evaporation it is made into jaggery and by subsequent treatment refined sugar is obtained. When distilled, the toddy becomes spirit or arrack and finally vinegar. The jaggery is not in frequently mixed with lime to make a strong ferment which takes into fine polish and so on⁸⁷.

The area under coconuts in the Presidency had averaged over 550,000 acres during the last ten years vide statement of acreage given below:

⁸⁷ *South India Chamber of Commerce*, Golden Jubilee – 1910 – 1960 (SICC, 1961) Madras, Page 223.

Year	Acs	Year	Acs	Year	Acs
1921-22	559,404	1925-26	555,465	1929-30	576,083
1922-23	543,263	1926-27	552,815	1930-31	565,971
1923-24	520,552	1927-28	557,102		
1924-25	525,445	1928-29	570,330		

(Source: Report on the Administration of the Madras Presidency for the year 1921-22 to 1930-31)

Malabar, South Kanara, East Godawari and Tanjore were in order of importance, the chief districts growing coconut⁸⁸.

During 1921, the pride of place among coconut products exported was held by Copra, but in 1931, the first position had been taken by Coir and Coir products.

Table-shows the export of coir (unmanufactured) during the last ten years⁸⁹

⁸⁸ G.O. M.S.No.798, *Trade and Customs*, dated 11.06.1932 – T.N.A.,

⁸⁹ G.O.Ms.No.1116, *Trade and Customs*, dated 17.07.1932, T.N.A.,

Coir (Unmanufactured) - Foreign Trade

Year	Quantity Tons	Value (Rs)	Year	Quantity Tons	Value (Rs)
1922-23	460	1,11,816	1926-27	245	75,290
1923-24	368	87,481	1927-28	194	57,088
1924-25	340	84,481	1928-29	3.34	1,02,327
1925-26	397	1,09,141	1929-30	229	75,147
			1930-31	190	60,004

(Source: Report on the Administration of the Madras Presidency for the year 1922-23 to 1930-31, TNA)

Table II

Foreign			Coastwise	
Year	Quantity	Value	Quantity	Value
1921-22	27,208	90,14,937	15,378	31,20,360
1922-23	32,575	1,07,41,614	13,478	26,16,890
1923-24	31,163	1,00,88,531	15,151	30,26,385
1924-25	36,286	1,20,25,754	13,002	25,46,793
1925-26	29,561	1,05,83,341	13,875	31,37,894
1926-27	27,655	97,99,076	13,023	28,85,819
1927-28	33,069	1,11,56,924	13,538	28,82,385
1928-29	31,767	1,03,97,287	13,533	29,32,065
1929-30	31,176	1,02,54,195	-	-
1930-31	25,862	87.13 lakhs	-	-

(Source: Report on the Administration of the Madras Presidency for the year 1922-23-1930-31, T.N.A.,)

The United Kingdom and Belgium were the Chief importers of Coir (unmanufactured) while manufacture a coir was mainly utilized by Germany, the United Kingdom Netherlands, Belgium, France, Italy and the United States of America. It will be seen that foreign exporters alone of manufactured coir had exceeded Rs.1 crore in value, except in three years, while the value of coastwise exports had always been over 25 lakhs. Cochin and Calicut were the principal ports of shipment, the former accounting for about 80 percent and the later for almost the entire balance. Foreign and coastwise exports of coir rope and the cordage had averaged about 10 lakhs of rupees in value, cordage preponderating⁹⁰.

The production of coffee in India was confined to Mysore, Madras, Coorg, Cochin and Travancore in the order of importance, the Madras share being less than one-fourth of the total. The following statement shows the production and export of coffee in the Presidency during the decade.

⁹⁰ G.O.Ms. No.1173, *Trade and Customs*, dated 1718/1932, T.N.A.,

PRODUCTION AND EXPORTS OF COFFEE

Year	Acres	Production of cured coffee LBS	Export CWT	Value of exports Rs.(lakhs)
1921-22	25,655	5,163,158	219,153	129.86
1922-23	27,452	7,642,406	162,045	119.63
1923-24	38,487	3,598,396	208,885	152.59
1924-25	34,235	9,669,289	235,135	202.62
1925-26	35,430	4,525,736	196,638	178.22
1926-27	37,173	6,914,970	145,244	128.48
1927-28	38,159	11,533,164	270,495	226.88
1928-29	38,104	4,827,302	193,432	165.77
1929-30	37,583	8,068,408	179,730	141.87
1930-31	38,377	-	287,414	188.35

The area had increased by about 50 per cent within the last 10 years. Production had also increased, the output during the first five years of the decade being slightly less than that for the next four years. The Nilgiris, Salem, Madurai, Malabar and Coimbatore were the important coffee growing districts⁹¹. The exports in 1930-31 were highest in quantity but the pride of place in regard to the

⁹¹ G.O. Ms. No.1392, *Trade and Customs*, dated 01.09.1932, T.N.A.,

value of coffee exported belonged to 1927-28 in which year, the value was higher by 38 lakhs although the quantity was less by 17,000 cwt. The United Kingdom and France were the important customers, Germany, Netherlands, Norway, Belgium, Iraq, Bahrein, Islands, etc., taking smaller quantities. Trade also had suffered greatly during the last few years of the decade owing to the trade depression, a heavy fall in the price having occurred owing to the inability of Brazil to maintain its valorization scheme in the face of economic causes⁹².

Machinery imports and Mill work afforded a reliable index of the industrial development of the Presidency. Of the machinery imported, textile and electrical machinery and prime movers were the most important. The average imports of these classes had been 42,40 and 24 lakhs during the decade. The other machinery and mill stores imported included sewing and knitting machines, belting for machinery, boilers, tea machinery, rice and flour machinery, typewriters and agricultural machinery⁹³.

The Depression affected trade and commerce. Industrial production in the world decreased almost without a break from the last quarter of 1929 to the middle

⁹² G.O. Ms. No.1209, *Trade and Customs*, dated 10.06.1932, T.N.A.,

⁹³ *Census of India, 1931*, Vol. XIV, Madras Report, Part II, p.234

of 1932. But in India, the Depression did not have the same effect on industry as in many industrial sectors. During this period, industrial production in India did not contract but increased in some cases. At a national level, cotton, sugar, steel and cement industries expanded rapidly, while in Madras, cotton, sugar and banking were the growing industries. But the same was not the case with small-scale and cottage industries. Hosiery, tanning, matches and handlooms had to face rough weather in this period⁹⁴.

P.J. Thomas, an economist in the University of Madras at that time, noted that the period 1928-29 to 1936-37 was one of great industrial activity, with production of cotton piece goods increasing of 89 percent, sugar by 1,016 percent pig iron by 213 percent and steel by 151 percent⁹⁵. D.R. Gadgil also observed like thus 'Indian Capital has become distinctly bolder during the period (1929-39) and with large investment facilities available, more of it being sunk in the industrial enterprises⁹⁶.

The striking industrial growth of this period can be attributed to a variety of causes. The most important was the discriminating protection given to a select

⁹⁴ *Economic Depression Enquiry Report*, Madras, 1930 Part I & II, pp.179-181, 185-187.

⁹⁵ Thomas P.J., - *Papers on Currency and Depression*, Madras, University of Madras, 1985, pp.241.

⁹⁶ Gadgil, D.R., - *Industrial Evolution of India in Recent Times*, London, Oxford University Press, 1954, Pp 304.

number of industries. On the basis of the recommendations of the Tariff Board set up in 1923, the Government had granted specific protection to nine industries, namely, steel, cotton textiles, sericulture, paper, sugar, silver, thread and wire, magnesium chloride, heavy chemicals and matches⁹⁷. The protective measures were considered to have paved the way for a marked growth in industrial sectors, but the available studies indicate that hardly any Indian firm gained from it. Besides, industrial development of colonies was still anathema to the British Government, as it was beginning to feel threatened by the reports of such, developed in the wake of the Depression.

There was no change of policy until 1939, and imperial interests continued to govern England's policy towards colonies. Therefore, industrial growth in the Presidency occurred mainly because of certain special conditions created by the Depression. First, owing to the steep fall in prices of agricultural goods, raw materials were available at very low prices, second, faced with all round unemployment, labour was willing to work for subsistence wages. Third, money was available at low rates of interest, as funds lying with banks sought an outlet. The bank rate of interest stood at 8 percent in November 1931 to 3.5 per cent⁹⁸. A

⁹⁷ Narayanasamy Naidu, B.V. – Edited – *Indian Trade*. Annamalai University Economic Series No.9, Annamalai Nagar, Annamalai University, 1942, pp.171-173.

⁹⁸ Thomas, P.J. Op. Cit, Page 240

further condition was that the rupee's high exchange rate enabled the manufacturers to obtain machinery and other essential imports at comparatively cheap prices, this was especially at the time. Finally, the real income of fixed income groups, such as rented classes, high government officials and chieftains of the princely states had increased greatly due to the Depression and the fall in prices. They were able to save a large amount of their income and invest it in banks and industries⁹⁹

In the Madras Presidency, under the system of diarchy industry had become a provincial subject, which enabled the government to actively participate in industrial enterprise. The introduction of cheap electric power through hydro electric schemes, such as the Pykara Hydro electric scheme and Mettur Project, helped the industrialists who already had an abundant supply of cheap labour. During the Depression the wage rates were very low on account of falling prices, and there was flooding of the labour market with workers repatriated from Burma, Malaya and Ceylon¹⁰⁰. Another factor that encouraged the growth of industry was the agricultural depression leading to an extreme degree of indebtedness of peasants.

⁹⁹ Narain, Lakshmi, *Price Movements in India*, 1929-1957, Meerut: Shri Prakasham Publishers, 1957, pp34-35

¹⁰⁰ Baker, C.J. - *The Politics of South India. (1920-1937)* New Delhi, Vikas Publishing House, 1976, P. 184

Many men with liquid capital to employ found lending to peasants risky and thus transferred their attention to industry¹⁰¹

The census of India in 1931 noted the industrial developments that were taking place in the Madras Province. The companies to come up first were those set up for the transmission of electricity to the towns of the province. Then came the petroleum distribution companies, banks, insurance companies cotton, sugar and jute mills and cinema enterprises.¹⁰² While the depression was paralysing agriculture and trade in the Presidency, the number of industrial undertakings registered kept increasing every year. The aggregate joint stock capital in the province grew by 37.2 percent between 1935 and 1940, five times faster over the previous twenty years. The newly registered joint stock companies in Madras between 1928-29 and 1936-37 are shown in table.

¹⁰¹ Amitya Kumar, Bagchi, - *Private Investment in India (1900-1939)*, New Delhi, Logman, 1982, p.

¹⁰² 210
The Indian Annual Register. 1933. Vol II Calcutta: p. 419

Year	Total	Banking and credit	Insurance	Transport	Trade & manufacture	% of total	Cotton mills	Other mills	Sugar mills	Others
1928-29	64	9	5	9	20	31.25	4	3	-	14
1929-30	98	9	18	8	19	19.39	3	4	-	14
1930-31	109	27	7	11	40	36.70	-	5	-	19
1931-32	93	27	10	7	38	40.86	2	3	-	6
1932-33	146	38	33	6	8	32.33	5	3	-	13
1933-34	159	34	24	6	61	38.86	3	8	4	19
1934-35	189	44	12	17	86	45.50	8	9	2	11
1935-36	174	34	4	5	75	43.10	14	5	3	34
1936-37	235	39	8	10	112	47.66	4	8	2	52

Cotton and sugar industries recorded remarkable growth during the period. In 1929-30, there were only nineteen spinning and weaving mills in the Presidency, with 697,564 spindles and 5,039 looms at work. But by 1937, there were forty-seven mills at work with 1,134,222 spindles and 5,866 looms¹⁰³

The history of the textile industries in Madras dates back to the later half of the nineteenth century. But the greatest expansion of industry seems to have taken place during the nineteen thirties, as the equipment of mills and the labour force employed increased.

¹⁰³ *Annual Report. Department of Industries. 1929 to 1937.* P - 17
The Swadesamitran (Madras), 2nd September 1936, NNR
The Andhra Patrika (Madras), 7th September 1936, NNR

Progress of textile industry in Madras Presidency

Year	No of mills	Capital (in Rs. Million)	Looms	Spindles	Labourers
1929-30	20 (100)	24.62 (100)	4,039 (100)	697,564 (100)	34,513 (100)
1930-31	22 (HO)	29.61 (120)	5,033 (100)	753,520 (108)	34,670 (107)
1031-32	24 (120)	27.65 (112)	5,143 (102)	714,404 (102)	37,872 (116)
1032-33	23 (115)	28.33 (115)	5,13 (102)	794,564 (114)	38,769 (119)
1933-34	29 (145)	30.30 (123)	4,083 (81)	846,230 (121)	41,208 (127)

(Source: Report on the Administration of the Madras Presidency for the years 1929-30, 1933-34)

Twenty nine mills and ginning factories were floated in Coimbatore area during 1929-37. Coimbatore began to function as the chief centre of the Cotton Textile Industry in Madras. As the number of cotton mills in Coimbatore increased, several adjoining towns also registered growth. Tirupur, for instance, emerged as the major cotton mart in Coimbatore district¹⁰⁴. Two

¹⁰⁴ Baker, C.J. - Op. Cit, p. 190

cotton mills, namely, Sri Ramalinga Choodambigai Mills and Dhanalakshmi Mills Limited, had come into being in Tirupur during the Depression.

In 1932, the Tariff Board recommended a protective tariff which the Government adopted for the sugar industry. Within the next five years, the industry grew at a very rapid rate. The number of sugar factories in the Presidency rose from two or eleven between 1934-35 and 1936. In Tamilnadu, the Coimbatore Lakshmi Sugar Mill, an old sugar refinery at Podanur was reconstructed during 1933-34 re-equipped with a cane-crushing plant. During 1936-37, the Southern India sugar Company Ltd, in the Karur area and the Srimathi Sugar Mills Ltd., in the Lalgudi area of Tiruchirapalli district were started.¹⁰⁵

A cement factory started at Madukkarai in Coimbatore district in 1932 gave fillip to the industry in the state.¹⁰⁶ The Mettur Chemicals and Industrial Corporation Ltd, established in 1937, undertook production of caustic soda.¹⁰⁷ The Indian Steel Rolling Mills was started at Nagapattinam for the manufacture of Steel in 1933-34.

¹⁰⁵ *Annual Report, Department of Industries, 1933-34*. Ibid-1936-37, P- 34 The Hindu (Madras), 20th Century, 1936, NNR

¹⁰⁶ Natarajan, K.V - *Economic and Financial condition of the Presidency, Madras State*. (M.Litt, Dis. University of Madras, 1956). P. 76

¹⁰⁷ *Ibid*

The number of oil presses in the Presidency increased from 34 to 238 between 1931 and 1938¹⁰⁸ A survey undertaken in 1939 found 153 full time groundnut dealers in the groundnut cultivating areas. These dealers who survived the crash invested in groundnut decorticating plants. In Salem there was an enormous increase in the construction of groundnut decorticating mills.¹⁰⁹ The oil mill industry was hit in view of the low prices prevailing for all varieties of vegetable oils. Several mills either stopped working or reduced their output considerably. The price of coconut oil declined from Rs. 387 to Rs. 287.

The aggregate value of the sea borne trade, foreign trade in private merchandise and treasure imports, exports and the coasting trade declined and contracted considerably in the Madras Presidency during 1930 and 1931 due to smaller arrivals of principal articles of merchandise, though these were counter balanced by increased arrivals of mineral oils, instruments, apparatus, appliances and parts of those artificial silk, grain, pulse and flour. The decline was due to world trade Depression, fall in prices, the Non-Cooperation and Civil Disobedience Movements in India throughout the period and the inability of certain foreign exchanges and the suspension of the gold standard by Great Britain. But during the

¹⁰⁸ Baker, C.J. - *An Indian Rural Economy (1880-1955)*. Tamilnadu Countrywide Oxford University, 1984, p. 373.

¹⁰⁹ Baker, C.J. - *Politics of South India. (1920-1937)*, New Delhi 1976, P. 186.

year 1932, there was an increase. The increase was noticed in every variety and was chiefly due to the suspension of the Non-Co-operation and Civil Disobedience Movements.¹¹⁰

During 1933 and 1934, there was an increase of sea-borne trade, Government transactions, foreign trade in private merchandise and treasure, import, export and coasting trade due to large receipts of grain, pulse and flour, metals and ores, cotton twist and yarn, manures, vehicles, instruments, apparatus and appliances, dyeing and tanning substances, spices and artificial silk, partly set off by large decreases in silk, raw and manufactured sugar.¹¹¹

The United Kingdom was the principal supplier in iron and steel and other suppliers were, as usual, Belgium, Sweden and Germany. The United States of America and Canada also increased their supplies of cars.

The aggregate value of the sea-borne trade, government transactions, foreign trade in private merchandise and treasures (excepting coasting trade) during 1935 and 1937 shows a decreased as a result of the fall in receipts of grain, chiefly rice and paddy and consequent on the imposition of duty on broken rice. The United

¹¹⁰ Report on the Administration of the Madras Presidency for the years, 1931,1932 and 1933. P. X; P XII, P.

X

¹¹¹ *Proceedings of the Madras Chamber of Commerce 1933 and 1934 (Madras)* PP 27-29; 33-35;
The Swadesamitran, (Madras), 5th May 1934, NNR;
The Swathanthrasaneu (Madras), 8th May, 1934, NNR.

Kingdom continued to be the principal supplier in iron and steel and the other suppliers were Belgium, Germany, Sweden, Japan and France. The Swadeshi spirit in India encouraged and helped the expansion of trade. But the tide turned the Presidency along with other countries experienced a reversal of conditions in the course of the year 1937-1938. During this period in the Presidency in respect of sea-borne trade, import and export and coasting trade fell.¹¹²

The administrative report for the year 1929-30 stated that the seaborne trade of the Presidency had decreased by almost two million rupees during the first eleven months of the year. Surveying the conditions of trade and industries for the year 1929, the President of the South Indian Chamber of Commerce in his annual report observed thus:

“I feel that the conditions of the past year (1929) present a picture of unredeemed gloom in almost all sections of trade, commerce and industry. “.....” A most disappointing circumstance during the past year was the continuous fall in prices all around much more in the case of our export goods than in imported articles”.

¹¹² *Report on the administration of the Madras Presidency for the years, 1935, 1936, 1937 and 1938*, Pp. 137-138, 145-147, 150-151, 155-157;
The Dhinamani (Madras) 22nd April, 1935, NNR
The Hindu, (Madras), 16th July, 1935, NNR.

The administrative report of the Madras Presidency for 1930-31 provides a vivid account of Depression.

“Importers generally suffered a heavy fall in their turn over while European business houses, especially those dealing in piece goods, either suffered heavy losses or fared more than in 1929-30. Exporters of tanned skins and hides were hard hit by the imposition of an import duty of 10 percent by the United States of America without corresponding duty on hides....”

“There was little export trade in rice to Ceylon, owing to the continuous fall in the price of paddy and the competition of Burma and Saigon dealers. Several rice mills remained closed for considerable periods on this account.”

The history of foreign trade of the Presidency from 1929 to 1937 provides sufficient testimony to the fact that it was foreign trade, which acted as the most effective and disastrous channel through which the world slump transmitted its effect to the Madras economy.

Business in cotton, yarn and piece goods suffered severally on account of the big fall in prices and some of the ginning factories also had to be closed. Business in

groundnuts was also not generally profitable. Weaving and other allied industries were severely affected by the economic Depression.

The conditions created by the Depression in the Madras Presidency such as availability of raw materials at low prices, cheap labour and low rates of interest for the money lent by banks, all proved to be conducive to the growth of certain industries. Cotton, sugar and banking industries registered commendable advances during the inter war period.

Though the Presidency witnessed industrial development, handloom, cottage and small-scale sectors had a trying time. The government's taxation policy turned out to be disastrous to those sectors. When the tanners were demanding high export duty on raw skins and hides, the government abolished the duty much against Indian interest. An excise duty levied on matches crippled the industry and the Government's protective tariffs extended to Indian textile mills affected the handloom sector. A large number of weavers in handloom centres and labourers in small industrial establishments lost their jobs. In large factories, the workers had to suffer wage cuts. Instead of taking offence the working class, in face of the acute crisis, remained passive. Even the strikes and struggles launched by the organized labour unions were of short duration, fizzling out in the end.

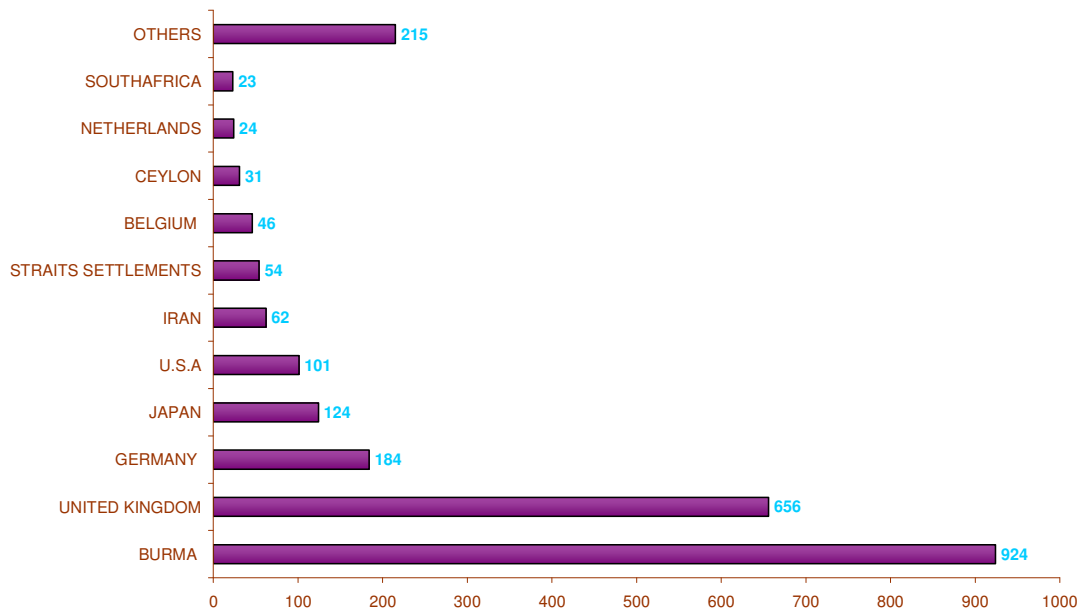
TRADE STATISTICS (1930-39)

(Rs. In crores)

S.No	Year	Sea-Borne Trade (Crores)	Govt. Transactions	Foreign Trade in private Merchandise (value in Rs.) (Crores)	Import (Crores)	Export (Crores)	Coasting Trade (Crores)
1	1930-31	87.83	10.79 crores	19.56	24.80	32.85	4.45
2	1931-32	71.49	50.19 crores	13.34	43.81	26.83	3.10
3	1932-33	72.00	23.73 crores	0.73	16.10	28.15	27.15
4	1933-34	70.04	22.55 lakhs	14.71	15.31	27.3	1.07
5	1934-35	76.98	19.86 lakhs	44.46	17.75	26.71	32.29
6	1935-36	76.10	21.21 lakhs	43.37	16.08	27.29	32.48
7	1936-37	82.80	22.97 lakhs	52.15	15.64	36.51	30.42
8	1937-38	88.49	44.99 lakhs	54.53	15.61	36.24	14.59
9	1938-39	79.04	45.63 lakhs	61.10	24.87	36.24	17.48

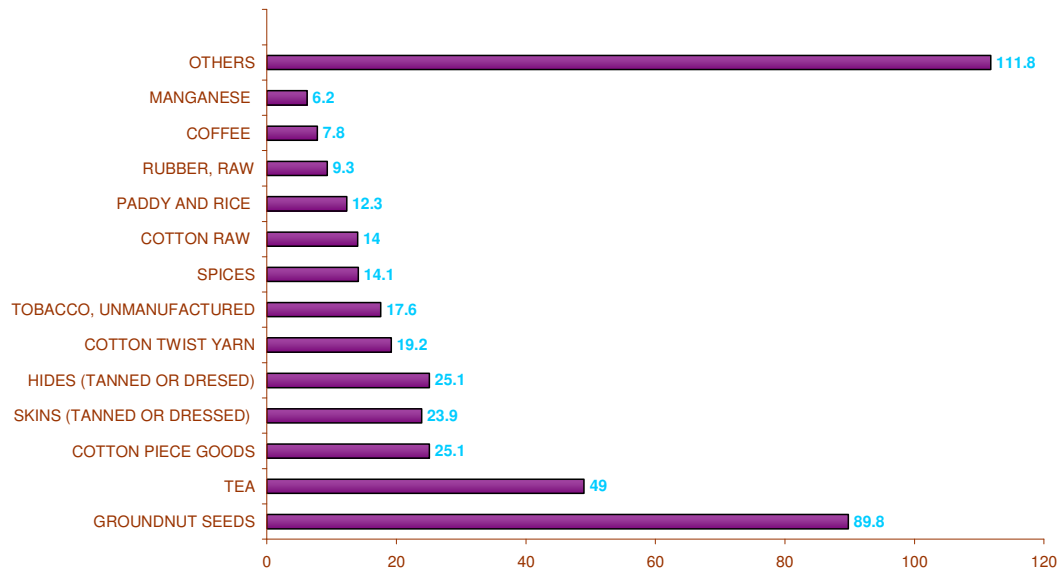
(Source: Report on the Administration of the Presidency for the years 1930-39)

CHART - IX
TRADE OF THE PROVINCE BY COUNTRIES IMPORTS (1938-39) (VALUE IN LAKHS)



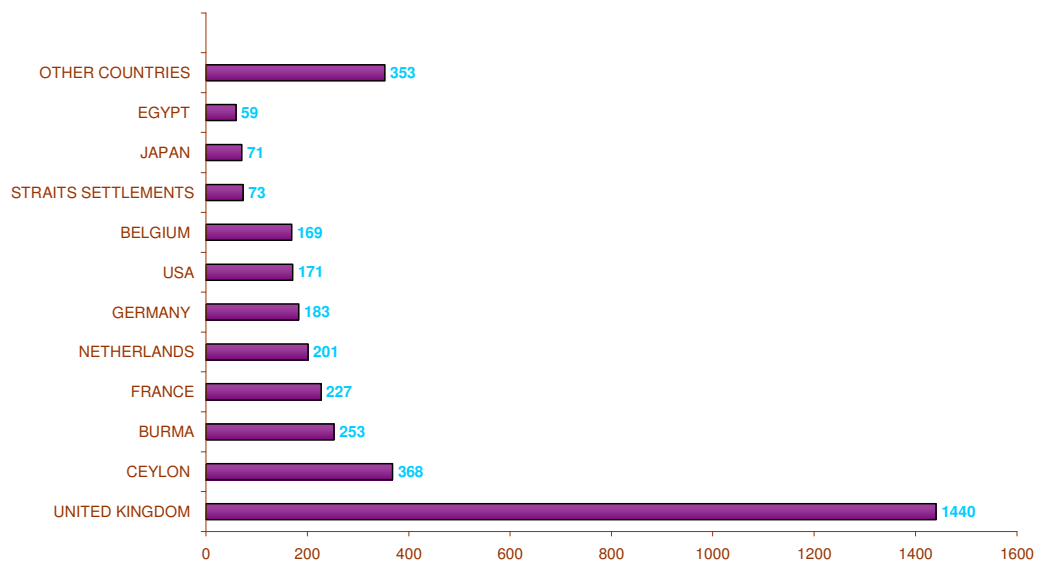
Source: Madras Administration Report for the year, 1938-39, p.144.

CHART - VI
VALUE OF CHIEF EXPORTS (FOREIGN AND COASTWISE) 1938-39
(VALUE IN MILLIONS)



Source: Madras Administration Report for the year, 1938-39, p.144.

CHART - VII
TRADE OF THE PROVINCE BY COUNTRIES EXPORTS (1938-39)
(VALUE IN LAKHS)



Source: Madras Administration Report for the year, 1938-39, p.144.

CHAPTER – III

The First World War had left bitter memories in the minds of Germany and her allies, particularly, Germans had a feeling that their army had not been defeated in the First World War, but had been betrayed into a surrender. The military classes resented the “War Guilt” clause of the treaty and other humiliating provisions. Hence, they supported Hitler when he proceeded gradually on the path of aggression. Hitler claimed that Germany was being encircled by Russia, England and France and that her natural aspirations and their development were hindered. Nations like Italy and Japan also felt that they had not got a proper share in the territories of the world to help their economic advancement and that the division of the earth’s surface was unequal, Italy was resentful of the attitude of the Western powers on the Abyssinian questions.¹¹³

Japan was casting her eyes on the Pacific area which had unlimited supplies of rubber, oil and tin.

¹¹³ Venkatraman, T.K. – *A Manual of British History, Part II (Recent Times – 1789 – 1945)*, Second edition, 1950, Madras – pp.27-71;
The Hindu, dated 8th Sept, 1939

“The primary cause was the failure of the League of Nations to restrain aggressors. The League of Nations had failed to ring about disarmament. It’s weakness against aggression encouraged other aggressors. The failure of the league could be explained by the fact that no state was willing to give up its sovereignty and submit all matters to the decisions of a world organization. So long as this mentality continued, suspicion and insecurity amongst the countries were also bound to continue.”¹¹⁴

Mussolini of Italy and Hitler of Germany had practically same objects in view and both formed a close alliance known as the Rome – Berlin Axis. While Germany and Italy were extending their territories, the Allies – England and France made protests, but they did not declare war, probably, they dreaded war and were not prepared for it. But the patience of the Allies was exhausted when, in August 1939, Hitler demanded the restoration of the Corridor (which had been ceded to Poland by the Treaty of Versailles) and Danzig without waiting for a reply invaded Poland on September 1, 1939. War began between Poland and Germany.

¹¹⁴ Ibid,p.272;

The Mail (Madras), dated 5th September 1939, NNR.

Both England and France had given their word to Poland that in case she was invaded, they could come to her help. So they declared war on Germany on September 3, 1939. Thus Poland, England and France were on one side and Germany on the other. A few days before the beginning of the war, Russia also had entered into an agreement with Germany. In the beginning, Italy kept aloof but she declared war on the Allies in June 1940.¹¹⁵

World War II was also a global war in which almost all the great countries of the world became involved. When it began, England and France were fighting on behalf of Poland with Germany, Italy and Japan which were on the side of Entente before were now Axis powers, though they did not enter the war at once. But, Italy joined the war as Germany's ally. In the second half of 1940, Germany forced Hungary, Rumania and Bulgaria to join her. In 1941, Germany turned against Russia which hitherto was neutral, as Hitler had concluded a nonaggression pact with her in 1939. in December 1941, Japan joined the war against Britain and the United States. Thus the war took place over the vast areas of the world and over all the oceans. Later China, several Latin American states and Turkey joined against Germany. The whole world felt the effect of the war.¹¹⁶

¹¹⁵ Ibid, p.273; *The Swadesamitran* (Madras), dated 19 September 1939, NNR.

¹¹⁶ Ibid, p.274; *The Indian Express* (Madras), dated 20 September 1939, NNR.

War is a mighty upheaval, which violently disturbs the social and economic equilibrium. World War II was bound to have far-reaching consequences, the magnitude of which cannot be foreseen. The war of 1914-18 reduced the conditions and created problems which baffled statesmen. The economic adjustment from which the World War I differed before the World War II was the legacy of the war of 1914-1918.

Close upon the heels of that war came World War II. The latter had been characterized by the colossal destruction of material and human power. Practically the whole of the continent of Europe lay-estate before Hitler, Poland, Belgium, Holland, Norway, Sweden, France and Bal khan countries were all groaning under the unbearable tyranny of Hitlerism. Russia had put up a brave defence. Britain and America remained the only countries to fight with the Axis powers¹¹⁷.

Mighty empires had fallen before Hitler and there had been colossal destruction of material and prosperity. The currencies of various countries had been reduced to a chaotic state. Standing crops had been destroyed and industrial towns had been bombed. There was the problem of feeding the people of the

¹¹⁷ *The Review*, 1936, Vol. XXXX, p.157;
The Andhra Patrika (Madras), dated 14 October 1939, NNR.

conquered countries. In spite of her economic and military cooperation and collaboration with Germany, France had been compelled to pay an indemnity of 400 million francs every day—a payment which was far in excess of what Germany was even called upon to pay under the Peace Treaty of 1919¹¹⁸.

The problem to be solved in the post war period was of far-reaching importance. The huge loss had to be repaired, currency and banking required to be reorganized and the flow of international trade had to be revived. After the war of 1914-18, currency adjustment was brought about with great difficulty in various countries. The problems of industrial reconstruction, war beds and reparation payments proved to be very tough and complicated¹¹⁹.

The question of giving employment to the disbanded armies in various countries would prove a very tough one. A number of Industries grew up during the war, e.g. the automobile industry, the aero plane manufacturing industry and the like. They were war-time industries and the conversion of war economy into

¹¹⁸ Ibid, pp. 158-160;

The Mathrubhumi, (Calicut), dated 17 October, 1939, NNR.

¹¹⁹ Ibid, p. 79;

The Tamilmani (Madras), dated 19 October, 1939, NNR.

peace economy was indeed difficult. It required the shifting of labour and capital from war industries into peace industries¹²⁰.

All this required international cooperation i.e., cooperation between the leading statesmen and central banks of the various countries of the world. Unfortunately, this could not be secured after the war of 1914-18 to an adequate extent and it was still more difficult to secure after the war was over.

Every war leaves behind a series of taxes and loans. The taxes and loans imply transferences of wealth between different classes of people. The problem of repaying these loans would have to be solved and it would, indeed, be very difficult to secure social justice.

The war had brought an end to the economic depression through which the World War passing before 1939. Its end created conditions that might usher in a more formidable economic chaos. There was the trade cycle theory and it was not without historical justification. The problem of the post-war economic depression required international cooperation¹²¹.

¹²⁰ Ibid, p. 799;

The Ananda Vikatan (Madras), dated 3 November 1939, NNR.

¹²¹ Sivasankara Reddy, Y. – *War Time – Public Finance in India – 1939-45*, M.Litt. Thesis (*Unpublished*) University of Madras, 1950, pp. 175-77.

There were world - wide or international problems and consequently they required international cooperation. Hence the establishment of a body styled as International Economic Rehabilitation Commission became necessary. The League of Nations and the International Labour Organization were already in existence. They had now become more or less defunct. Their revival to suit the changed circumstances became necessary¹²².

President Roosevelt and Mr. Winston Churchill had already announced their plan of a future world peace. The terms of their plan applied to all countries, irrespective of their political status and the degree of their economic development¹²³.

The damage and dislocation due to the World War II left most countries very short of real capital. They needed imports equipment, raw materials and food stuffs well in excess of their normal peace – time requirements, in order to rehabilitate their industries. The chief source of such imports was the United States, which had emerged from the war with an output much greater than before. But the chief way in which they could earn dollars was by exporting goods to the dollar area. Their

¹²² Ibid, p. 280;

The Malayal Monorama(Kottaya), dated 26 January, 1940, NNR.

¹²³ Ibid, p. 283;

The Tamilnadu(Madras), dated 28 January 1940, NNR.

export industries had suffered from the war and most countries could not export anything like as large as volume of goods as they did before the war. They suffered therefore, from an acute shortage of dollars.¹²⁴

The United States of America came to their assistance. Under the Marshall Plan she agreed to provide European countries \$4,875 million (which the U.K. Share was \$1,263 million)¹²⁵. Over four years, mostly by grants and partly by loans. The purpose of the Plan was to hasten the economic recovery of European countries; to enable them to increase their output and exports and eventually to stand on their own feet. The Marshall Plan came to an end about 1951, but it was in effect replaced by “defence aid”, grants given by the United States towards the cost of building up armaments by European countries for the defence of the free world¹²⁶.

The United States had given large grants to other areas also, notably the Far East, during the post-war period and had also made long-term loans and investments in Canada, Latin America and elsewhere. The total amount of dollars she had made available to the rest of the world in these ways had exceeded her

¹²⁴ Frederic Benham, - *Economics – A general Introduction*, Fifth Edition, London, 1955, Chapter XXXVI, p. 504.

¹²⁵ Ibid

¹²⁶ Ibid, p. 504;

The Hindu (Madras) dated 9 February, 1943 NNR.

export surpluses and she had to part with some gold, from her gold reserve, to make up the difference.¹²⁷

The problem of disarmament received due attention. It was embodied also in the Peace Treaty of 1919 but it was not worked in a right spirit, hence the present war. For securing disarmament, a permanent international commission backed up by some sanction or authority was established. In these conditions, the post-war economic reconstruction was established along sound lines.¹²⁸

A few words must now be said about India. Our country had also been affected by war. Exports to the enemy countries had been stopped and our imports had also been reduced on account of the lack of adequate shipping accommodation and the lack of the power of foreign countries to supply goods to us. Insurance premium had also gone up. Our industries had not expanded as much as they could. The currency circulation in the country now stood at about Rs. 280 crores¹²⁹, and the metallic content of the rupee had been reduced and the one rupee inconvertible note had been issued. Control had been exercised over exchange and the imports and exports of foreign currency into and out of India had been brought

¹²⁷ Ibid, p.505.

¹²⁸ *The Mail* (Madras) dated 10 February, 1942, NNR.

¹²⁹ Ibid, p. 507

The Indian Express (Madras) dated 8 March 1942, NNR

¹²⁹ G.O. Ms. No. 2361, Development. Dated 28 September, 1940, TNA

under control. The level of the taxation had increased and the excess profits tax had been imposed. A system of price – control had been instituted and certain commodities have been rationed. Thus Indian economy was turned into war economy.¹³⁰

The war opened scope for the development of some of our industries, e.g., the automobile industry, the aeroplane manufacturing industry and the like. But adequate steps had not been taken to bring these industries into existence. Out shipping industry was in a very backward condition. But whatever industries had received the stimulus, they continued after the war.¹³¹

In the post-war period, the war economy had to be converted into a peace economy. The readjustment caused as little inconvenience as possible. The industries, which grew up during the war were allowed to continue in the post-war period with as little disturbance as possible. Then there were problems of tariff and transport and of international trade agreements. All these became a part and parcel of a plan of post-war economic development or economic reconstruction.¹³²

¹³⁰ G.O. Ms. No. 1242, Development, dated 10 May, 1940, TNA.

¹³¹ Ibid

¹³² G.O.M.S. No. 2949, Development dated 15 may 1940, TNA.

The government prepared a plan of post-war economic reconstruction in which due importance was given to problems of labour, industries, agriculture, trade, tariffs, finance, transport and the like. Further India was allowed to occupy her due place in the comity of nations by being declared a self- governing Dominion immediately after the war.¹³³

The economic activity was completely subservient to political and military demands. The deterioration in international relations and the decline in activity in the United States had a depressing effect on the trade of the primary producing countries including India. In the next six months there was a sharp recovery in the United States and an uncertain movement on a slightly rising trend in the rest of the work. Towards the end for the year the political situations caused a fresh set back and the commodity markets weakened appreciably.¹³⁴

In Madras the Bank rate remained unchanged at 3 percent. The deterioration in the economic position was reflected in the value of Cheques passing through the Madras Clearing House which declined from Rs. 109.90 crores to Rs. 98.91 crores. The gross earnings of the Madras and Southern Mahratta Railway increased from Rs. 749.33 lakhs to Rs. 754.44 lakhs while those of the South Indian Railway fell from

¹³³ G.O.Ms.No:1730, Development dated 10 July, 1939, TNA;

Anstey Vera – *The Economic Development of India* (London, 1952) pp. 551-553.

¹³⁴ G.O. Ms. No. 2968, Development dated 10 July, 1939, TNA.

Rs. 559.85 lakhs to Rs. 546.74 lakhs. The total value of the sea-borne trade of the Presidency both foreign and coastwise decreased by Rs. 945.25 lakhs or 10.68 percent to Rs. 903.81 lakhs. Imports from foreign countries (excluding Burma) declined by 14.55 percent and exports by 7.26 percent.¹³⁵

An aspect of finance was that attracts much attention and the effort on the part of the government was inflation. In simple terms inflation is a state of affairs where there is an expansion of money income without a corresponding increase in production. In India due to some peculiar circumstances obtaining from during the period of war, the volume of currency went on increasing without any corresponding increase in production. All the war purchases made by the British Government in India were agreed to be financed by India and this was effected to a large extent by the printing of currency notes. Thus the total number of notes in circulation which was Rs. 174.39 crores in 1938-39 rose to Rs. 1138.70 crores in August 1945 while the total deposits, the amount of which stood at Rs. 227 crores in 1938-39 rose to Rs. 384 crores in August 1945¹³⁶. This obviously resulted in an enormous surpluses purchasing power while there was an acute scarcity of goods due to the diversion of all estimated supplies to the

¹³⁵ G.O. Ms. No. 922, Development dated 5 April, 1939, TNA.

¹³⁶ *Reserve Bank of India Bulletin by Reserve Bank of India* – Basic statistics Indian Economy, 1938 and 1939m pp. 147-51.

demands of war. Consequent inflation set in and prices soared up to abnormal level. Taking the base year 1939 at 100, the index number of wholesale prices gradually went up to 244.9 in 1945-46. As regards the cost of living as reflected in the Bombay Presidency the index number was reckoned at 100 in 1939 rose up to 238 in 1945-46.¹³⁷

In contrast with the high prices obtaining in India, we find in U.K and U.S.A prices always were kept under control in the war period. In these two countries inflation was cautiously avoided in spite of large expenditure.¹³⁸ Taxation was pitched at a high level from the beginning. All avenues were explored to encourage and increase savings and to direct them to government in the form of war loans. Rationing and price control were strictly enforced. Thus it was by diverting and increasing part of the national annual income that was financed without inflation.¹³⁹

The war had an appreciable effect on the foreign trade of the Presidency which we can distinctly notice in all directions. On account of war, the balance of trade of the Presidency soon moved in its favour. As

¹³⁷ Ibid

¹³⁸ Ibid

¹³⁹ Malathi Vartharajan, - *Foreign Trade of India Since 1939, M.Litt, Thesis*, University of Madras, 1955, Pp.217-19.

regards the quantum of trade there was an increase in exports of materials needed by the Allies for the war. Both imports and exports fell during the war period but the exports increased more than the fall in imports.¹⁴⁰

As a result of the war, the European markets were lost to Presidency. The oil seeds market was very much affected and we could not find out an alternative market in the United States of America since it was also a large producer of peanuts. The Presidency market for seed oil was strongly completed by Argentina and substitutes were used in U.S.A for jute. In regard to the Presidency trade with the British Nation, there was not much of a definite increase or decrease in imports while there had been a steady increase in the export. Trade with the Middle East Countries, Australia and Canada also increased.¹⁴¹

War and Agriculture: The cultivator had been benefited by the new situation since the real burden of his debt had been reduced and he was able to pay his money obligations by the money released by the rise in prices. But this advantage could not be availed of by many people, since a majority of the cultivators in the Presidency did not have any surplus at all to reap the advantages of higher prices but they were only subsistence farmers and even those benefited by the higher

¹⁴⁰ Varshney R.L. - India's foreign trade During and After the war, Delhi, 1949, pp. 304-305.

¹⁴¹ Sir Rowland over senior U.K - *Trade Commission in 1947 "India" an overseas economic survey*, Pp. 35-36.

prices had to buy other manufactured goods at increased prices. But, on the whole, it must be said, that the lot of the farmers of the Presidency had to some extent improved during the war due to the appreciated land values and the increase in prices for their products.¹⁴²

The food situation in the Presidency during the war gave some anxious moments to the people and the authorities concerned. There were serious shortages of food grains due to some exports purchases made by the defence services and due to the lower production.¹⁴³

Consequent upon the failure of monsoons, cyclones and other factors, this had necessitated apart from the "grow more food" campaign introducing, many measures such as stopping of exports, increased imports of food materials, the setting up of the procurement machinery, a wide rationing system, statutory price control and various other measures. Besides, price control there were innumerable economic controls instituted during the war which were comprehensive of almost all economic activities of the Presidency. These were meant to divert resources to

¹⁴² *Fort Nightly Reports* (Confdl) II Half of Dec. 1941

¹⁴³ *Ibid*

the war purposes and to distribute the scarce supplies equitably among the larger number of purchasers.¹⁴⁴

War and Presidency: The industry of the Presidency during the war stood on a different footing from that of agriculture. The Presidency trade had to face many problems in stepping up production to meet the various increased demands. The Presidency did not possess the chemical or the engineering industry workers employed in factories were only a few thousands.¹⁴⁵

Presidency war economy: Thus the Presidency had to depend upon foreign imports of manufactured goods, machinery, spare parts and machine tools for manufacturing production. During the war, due to the shortage of shipping space, the imports of machinery were not possible and due to the export locomotives to the Middle East and the shortage of coal, the inland transport system was also put to severe strain.

Trade unions: Trade union, according to Webbes, "is a continuous association of wage earners for the purpose of improving conditions of employment". This narrow conception of the trade union has often been criticised. The predominant

¹⁴⁴ Sivasankara Reddy, Y., - *War Time, Public Finance in India -1939-45*, M.Litt. Thesis University of Madras, 1950, Pp. 135-137

¹⁴⁵ *Fort Nightly reports* (Confdl). II Half of Dec 1942

view, however, is that the concerns of trade unions extend beyond 'bread and butter' issues. Trade unions are considered not merely as economic organisation, but also as political institutions directed towards wresting control over managerial authority. The political character of the unions has been exemplified by Karl Marx and his followers who visualized trade unions as harbingers of social revolution to change the whole structure of class domination. Thus the political roles of the union range from job regulation at workplace to bringing about a social revolution.¹⁴⁶

Until the middle of the nineteenth century, except coal mining, there was no industrial activity in the country in the modern sense. The setting up of textiles and jute mills and laying of railways since 1850 paved the way for the emergence of labour movement in India.¹⁴⁷

The origin of the movement can be traced to the sporadic labour unrest dating back to 1877 when the workers of the Empress Mills at Nagpur struck work following wage cut. In 1884, Bombay textile workers demanded improvement in wages and working conditions. It was estimated that there were 25 strikes between 1882 and 1890.¹⁴⁸

¹⁴⁶ Crouch, H., *Trade Unions and Politics in India*, Bombay, 1996, pp. 112-114.

¹⁴⁷ Gosh, G. *Indian Trade Union Movement*, Calcutta, 1976, P.57.

¹⁴⁸ Dalai and Company, *Textile Industry in South India*, Madras, 1955, P.63

The earliest organizations to be formed on the lines of modern trade unions were: (i). The Textile Labour Association at Ahmedabad (movement started in 1917 with a strike for wage rise, but the association was formed in 1920) led by Anasuyaben Sarabhai and (ii). The Madras Labour Union (1918) led by B.P. Wadia.¹⁴⁹

The Nationalist Home Rule Movement and the difficult conditions after World War I led to the growth of union movement in early 1920's. The political leaders of that time, philanthropists and social workers took the initiative in organising industrial workers at major centers either for political reasons or because they were moved by the wretched conditions of the workers.¹⁵⁰

In 1920, The All India Trade Union Congress (AITUC) was formed because of the need to have a national center of labour to depute delegates to the International Labour Organisations (ILO) formed in 1919. By 1924, there were 167 trade unions with a quarter million members.¹⁵¹

The conditions after the war, the growing unrest in unionism and the spate of strikes led the government to consider legal initiatives in 1920s. The Indian factories

¹⁴⁹ Wadia, B.P. *Labour in Madras*. Madras. 1991, Pp. 210-15.

¹⁵⁰ N.N. Mitra (ed), *The Indian quarterly Register*, Vol.1, January - June 1926, Pp. 164-174.

¹⁵¹ Murphy, E., *Unions in conflict: A comparative study of four south Indian Textile Centres, 1918-1939*, New Delhi, 1981, pp. 64-65.

Act, 1922, enforced a 10-hour day. The Indian Trade union Act of 1926 made it legal for workers to organize and to protest and exempted actions following out of legitimate trade union activity from the purview of civil and criminal proceedings. This Act still continues to be the basic law governing trade unions in the country.¹⁵²

Ideological differences within AITUC led to a three-way split between communists led by M.N. Roy and Dange, nationalists led by Mahatma Gandhi and Nehru and the moderates led by N.M. Joshi and V.V. Giri. While party ideology was supreme for the communists, the main preoccupation of the nationalists was independence. The moderates however wanted to pursue trade unionism in its own right and not subjugate it completely to broader political aims or interests. The moderates and the communists broke away from the AITUC in 1920 and 1930s but rejoined AITUC by 1940.¹⁵³

The industrial workers of the Presidency confronted an extremely difficult situation after 1930. The mill owners tried to pass the burden of trade crisis on the

¹⁵² Venkatramayya, - *Report on an enquiry into conditions of Labour in Cotton Mill Industries, in India*, Simla, 1946, p. 57.

¹⁵³ Ramasamy, E.A - *The worker and his union: A study in South India*, New Delhi, 1977, P. 16; Giri, V. V. - *My life and Times, Vol.1* 1976, P. 109.

shoulders of the workers by way of wage cuts and retrenchments. During the period, the workers did not achieve any new concession; rather they had to engage into resolute struggle to retain not only whatever they had already gained but their very jobs. Yet, there was a rival in the trade union movement after 1933. It was mainly due to the rivalry of leftist forces, the constitutional reforms introduced by the Government and the recovery of economy after the Great Depression (1929-33).¹⁵⁴

The trade union spirit in the year 1929 and the British government's offensive against labour unions which culminated in the Meerat Conspiracy case had put the working class on the defensive position. The Indian National Congress which was developing into a mass organisation under the leadership of M.K.Gandhi capitalized the situation to win over the working class.¹⁵⁵ The workers also began to realize that the remedy lay in the liberation of the country from the foreign yoke. Therefore there was a meeting point for the congress and the labour. The congress evolved a labour programme which included recognition to union and the right to strike for the workers. When the Congress decided to lift its ban on entry into legislature and contest elections in the year 1937, it used an election

¹⁵⁴ Singh, V.B (ed). - *Industrial Labour in India*; Chapter XX VII; Punekar, S.D. - *Trade Union Movement in India*. Asia Publishing House, New Delhi, 1960, Ppp.442-453.

¹⁵⁵ Lokanathan, P.S. - *Industrial Welfare in India*, Madras, 1929,pp. 107-109.

manifesto which contained an elaborate labour programme, Madras Labour Union which commanded the support of the majority of workers in the Madras Province totally identified with the Indian National Congress. In the election, Congress was voted to power and formed the ministry in July 14th 1937 with C. Rajagopalachari as Prime Minister¹⁵⁶.

When the Congress was installed in office, there was a lot of expectations on the part of the workers, when the Labour Union Leader, V.V.Giri was appointed as labour minister the workers rejoiced at his appointment. In the context of the World Wide Economic Depression which hit the Madras Presidency also, the wages of the workers in factories had been cut down¹⁵⁷. The Economic Depression led to large scale unemployment and the fear of unemployment prevented the workers from launching a stiff resistance to restore the wages. By 1937 the Depression had ended and there was recovery. But the managements were not prepared to lift the wage-cut inflicted in the outbreak of strikes in a number of factories. It was also a coincidence that the congress had come to power at that time. The labourers in view of the Congress policy looked

¹⁵⁶ G.O.No.810, Public (Elections), dated 26th April, 1937 TNA; Government of Madras, Madras Labour, July 1937 to October, 1938, p. 154;

Lakhman, P. - *Congress and Labour Movement in India*, Allahabad, 1947, Pp.215-217.

¹⁵⁷ Ibid

to the Congress Government for support. The congress refused to intervene directly to deal with the situation arising out of strikes. The Congress Government led by Rajaji treated the question of strike as dispute between two parties and hence favoured only internal settlement. Whenever there was no scope for internal settlement the government only preferred to institute Courts of Enquiry to give settlement awards. The government appointed arbitrators to implement the awards of the Courts of Enquiry. In some cases the Court of Enquiry gave findings which were unfortunate to the workers. In a few cases the factory management refused to comply with the recommendations of the court. The Government in such cases did not act decisively and forced the management to enforce the settlement awards. In consequence, strikes prolonged in a number of factories and the workers had to exhaust all forms of struggles before compelling the Government to intervene¹⁵⁸.

There were instances wherein the government had treated a simple labour dispute as a problem of law and order. Invariably we see Government involving Criminal Procedure Code to handle the situation in a number of labour disputes. Even the Congress labour union leaders like Muthu Ramalinga Thevar was put behind bars by the Government. The statement of labour minister and the opinion expressed by

¹⁵⁸ G.O. No. 448, Development, dated 21 February, 1938, T.N.A ; Ramasamy, E.A., - op.cit., pp. 313-14.

the Prime Minister of the Madras Presidency in certain instances of labour disputes clearly indicates that the policy of the Congress Government towards labour was not helpful. The workers were thoroughly disillusioned with the performance of the Congress Ministry and this was probably the starting point for alienation between the Indian National Congress and the All Indian Trade Union Congress that eventually paved the way for the congress starting the separate All Indian Federation of Workers called INTUC in the year 1947¹⁵⁹.

While the British blamed the Congress for the explosive labour situation as the Congress had given a number of pledges on the eve of election, Congress on the other hand blamed the communists who according to them were creating trouble to the government. As the British government used to attribute motives to a strike, the Congress government also placed on a record that, most of the strikes broke out during the period were engineered by socialists or communists. But the hard reality was that the workers had legitimate grievances when the Congress Government made it a policy to appoint them only on the basis of conciliation.

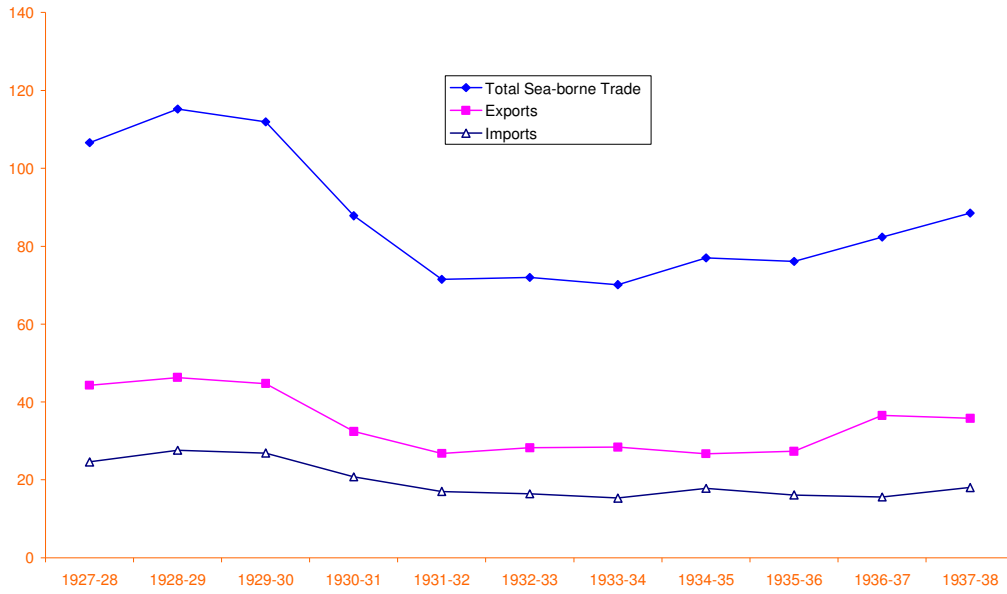
¹⁵⁹ G.ONo. 297 - Development, dated 8th February, 1940, TNA ;

Shanta, M.C. - *State and Industry in Madras 1800-1940*. PhD Thesis, University of Madras, 1966, pp 146-148.

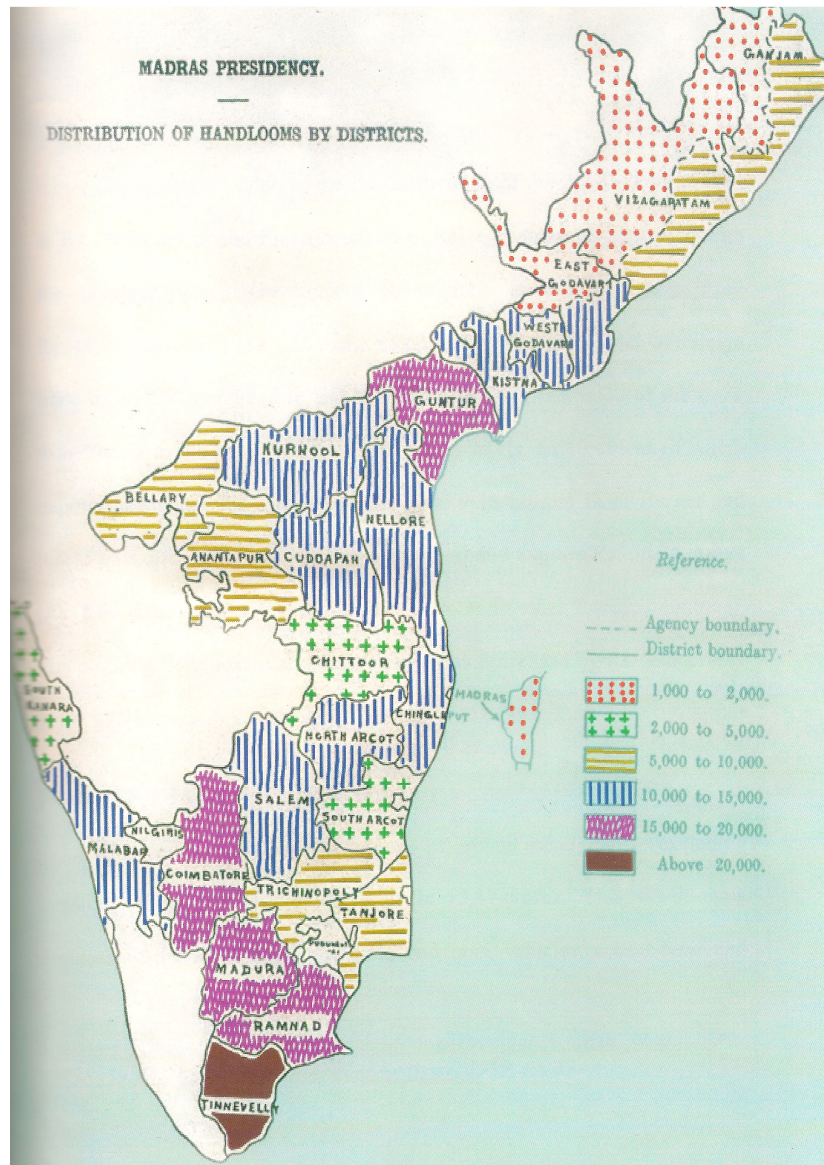
The Board of Arbitrators, to bring out a settlement, the Workers who were not favourable to the policy of the Congress Government. But even for the appointment of conciliation or arbitrators, the workers had to precipitate matters. The Congress Government could not have made use of the situation to extract legislation to the interests of workers. But this was sadly absent during the Congress regime. Thus the Congress government's two generation of office in Madras achieved nothing for the protection of workers' rights. This was probably because of the continuous approach of the congress not antagonizing the employers or factory's owners while intervening in a labour dispute¹⁶⁰.

¹⁶⁰ *Report on the Administration of the Madras Presidency for the year 1941-42*, pp. 307-309.

CHART - XIII
SEA - BORNE TRADE 1927 -28 TO 1937-38



Source : Madras Administration Report for the year 1944-45



CHAPTER – IV

PART – I

The aggregate value of the sea-borne trade of the province of Madras was Rs. 79.04 crores showing a decrease of Rs. 9.45 crores as compared with the previous year¹⁶¹. Government transactions increased slightly from Rs. 44.99 Lakhs in 1973 38 to Rs. 45.63 Lakhs. The total value of foreign trade in private merchandise and treasure (including the value of the trade with Burma to the extent of Rs. 11.79 crores to Rs. 61.10 crores of which imports accounted for Rs. 24.87 crores (Rs.9.26 crores) from Burma and Rs. 15.61 crores from other foreign countries) and exports Rs. 36.24 crores (Rs. 2.53 crores to Burma and Rs. 33.71 crores to other foreign countries). The coasting trade excluding trade with Burma decreased by Rs. 2.89 crores to Rs. 17.48 crores.¹⁶²

FOREIGN TRADE IMPORTS

The total value of foreign imports of private merchandise (excluding treasure) dropped by Rs. 2.62 crores to Rs. 15.37 crores.¹⁶³ This was due to a decrease in the imports of oils, melts and ores, vehicles, cotton twist and yarn,

¹⁶¹ *Report of the Administration of the Madras Presidency for the year 1938 – 39, P128; The Indian Annual Register*, 1939, P.239.

¹⁶² *Ibid.*

¹⁶³ *Ibid.*

cotton manufactures, paper and pasteboard, dyeing and tanning substances, hardware, artificial silk, rubber and silk, raw and manufactured. It was, however, set off to some extent by increases in machinery and millwork, grain, pulse and flour, tobacco, manures and sugar as shown below.

	DECREASE	
	1937-38 (Rs in lakhs)	1938 – 39 (Rs. In lakhs)
Oils	163.92	130.58
Metals and ores	144.65	123.79
Vehicles	107.20	72.36
Cotton, twist and yarn	72.31	56.00
Other manufactures of cotton	92.90	72.12
Paper and pasteboard	70.97	50.62
Dyeing and tanning substances	64.77	51.75
Hardware	47.31	35.48
Artificial silk	48.05	12.09
Rubber	38.21	25.09
Silk, raw and manufactured	36.66	18.02
	INCREASE	
Machinery and mill work	240.86	269.36
Grain, pulse and flour	2.84	14.96
Tobacco	16.07	27.68
Manures	44.29	51.65
Sugar	0.25	5.70

(Source: Report on the Administration of the Madras Presidency for the year 1938 – 39)

Oils

Imports of diesel and other fuel oils rose from 21.17 million gallons valued at Rs. 33.35 lakhs to 23.43 million gallons of the value of Rs. 46.07 lakhs. Supplies of kerosene oil declined from 11.74 million gallons valued at Rs. 56.42 lakhs to 11.10 million gallon valued at Rs. 40.27 lakhs. Imports of petrol dropped from 5.70 million gallons valued at Rs. 50.93 lakh to 5.30 million gallons valued at Rs. 25.70 lakhs, reduced prices being primarily responsible for the steep fall in value, Sumatra, which supplied 4.66 million gallons worth Rs. 45.30 lakhs in 1937-38, was practically out of the market in 1938-39¹⁶⁴.

METALS AND ORES

Imports of iron and steel dropped from Rs. 95.28 lakhs to Rs. 78.95 lakhs. Supplies from the United Kingdom and Belgium fell by nearly Rs. 3 lakhs each, those from Germany by Rs. 5 lakhs and from Japan by about Rs. 3 *Vi* lakhs. Receipts of brass from the United Kingdom and Germany rose from Rs. 9.11 lakhs to Rs. 7.60 lakhs to Rs. 11.4 lakhs and 11.66 lakhs respectively. Supplies of copper from the United Kingdom and Germany increased from Rs.

¹⁶⁴ Op cit., P.129

4.51 lakhs to Rs. 1.85 lakhs, to Rs. 5.07 lakhs and Rs. 3.02 lakhs respectively, while imports of tin from the Straits Settlements fell from Rs. 8.21 lakhs to Rs. 3.38 lakhs. Imports of quicksilver diminished from Rs. 3.34 lakhs to Rs. 1.48 lakhs.¹⁶⁵

VEHICLES

Imports of motor cars fell to 1,352 valued at Rs. 26.13 lakhs as compared with 2,312 valued at Rs. 42.22 lakhs in the previous year. The United Kingdom and the United States of America mainly imported to the decrease, their supplies falling from 1:04 lakhs, 455 cars to 677 and 227 respectively. The number of motor omnibuses and lorries imported was 639 against 1,302 in the previous year, the value declining from Rs. 19.64 lakhs to Rs. 11.48 lakhs. Shipments from Canada and the United States of America decreased by Rs. 2.49 lakhs and Rs. 6.13 lakhs respectively. The United Kingdom sent 26,916 cycles worth Rs. 9.58 lakhs as against 33,076 valued at Rs. 10.91 lakhs in 1937-38.¹⁶⁶

COTTON, TWIST AND YARN

Imports of cotton, twist and yarn declined from Rs. 72.31 lakhs to Rs. 56.00 lakhs. The heavy fall may be attributed to the increased production of twist and yarn in the Indian cotton mills. Supplies from the United Kingdom contracted from Rs.

¹⁶⁵ G.OMSNo, 146Development, dated 19 January 1939, TNA

¹⁶⁶ G.OMSNo, 2515 Development, dated 14 October 1939, TNA

36.94 lakhs to Rs. 20.02 lakhs and those from Japan from Rs. 35.13 lakhs to Rs. 30.90 lakhs.¹⁶⁷

OTHER MANUFACTURES OF COTTON

Imports of cotton pieces goods dropped from Rs. 83.92 lakhs to Rs. 64.07 lakhs. White and coloured piece goods from the United Kingdom recorded on steep fall from Rs. 63.58 lakhs to 40.19 lakhs. Coloured piece goods from Japan declined from Rs. 7.56 lakhs to Rs. 5.99 lakhs, while there was a noticeable increase in Japanese plain gray piece goods from Rs. 3.95 lakhs to Rs. 9.28 lakhs.¹⁶⁸

PAPER AND PASTEBOARD

There was a marked decline in the imports of all the categories of paper except straw board and manufactures of pasteboard, millboard and cardboard. Imports of packing paper fell from Rs. 11.19 lakhs to Rs. 5.87 lakhs, Germany, Sweden and Czechoslovakia mainly accounting for the decrease. Printing paper decreased in value from Rs. 29.30 lakhs to Rs. 17.95 lakhs, Germany and Austria contributing to the fall. Writing paper increased in quantity from 29,808 cwts to 31,351 cwts. But declined in value from 7.26 lakhs to Rs. 6.72 lakhs. Imports from the United Kingdom fell from Rs. 2.98 lakhs to Rs. 2.52 lakhs, while imports

¹⁶⁷ G.O. MS. No. 1845, Development, dated 21 July, 1939, TNA

¹⁶⁸ GO. MS. No. 1926, Development, dated 18 November, 1939, TNA

from Austria advanced from Rs. 0.71 lakhs to Rs. 1.49 lakhs. Old newspapers registered an increase in quantity, from 243,741 cwts to 279,931 cwts. But declined in value from Rs. 12.77 lakhs to Rs. 11.57 lakhs, the share of the United Kingdom being 271,299 cwts, worth Rs. 11.20 lakhs.¹⁶⁹

DYEING AND TANNING SUBSTANCES

Imports of dyeing and tanning substances decreased from Rs. 64.77 lakhs to Rs. 51.75 lakhs. The union of South Africa supplied 323,180 cwts of wattle bark valued at Rs. 22.06 lakhs as compared with 342,968 cwts worth Rs. 20.75 lakhs in 1937-38. Despite the fall in quantity, the value rose as a result of higher prices. Shipments of aniline dyes from Germany declined from 1.68 million lbs. Valued at Rs. 34.03 lakhs to 0.81 million lbs, worth Rs. 22.37 lakhs and of alizarin dyes from 0.23 million lbs, worth Rs. 1.57 lakhs to 0.16 million lbs, of the value of Rs. 1.17 lakhs. Shipments of aniline dyes from the United Kingdom increased in value from Rs. 1.69 lakhs to Rs. 1.80 lakhs in spite of a decrease in quantity from 0.17 million lbs to 0.11 million lbs.¹⁷⁰

HARDWARE

¹⁶⁹ Commissioner of Labour and Chief Inspector of Factories — *Report of the working of Indian factories in the Madras Presidency*, 1939, PP-102-104.

¹⁷⁰ *Ibid*, PP105-107.

Imports of hardware dropped from Rs. 47.31 lakhs to Rs. 35.48 lakhs. They were mainly drawn from the United Kingdom and Germany, which accounted for Rs. 13.52 lakhs and Rs. 10.73 lakhs as against Rs. 15.51 lakhs and Rs. 17.18 lakhs. The other sources of supply were Japan (Rs. 2.75 lakhs), Sweden (Rs. 2.26 lakhs) and the United States of America (Rs. 3.41 lakhs).¹⁷¹

ARTIFICIAL SILK

The total value of imports of artificial silk yarn and piece goods fell from Rs. 47.92 lakhs to Rs. 12.83 lakhs. The supply of artificial silk yarn from Japan decreased from Rs. 35.58 lakhs to Rs. 7.18 lakhs and of artificial silk piece goods from Rs. 10.00 lakhs to Rs. 3.67 lakhs. Imports of artificial silk yarn from the United Kingdom perceptibly declined from Rs. 1.21 lakhs to Rs. 0.632 lakhs.¹⁷²

RUBBER

The chief supplies of rubber manufactures in order of importance were the United Kingdom Rs. 16.06 lakhs (Rs. 23.17 lakhs), Germany Rs. 6.78 lakhs (Rs. 6.16 lakhs), the United States of America Rs. 1.39 lakhs (Rs. 3.32 lakhs) and Japan Rs. 10.01 lakhs (Rs. 2.16 lakhs). Imports of pneumatic tyre covers and tubes from the United Kingdom were worth Rs. 14.49 lakhs (Rs. 20.18 lakhs), from Germany

¹⁷¹ Ibid, PP-110-112.

¹⁷² Ibid, PP-114-115.

Rs. 4.83 lakhs (Rs. 5.07 lakhs), from Japan Rs. 0.84 lakhs (Rs. 1.60 lakhs) and from the United States of America Rs. 1.16 lakhs (Rs. 3.97 lakhs).¹⁷³

SILK, RAW AND MANUFACTURED

Imports of raw silk fell from Rs. 26.67 lakhs to Rs. 14.78 lakhs, silk yarn from Rs. 2.37 lakhs to Rs. 0.95 lakhs and silk piece goods from Rs. 6.90 lakhs to Rs. 2.62 lakhs. Supplies of raw silk from Japan, the principal suppliers, fell heavily from Rs. 19.55 lakhs to Rs. 5.45 lakhs, while imports from China advanced from Rs. 5.455 lakhs to Rs. 9.34 lakhs Japan sent silk piece goods to the value of Rs. 2.51 lakhs as against Rs. 6.61 lakhs in 1937-38.¹⁷⁴

MACHINERY AND MILLWORK

Imports of machinery have been steadily on the increase during the past five years and rose from Rs. 240.36 lakhs in 1937-38 to Rs. 269.18 lakhs. As usual, the United Kingdom supplied the bulk of the imports and accounted for Rs. 164.64 lakhs or 61 percent as against Rs. 169.91 lakhs or 71 percent in 1937-38. Next came Germany (Rs. 47.95 lakhs) followed by the United States of America (Rs. 17.92 lakhs) and Denmark (Rs.11.24 lakhs). Belgium increased her

¹⁷³ Ibid, PP-117-119.

¹⁷⁴ *Report of the Department of Industries and Commerce for the year ending 31st March. 1939,* PP-177-119.

share from Rs. 6.83 lakhs to 8.59 lakhs and Switzerland from Rs. 1.92 lakhs to Rs. 8.17 lakhs.¹⁷⁵

GRAIN, PULSE AND FLOUR

The total imports of grain, pulse and flour advanced from Rs. 2.84 lakhs to Rs. 14.96 lakhs in 1938 - 39. Indo-China increased her supply of paddy from 2,824 tons valued at Rs. 1.77 lakhs to 16,134 tons worth Rs. 8.97 lakhs. Siam was out of the market in 1937-38 but contributed 7,142 tons valued at R. 3.97 lakhs in 1938-39.¹⁷⁶

TOBACCO

Imports of unmanufactured tobacco from the United States of America increased from 0.82 million lbs worth Rs. 13.71 lakhs to 1 million lbs valued at Rs. 17.25 lakhs. In 1938-39 the United Kingdom contributed 0.74 million lbs of cigarettes valued Rs. 1.84 lakhs as against 0.04 million lbs worth Rs. 1.28 lakhs.¹⁷⁷

MANURES

The United Kingdom was the main suppliers of sulphate of ammonia with 28,862 tons worth Rs. 31.99 lakhs. Imports from other countries totalled Rs.

¹⁷⁵ Ibid, PP-121-123.

¹⁷⁶ Ibid, PP-125-127

¹⁷⁷ Ibid, PP-130-131

39.15 lakhs. Imports of super phosphates from Japan fell by 2,880 tons to 875 tons worth Rs. 1.03 lakhs while supplied from the Netherlands and Belgium rose by 1,769 tons and 1,546 tons to 2,675 tons worth Rs. 1.42 lakhs and 1,722 tons worth Rs. 1.61 lakhs.¹⁷⁸

¹⁷⁸ Ibid, PP-132-133

SUGAR

There was a noticeable expansion in the imports of sugar, from Rs. 0.25 lakhs to Rs. 5.70 lakhs, mainly due to the failure of the Indian sugarcane crop and the consequent rise in the prices of Indian sugar.¹⁷⁹

FOREIGN TRADE - EXPORTS

Total exports (including re-exports) fell from Rs. 3579.90 lakhs to Rs. 3,315.50 lakhs. The decrease was mainly due to reduced shipment of leather, cotton, raw and manufactured, metals and ores, rubbers, spices and hides and skins. There was, however a marked increase in the despatches of tobacco, raw and manufactured, seeds, coffee and tea

¹⁷⁹ Baliga, B.S *Compendium on History of Handloom Industry in Madras*, 1960, PP-117-119

(Rs. In lakhs)

	DECREASE	
	1937-38	1938-39
Leather	665.80	479.73
Cotton raw	207.37	107.58
Cotton manufactures	221.30	142.22
Metals and ores	138.00	69.05
Rubber	83.85	71.65
Spices	47.27	37.55
Hides and skins (raw)	41.70	22.52
Tobacco raw and manufactured	91.25	174.93
Seeds	841.22	902.58
Coffee	51.90	72.02
Tea	453.26	491.59

(Source: Report of the Administration of the Madras Presidency for the year, 1938-39).

LEATHER

Exports of hides tanned or dressed to the United Kingdom declined from Rs. 302.91 lakhs to Rs. 213.33 lakhs and of skins tanned or dressed from Rs. 277.63 lakhs to Rs. 219.26 lakhs.

COTTON, RAW

The total exports of raw cotton contracted by nearly 50 per cent from Rs. 207.37 lakhs to Rs. 107.58 lakhs. Japan diminished her demand from Rs. 110.79

lakhs to Rs. 40.45 lakhs in consequence of her policy of restriction in the import of raw materials.¹⁸⁰

COTTON MANUFACTURES

Shipments of cotton handkerchiefs and shawls to the United Kingdom fell steeply from Rs. 17.86 lakhs to Rs. 1.53 lakhs and those to Nigeria from Rs. 30.34 lakhs to Rs. 13.57 lakhs. Ceylon reduced her purchase of coloured cotton piece goods from Rs. 71.33 lakhs to Rs. 54.40 lakhs and the Straits Settlements from Rs. 40.68 lakhs to Rs. 28.16 lakhs.

METALS AND ORES

Japan, the chief buyer of "iron ore, for remanufactured" diminished her takings from Rs. 4.72 lakhs to Rs. 1.17 lakhs. Exports of manganese ore dropped steeply from Rs. 128.22 lakhs to Rs. 61.59 lakhs, i.e. by over 50 percent. Germany took 4,500 tons of Chromate or chrome ore valued at Rs 1.78 lakhs as compared with 3,000 tons worth Rs. 1.13 lakhs in 1937-38.

¹⁸⁰ *Monthly Digest of Economics and Statistics Madras state*, January, 1939.

RUBBER

The United Kingdom and the United States of America curtailed their demand for rubber by about Rs.3 lakhs each to Rs. 35.95 lakhs and Rs. 11.13 lakhs respectively, and Czechoslovakia and France by about Rs. 4 lakhs each to Rs. 5.54 lakhs and Rs. 0.85 lakhs. Germany was the only country, which increased her purchases by Rs. 2 lakhs to Rs, 8.11 lakhs.¹⁸¹

SPICES

The demand for cardamoms decreased noticeably from Rs. 23.66 lakhs to Rs. 15.83 lakhs, for chilies from Rs. 16.95 lakhs to Rs. 15.26 lakhs and for pepper from Rs. 2.12 lakhs to Rs. 1.73 lakhs; but exports of ginger improved slightly from Rs. 3.41 lakhs to Rs. 3.63 lakhs. The principal markets for cardamoms in order of importance were Sweden (Rs. 5.43 lakhs), Germany (Rs. 1.76 lakhs), the United States of America (Rs. 1.80 lakhs) and the United Kingdom (Rs. 1.79 lakhs).

¹⁸¹ Vengatraman, K.S. - *The Handloom Industry in South India, Madras*, 1940, PP-210-212.

HIDES AND SKINS, RAW

Shipments of raw goatskins to the United Kingdom and the Commonwealth of Australia declined from 526 tons (Rs. 12.7 lakhs), and 378 tons (Rs. 12.7 lakhs), and 378 tons (Rs. 13.81 lakhs) to 187 tons (Rs. 3.31 lakhs) and 352 tons (Rs. 11.14 lakhs) respectively. The United States of America increased her purchases from 148 tons (Rs. 2.34 lakhs) to 376 tons (Rs. 5.56 lakhs).¹⁸²

TOBACCO, RAW AND MANUFACTURED

Exports of raw tobacco expanded from 25.91 million lbs, valued at Rs. 87.19 lakhs to 43.19 million lbs, valued at Rs. 87.19 lakhs to 43.19 million lbs valued at Rs. 172.38 lakhs. Shipments to the United Kingdom more than doubled in value and amounted to Rs. 149.74 lakhs, China which had not trade in raw tobacco in 1937-38, purchased 4.01 million lbs of the value of Rs. 11.63 lakhs, Ceylon took cigarettes including beedies to the extent of Rs. 0.94 lakh as against Rs. 2.79 lakhs last year.¹⁸³

¹⁸² *South Indian Chamber of Commerce*, Golden Jubilee, 1910-1960, (Madras, 1961) PP315-317).

¹⁸³ *Ibid*, PP 317-320.

SEEDS

Exports of groundnuts, which formed 97.38 percent of the trade in seeds and 26.58 percent of the total foreign export trade of the province, increased by Rs. 86.18 lakhs to Rs. 879.72 lakhs in the year under review. Shipments to the Netherlands doubled in value from Rs. 80.60 lakhs to Rs. 170.40 lakhs. France took Rs. 165.99 lakhs (Rs. 101.44 lakhs), the United Kingdom Rs. 126.52 lakhs (Rs. 87.92 lakhs) Belgium Rs. 120.61 lakhs (Rs. 59.33 lakhs) and Denmark Rs. 26.94 lakhs (Rs. 5.18 lakhs) purchase by Germany declined from Rs. 134.42 lakhs to Rs. 106.78 lakhs and those by Italy from Rs. 170.11 lakhs to 35.39 lakhs. Exports of castor seeds contracted from Rs. 25.40 lakhs to Rs. 6.24 lakhs, the share of the United Kingdom being Rs. 1.24 lakhs, as against exports worth Rs. 13.50 lakhs in the previous year. Italy and Japan took no castor seeds during the year as against exports worth Rs. 3.50 lakhs and Rs. 5.61 lakhs respectively in the previous year.¹⁸⁴

¹⁸⁴ G.O. MS. No 2515, Trade dated 14th October, 1939, TNA.

COFFEE

Shipments of coffee advanced substantially from Rs. 51.90 lakhs to Rs. 72.02 lakhs. The United Kingdom took 60,905 cwts. (Rs. 33.87 lakhs) Belgium 9,924 cwts.(Rs. 3.76 lakhs) (Rs. 33.87 lakhs), Belgium 9,924 cwts (Rs. 3.76 lakhs) and the Commonwealth of Australia 5,859 cwts (Rs. 2.12 lakhs). The other principal consumers were France (87,926 cwts, valued at Rs. 11.98 lakhs), Norway (22,501 cwts Rs. 8.25 lakhs), Iraq (7,230 cwts worth Rs. 2.79 lakhs) and Germany 91,130 cwt worth Rs. 0.43 lakhs.).

TEA

Shipments of tea improved from Rs. 453.26 lakhs to Rs. 491.59 lakhs, the chief consumer being the United Kingdom, which increased her purchases from Rs. 423.17 lakhs to Rs. 458.20 lakhs.

TREASURES

Imports of gold showed a marked improvement from Rs. 14.84 lakhs to 23.43 lakhs of which Ceylon contributed Rs. 22.80 lakhs worth of billion and Burma Rs. 0.62 lakhs. Exports of gold, on the other hand, fell from Rs. 1.10 lakhs to Rs. 0.14

lakhs. Supplies of silver fell heavily from Rs. 3.95 lakhs to Rs. 0.80 lakhs of which Rs. 0.71 lakh came from the United Kingdom.¹⁸⁵

COASTING TRADE

The aggregate value of coasting trade excluding trade with Burma declined from Rs. 20.37 crores to Rs 17.48 crores i.e by 14.19 percent, imports decreasing by 18.63 percent and exports by 8.24 percent. The trade with Bombay (Rs. 830.51 lakhs) Bengal (Rs. 463.63 lakhs) and Sind (Rs. 249.60 lakhs) declined, while that Orissa improved from Rs. 3.02 lakhs to Rs. 4.26 lakhs.)

TRADE BY COUNTRIES - BRITISH EMPIRE

The total import and export trade of the British Empire (including Burma) with the province of Madras amounted to Rs. 3,987.93 lakhs as against Rs. 4,339.06 lakhs in 1937- 38. Imports decreased by 13 percent and exports by 4 percent. The trade with the British Empire formed 66.14 percent of the total foreign trade as against 64.60 percent in the previous year. The trade with foreign countries contracted by Rs. 336.42 lakhs to Rs. 2,041.60 lakhs of which imports accounted for a fall of Rs. 163.83 lakhs and exports Rs. 172.59 lakhs.¹⁸⁶

TRADE BY PORTS

¹⁸⁵ *Census Handbook* 1939. PP 237-239.

¹⁸⁶ G.O. MS. No 1845, Trade dated 17th June, 1939, TN.

The value of the total trade of the port of Madras amounted to Rs. 29.63 crores as against Rs. 34.03 crores in 1937 - 38. This trade formed 38 percent of the total trade of the Province. The decrease in foreign trade was 19.1 percent and in the coasting trade 5.6 percent, the relative importance of the subordinate ports continued unchanged; Cochin stood first, followed by Tuticorin and Calicut.¹⁸⁷

SHIPPING

There was a decrease in the number of ships (from 1,298 to 1,273) participating in the foreign trade of the Province¹⁸⁸. Of these 986 were British, 69 British Indian, 54 German, 40 Italian, 33 Japanese, 24 French, 19 Dutch, 17 Norwegian, 16 Greek, 5 Swedish, 4 American and 6 of other nations. Six hundred and ninety six ships of a total net tonnage of 2,642,866 entered the port of Madras as against 684 of a burthen of 2,578,186 tons in 1937-38 of these 321 were engaged in the foreign run and 375 in the coasting.

TRADE WITH BURMA

From 1st April 1937, when Burma was separated from India, the trade with Burma is treated as foreign. Total imports from Burma amounted to Rs. 924.39

¹⁸⁷ *Administration Report of the Department of Industries and Commerce for 1939 - 40*. PP 227-229.

¹⁸⁸ *Ibid.*

lakhs as against Rs. 1,086.35 lakhs in 1937 - 38. The chief items of import were rice (Rs. 499.31 lakhs), petroleum (Rs. 101.89 lakhs), Kerosene (Rs. 127.98 lakhs), Teakwood (Rs. 47.89 lakhs) Pulse (Rs. 29.11 lakhs) and Paddy (Rs. 29.10 lakhs). Exports to Burma decreased by Rs. 3.43 lakhs to Rs. 224.64 lakhs Shipments of coloured piece goods advanced from Rs. 76.23 lakhs to Rs. 80.12 lakhs, and of groundnut oil from Rs. 20.77 lakhs to Rs. 34.17 lakhs while exports of cigarettes declined from Rs. 41.22 lakhs to Rs. 21.90 lakhs.¹⁸⁹

EXPORTS AND IMPORT

The aggregate value of private foreign and coastwise trade of the province, excluding treasure, in the first eleven months of the year showed a decrease of Rs. 31.12 lakhs as compared with the corresponding period of 1939. Foreign imports dropped by Rs . 266.71 lakhs, owing to smaller receipts under sugar, machinery and mill work, cotton twist and yarn, cotton piecegoods, metals and ores, grain, pulses and flour, manures, soap, hardware and vehicles other than locomotives; there were, however, increases under chemicals, seeds, artificial silk and oils. Foreign exports, including re - exports rose by Rs. 296.53 lakhs owing to larger shipments of tanned cow hides, castor seeds, cotton coloured piece goods, raw rubber, fruits and vegetables, rice and black tea;

¹⁸⁹ Op cit P -146.

shipments of groundnut seeds on the other hand recorded a steep fall of Rs. 196 lakhs. The total value of the import trade with British Empire declined by Rs. 6.60 lakhs, while that export trade rose by Rs. 679.38 lakhs; imports from Burma dropped by Rs. 356.74 lakhs while exports rose by Rs. 77.50 lakhs.¹⁹⁰

The total import revenue amounted to Rs. 561.55 lakhs, a decrease of Rs. 107.00 lakhs attributable chiefly to smaller arrivals of tobacco, cotton fabrics, machinery, and metals other than iron and steel, the revenue from artificial silk yarn and kerosene oil, however, recorded an increase. The total export revenue improved by Rs. 4.43 lakhs of which Rs. 3.15 lakhs were realized from the cess collected under the Indian Agricultural Produce Cess Act.¹⁹¹

The war had naturally affected the everyday life of the people. As compared with the previous years, the prices of food grains were considerably higher while those of commercial products were more or less the same and showed an improvement only in the latter years. The index numbers of average prices during the period of World War II were as follows.¹⁹²

(Base - - Price in week ended 21st August 1939= 100)

Portol	Food grains	Commercial products	All commodities
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¹⁹⁰ *The Indian Annual Register, 1939, P 114.*

¹⁹¹ *Ibid, P.115.*

¹⁹² G.O.MS. No. 236, Trade dated 14th January, 1939, TNA

Quarter ending			
December 1939	106	117	112
March 1940	104	124	114
June 1940	169	117	112
September 1940	112	100	166
December 1940	119	96	107
March 1941	118	94	105
June 1941	122	95	108
September 1941	133	111	122
December 1941	104	114	126

(Source: Report of the Administration of the Madras Presidency for the years-1939-1941)

The principal factors which contributed to the rise in prices were the partial failure of the rice crops in parts of India in the previous years and the shortage of shipping for imports from Burma in the early part of the war period, the broadening of export demand for raw products like cotton and groundnut. The speculative rise in commodity markets consequent on the freezing order against Japan and the irregular behaviour of the monsoon. The accelerated rise in prices reached the climax in December following Japan's entry into the war. The markets were for a while unsteady and disorderly elements in a few places such as Madura and Bezwada took advantage of the situation to loot shops, but with the advent of the

new crop in the middle of the month the situation became normal. The prices of grains, commercial products and all commodities were respectively 44 percent, 15 percent and 29 percent above the pre-war prices.¹⁹³ The price advisory committees set up by the Government continued to function and they helped to keep retail profiteering in check. A tendency of some price advisory committee to adopt bazaar prices as fair prices was checked and prices were fixed on their relation to wholesale prices and other factors such as cost of transport, etc. the number of articles for which committees determined and published fair retail prices was increased by the inclusion of charcoal and firewood. The news of declaration of hostilities by Japan occurred at a time when the prices usually rose just before the harvest. To control the upswing in prices the government ordered the local authorities to give wider publicity than before to the fair prices published by the Advisory Committees by means of leaflets and also to open retail shops wherever necessary and with the help of merchants on the committee to sell at fair prices such of the articles in which profiteering persisted. Grain depots under non official management were opened in several districts in which rice was sold to the poor people at a rate more favourable than bazaar prices. Rather than prohibit exports of rice, as recommended by one or two collectors, the Government ordered that where necessary Price Advisory

¹⁹³ Ibid.

Committees should open retail deposit. To check nay hoarding the government called for weekly returns of stocks of paddy and rice from wholesale dealers. The committees did not however interfere with the normal economic factors and their activities did not affect the prices, which the agriculturists got for their produce. The government also prepared schemes for the organisation of food supplies in the Madras city and ten other important coastal towns.¹⁹⁴

The government considered the question as to what prices the cultivator was getting for his produce; whether the rise in prices was such as to bring it up to the pre-depression level and whether the merchants were putting on too big a margin over the agriculturist's prices. Accordingly it was decided to constitute a small committee in the beginning of January 1942 to report on the question whether the government should attempt to limit the primary prices of standard food grains.¹⁹⁵

The groundnut situation, which caused anxiety in the previous year, improved. There was no carry-over from the previous crop and as a result of the steps taken by the government to advise ryots to restrict cultivation to some extent.

¹⁹⁴ *Report of the Administration of the Madras Presidency for the year 1940-41*. PP 57-58.

¹⁹⁵ Ibid P.260

The British Food Ministry continued to make its purchases in India. Its purchase price was increased from the minimum rate of £ 10 for, Indian port to £ 12, The Madras government agreed to contribute to and participate in the fund constituted by the Government of India with the shippers rebate on their purchase passed on by British Government for the benefit of the Groundnut cultivators. The prices of cotton continued to show improvement, but the closure of the Japanese market affected the prices.

The control of prices of the German drugs worked smoothly. The control of prices of other essential medical supplies was under the consideration of the government. In view of the excessive prices of firewood in Madras city and Chengalpat district towards the end of the year, the Government fixed under the Defence of India Rules, the maximum prices for this commodity.¹⁹⁶

The price of the dye stuffs was on the whole steady. The price of yarn began to rise from April 1941 and there was an abnormal increase in July, the price having reached 50 to 160 percent over the price in April 1941.¹⁹⁷ The matter was at once taken up by the State Government with the Government of India and powers obtained for the control of the retail prices of yarn. They also arranged through the

¹⁹⁶ *Report on the Administration of the Madras Presidency for the year, 1940-41*, PP. 57-58.

¹⁹⁷ *Ibid*, PP 63-65.

register of Co-operative societies for supplies of yarn by the Madras Mills for the requirements of Weavers Co -operative Societies in the Province. Fixing of fair prices for yarn by price advisory committees was however discontinued as being unworkable as a result of difficulties such as the absence of control of mill prices and the Government directed all persons having stocks of yarn over 400 lb. To furnish periodical returns to district collectors, prices however began to weaken in December owing to the fear of the loss of foreign markets in the east and of insecurity of stocks, in the coastal towns.

EXPORT AND IMPORTS

The total value of the private trade, foreign and coastal, during the first eleven months of the year fell by Rs. 560 lakhs as compared to the corresponding period of last year.

Foreign imports increased by Rs. 44 lakhs as the result of larger arrivals of vehicles, machinery and millwork, seeds, spices, silks, metals and ores. There was a fall in the imports of grain, manures, chemicals, dyeing and tanning substances,

artificial silk, oils, cotton piece goods, cotton twist and yarn and instruments, apparatus and appliances.¹⁹⁸

Foreign exports, including re-exports dropped by Rs. 545 lakhs as a result of smaller shipments of groundnut and castor seeds, tanned hides and skins, raw cotton, rubber and coffee. There was however an increase in the exports of rice, fruits and vegetables, coloured cotton piece goods and raw tobacco.¹⁹⁹

While imports from the British Empire, increased by Rs. 39 lakhs exports dropped by Rs. 2.82 lakhs, imports from Burma, however, increased by Rs. 370 lakhs while exports only increased by Rs. 19 lakhs. The total import revenue was Rs. 571 lakhs, an increase of Rs. 9 lakhs on the previous year; kerosene oil, tobacco, spirits and liquors and raw silk being primarily responsible for the increase. There was a fall in the revenue from imports of motor cars, pneumatic rubber tyres and tubes, artificial silk yarn and cotton fabrics.

The export revenue of the Presidency increased by Rs. 2 lakhs, of which the Cess collected under the Indian Agricultural Produce Cess Act accounted for over Rs. IV2 lakhs.²⁰⁰

¹⁹⁸ Ibid P-273

¹⁹⁹ Ibid P -275

²⁰⁰ Ibid P -276

EXPORTS AND IMPORTS

The total value of the private trade, both foreign and coasting, during the year fell by Rs. 13.99 crores as compared with corresponding period of last year. Foreign imports dropped by Rs. 12.95 Crores.²⁰¹ There was a marked fall in the imports of vehicles, metals and ores, oils machinery and mill work, seeds, paper and pasteboard, provisions and oilman stores, chemicals, silk raw, and artificial silk. Supplies of drugs and medicines recorded an increase. Foreign exports including re-exports declined by Rs. 4.70 crores. Shipments of coffee, castor seeds, chillies, coir manufacture and tea increased, while those of groundnut seeds, cotton raw, cotton coloured piece goods, tanned cow hides, rubber raw, fruits, vegetables and tobacco unmanufactured showed a reduction.

The import trade with the British Empire diminished by Rs. 9.91 crores and the export trade by 2.20 crores. The total import revenue fell from Rs. 570.56 lakhs in 1941 to Rs. 321.58 lakhs in 1942. Motor spirit, kerosene oil, tobacco, machinery, betel nuts, raw silk, iron and steel, artificial silk yarn and artificial silk fabrics were mainly responsible for the steep decline.

²⁰¹ Ibid P -279

Export revenue improved slightly from Rs. 10.48 lakhs in 1941 to Rs. 10.95 lakhs in 1942. The Cess collected under the Indian Agricultural Produce Cess Act amounted to Rs. 4.37 lakhs.²⁰²

INDUSTRIES AND COMMERCE

The Bureau of Industrial and Commercial Intelligence continued to provide general and technical information on industrial and commercial subjects. Applications for capital issues were scrutinized and forwarded to the Government of India for sanction. One meeting of the Board of Industries was held and the subscription of shares worth Rs. 22 lakhs on behalf of the Government were sanctioned in two concerns.²⁰³ During the year the scheme of District Industries Officers was introduced and nine officers were appointed after a short period of training. These officers helped the director to answer enquires regarding the financial standing of firms and names of manufacture of various articles and to report on the condition of the existing industries and on the possibilities of starting new ones. They were also expected to supervise and guide the existing cottage industries and help demobilized soldiers to set up new cottage industries.²⁰⁴

²⁰² G.O. MS No, Trade, dated 7, March 1942; Krishna Rao., V.R *War and Our Foreign Trade in the Indian Review 1942*, (May, 1942) PP 213 -214.

²⁰³ G.O. MSNo2296, Development dated 20 September, 1940, TNA.

²⁰⁴ Ibid

Spare parts required by the rice mills were not easily available and as it was imperative that the mill should continue to produce rice, a scheme was worked out to manufacture fabricated parts in various firms and workshops. Further, whenever necessary, imported stores were requisitioned. During the period under review the coal quota under the Provincial Distribution scheme was increased from 67 to 150 wagons per month. The Iron and Steel section that was inaugurated in 1944 met the demands of the manufacturers of consumer goods and other industrialists of the province. During the year about 2700 tons of Standard Steel and about equal quantity of usable defectives were distributed. With effect from 1st November 1945 the control on the acquisition of defectives was relaxed. The distribution of sole leather and grindery was released by the Footwear Controller.

Delhi was also entrusted to the provincial Government. Regarding paper, the permissible quota under the Economy Order was raised by 40 percent on account of a general improvement in the supply position.²⁰⁵

In pursuance of the Government policy of rapid industrialization of the province this department organized a chemical laboratory where analysis and investigations of various minerals could be carried out in order to collect fundamental

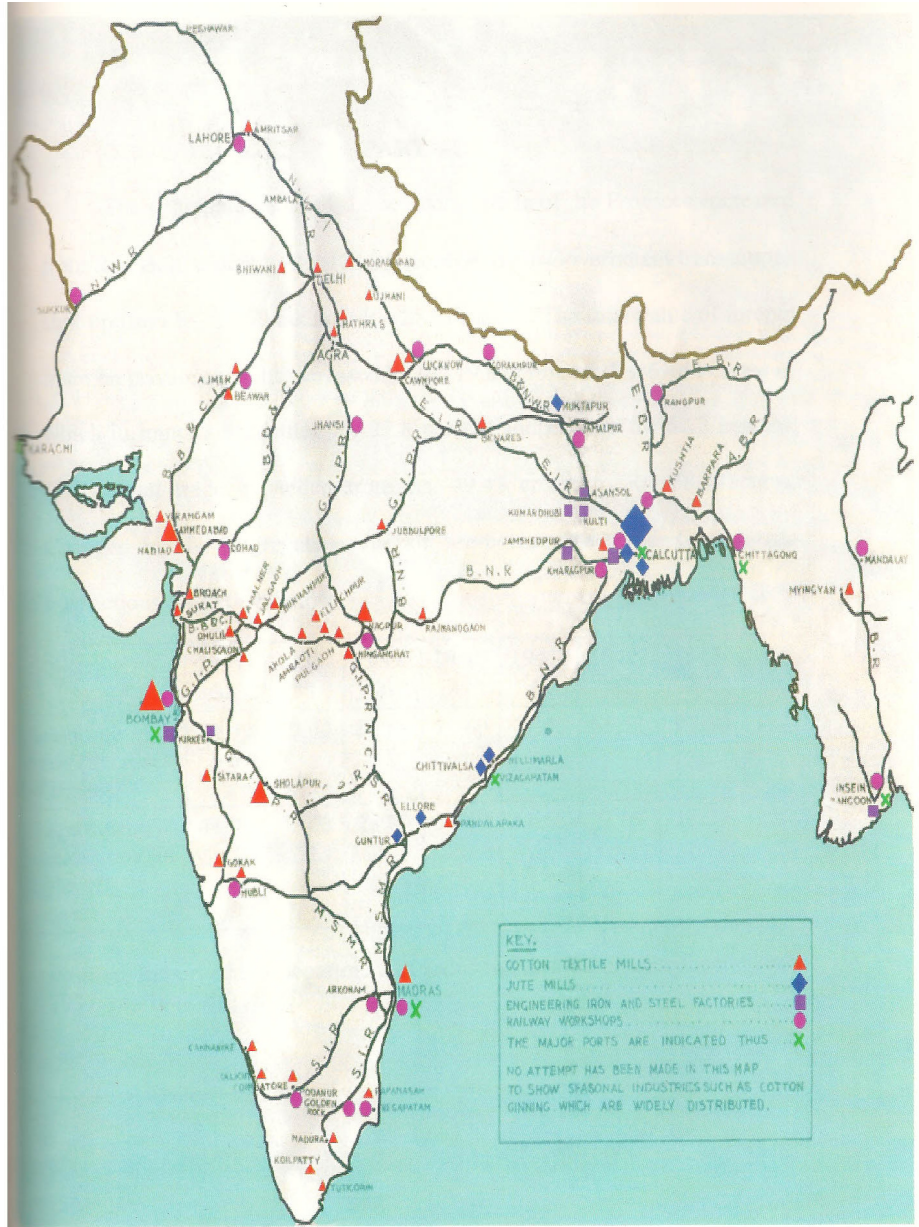
²⁰⁵ Op cit PP -44-46.

data regarding their utilization for different industries. The department initiated a scheme for the investigation of alkaline earth deposits for the manufacture of soda ash and caustic soda. A special officer was appointed to prepare plans for a vegetable ghee factory and in October 1945, Government sanctioned the establishment of a factory at Calicut capable of producing 10 tons of vegetable ghee and 5 tons of refined oil per day. Under a scheme for the expansion of vegetable ghee industry, the Government of India allotted to this province the production of 21.00 tons per annum and it was decided to permit private industrialists to set up 7 factories each with a capacity of 3,000 tons. Government sanctioned a scheme for the manufacture of coir and its products and Mangalore and Calicut were selected for the erection of factories. Government granted Rs. 6,617 to a public body in Tadpatri for the development of hand spinning in the famine areas of ceded districts.²⁰⁶

²⁰⁶ Ibid, PP-47-49

SKETCH MAP
SHOWING DISTRIBUTION OF
CHIEF FACTORY INDUSTRIES
IN
BRITISH INDIA
WITH THE MAIN RAILWAY LINE
SCALE





CHAPTER – IV

PART - II

The aggregate value of the sea-borne trade of the Province increased from Rs. 93.30 crores to Rs. 134.75 crores and the Government transactions shot up from Rs. 11.39 lakhs to Rs. 257.11 lakhs. The total value of foreign trade on private account increased by Rs. 19.88 crores to Rs. 63.64 crores of which in imports accounted for 37.8 percent and exports for 62.2 percent. The coastal trade expanded from Rs. 49.43 crores to Rs. 68.54 cores. Changes in the aggregate value of sea-borne trade and Government transactions are shown below: -

	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
Sea-borne trade (in crores of rupees)	88.49	79.04	82.89	75.60	77.00	65.51	93.30	134.75
Government transactions (in lakhs of rupees)	44.99	45.63	28.89	75.60	11.63	9.16	11.39	257.44

(Source: Report of the Department of Industries and Commerce for the years 1937-38-1944-45)

Compared to pre-war years, the aggregate value of the sea borne trade expanded considerably. The government transactions slumped sharply after 1938-39, but the trend was suddenly reversed in 1944-45 when the value of such transactions exceeded a total of the seven previous years.²⁰⁷

The total value of foreign trade on private account and the imports and exports are shown below for the years 1937-1945.

FOREIGN TRADE

	Total foreign trade Rs. in crores	Imports Rs. in crores	Exports Rs. in crores	Percentage of export to total
1937-38	67.7	29.1	38.6	57.1
1938-39	61.1	24.9	36.2	59.3
1939-40	66.4	27.5	38.9	58.6
1940-41	59.0	22.6	36.4	61.7
1941-42	60.9	24.3	36.6	60.1
1942-43	40.9	10.2	30.7	76.8
1943-44	43.8	10.1	33.7	77.3
1944-45	63.7	24.1	39.6	62.7

²⁰⁷ G.O. M. SNo. 146 Trade, dated 12.01.1944, T.N.A. *Annual Statement of the sea-borne trade of British India in the British Empire and Foreign Countries,* 937-38—1944-45.

Total foreign trade and imports tended to decline throughout the war period. The imports were lowest in 1943-44, when the trade balance in favour of Madras Province was the highest in the last eight years. On the other hand, exports were fairly well kept up. It was satisfactory to note that already in 1944-45 the first post-war year, imports and exports compared very favourably to the corresponding figures for 1939-40. This is reflected in the graph given below:

IMPORTS Increase

	1943-44 Rs. In	1944-45 Rs. In lakhs
Machinery and mill work	96.29	180.01
Manures	-	180.91
Asphalt	4.22	35.85
Chemicals	49.97	70.74
Instruments	17.73	37.59
Paper	8.51	23.99
Drugs and Medicines	8.68	20.64
Vehicles	4.58	13.88

(Source: Report on the Administration of the Madras Presidency for the years 1943-44-1944-45)

Decrease

	1943-44 (Rs. in lakhs)	1944.45 (Rs. in lakhs)
Wool (new)	52.28	2.77
Dyeing and tanning substances	62.19	33.39

(Source: Report on the Administration of Madras Presidency for the years 1943-44, 1944-45)

Machinery and mill works

Consignments of electrical machinery from the United Kingdom rose from Rs. 36.13 lakhs to Rs. 74.07 lakhs and those from the United States of America from Rs. 0.17 lakhs to Rs. 8.04. Supplies of other sorts of machinery from the United Kingdom increased from 6.50 lakhs to Rs. 33.03 lakhs.

Manures

Imports of manures, which previous year amounted to Rs. 70.00 lakhs, to which the United Kingdom contributed Rs. 43.16 lakhs and Canada Rs. 24.40 lakhs.

Asphalt

Arrivals of asphalt from Iran went up from Rs. 4.22 lakhs to Rs. 30.81

lakhs. Egypt, which had no trade in this commodity in the preceding year, supplied to the value of Rs. 5.04 lakhs in the year under review.²⁰⁸

Chemicals

The United Kingdom enhanced the shipments from Rs. 35.03 lakhs to Rs. 42.94 lakhs and Canada from Rs. 0.14 lakhs to Rs. 13.54 lakhs. Imports of ammonia and its salts from the United Kingdom increased from Rs. 0.68 lakhs to Rs. 2.96 lakhs, of sodium carbonate from Rs. 3.55 lakhs to Rs. 8.96 lakhs. Copper Sulphate from Egypt accounted for Rs. 3.74 lakhs as against nil dispatches in the previous year. Calcium compounds with Rs. 1.94 lakhs and other chemicals valued at Rs. 11.20 lakhs arrived from Canada, which had no share in this line last year²⁰⁹

Instruments

Receipts from the United Kingdom registered a rise from Rs. 16.36 lakhs to Rs. 33.19 lakhs. Imports of electric wires and cables from the United Kingdom expanded from Rs. 2.52 lakhs to Rs. 9.63 lakhs; of electric bulbs from Rs. 1.10 lakhs to Rs. 2.74 lakhs; of the photographic instrument from Rs. 0.74 lakhs to Rs. 2.83 lakhs; of cinema films (raw) from Rs. 3.94 lakhs to Rs. 6.11 lakhs and to expose cinema film for Ceylon, from Rs. 0.94 lakhs to Rs. 1.78 lakhs.²¹⁰

²⁰⁸ *Indian Annual Register*, Calcutta, 1944, PP -117-121.

²⁰⁹ *Ibid*, PP -123-125

²¹⁰ *Indian Review*, Madras, 1944.

Paper

Shipments of printing paper advanced from Rs. 3.89 lakhs to Rs. 13.07 lakhs mainly due to larger arrivals from Canada amounting to Rs. 10.09 lakhs as compared to Rs. 2.32 lakhs in the preceding years. The United Kingdom increased her supplies of writing paper from Rs. 0.44 lakhs to Rs. 2.16 lakhs and of other kinds of paper from Rs. 1.84 lakhs to Rs. 5.98 lakhs.

Drugs and medicines

Proprietary and patent medicines from the United Kingdom recorded an improvement from Rs. 0.94 lakhs to Rs. 2.58 lakhs and other drugs and medicines from that country from Rs. 3.53 lakhs to Rs. 9.29 lakhs. The United States of America supplied drugs and medicines valued at Rs. 6.23 lakhs as compared to Rs. 0.72 lakhs in the previous year.

Vehicles

Arrivals of carriages and parts for railways from the United Kingdom registered an increase from Rs. 0.13 lakhs to Rs. 1.27 lakhs and those of wagons and parts for railways, from the low figure of Rs. 498 to Rs. 1.03 lakhs. The United

Kingdom enhanced her dispatched of cycles and parts of cycles, from Rs. 2.92 lakhs to Rs. 6.82 lakhs.²¹¹

Dyeing and tanning substances

The Union of South Africa reduced her shipments of wattle bark from Rs. 32.77 lakhs to Rs. 26.71 lakhs. Supplies of coal-tar dyes other than alizarine from the United Kingdom diminished from Rs. 9.96 lakhs to Rs. 2.13 lakhs. There were no imports from Switzerland, which accounted for Rs. 14.62 lakhs last year.

Exports

The total value of exports of private merchandise (including reexports but excluding treasure) increased by Rs. 1.88 crores. The chief export from the Province of Madras to foreign countries and their proportion are shown in diagram earlier.

The chief articles whose exports expanded or fell notably are given below:-

Increase

²¹¹ Berna, James L. - *Industrial Entrepreneurs hip in Madras state*, New York, Asia publishing House, 1950 PP - 212-14

	1943-44 Rs. In lakhs	1944-45 Rs. In lakhs
Cotton manufactures	453.64	750.97
Cashew Kernels	128.34	306.81
Coir manufactured	91.87	187.65
Fish	139.28	187.73
Rubber, raw	9.64	51.10
Tobacco unmanufactured	19.26	58.04
Lemongrass oil	8.17	32.02
Leather	274.15	303.37
Onion	38.00	58.02

Decrease

Groundnuts	812.68	630.16
Castor seeds	18.49	2.42
Tea	691.41	632.36
Manganese Ore	48.81	1.95
Coffee	51.81	22.87
Pepper	34.82	19.80

(Source: Report on the Administration of the Madras Presidency for the years 1943-44 to 1944 - 45)

Cotton manufactures

While shipments of cotton twist and yarn declined from Rs. 58.77 lakhs to Rs. 36.82 lakhs, those of cotton piece goods shot up from Rs. 385.56 lakhs to Rs. 682.94 lakhs. Ceylon enhanced her demand for cotton piece goods from Rs. 355.95 lakhs to Rs. 643.77 lakhs.²¹²

Cashew kernels

The requirements of the United States of America went up to Rs. 297.91 (110.40) lakhs while those of the United Kingdom diminished from Rs. 14.45 lakhs to Rs. 8.39 lakhs.²¹³

Coir manufactured

Supplies to the United Kingdom increased from Rs. 58.98 lakhs to Rs. 97.87 lakhs and to the United States of America from Rs. 17.16 lakhs to Rs. 51.61 lakhs. The contribution of the Union of South Africa improved from Rs. 4.55 lakhs to Rs. 7.31 lakhs of the commonwealth of Australia from Rs. 2.08 lakhs to

²¹² Commissioner of Labour and Chief Inspector of Factories - *Report on the working of the Indian Factories* PP -211 - 213.

²¹³ Ibid, PP 214-215.

Rs. 6.55 lakhs, and of New Zealand, from Rs. 2.64 lakhs to Rs. 7.29 lakhs. Portugal entered the market with a demand for Rs. 5.89 lakhs worth of coir.²¹⁴

Fish

The trade under this head rose from Rs. 139.28 lakhs to Rs. 187.73 lakhs, of which Ceylon accounted for Rs. 187.66 lakhs.²¹⁵

Rubber, Raw

Exports of rubber, raw, advanced from Rs. 9.64 lakhs to Rs. 51.10 lakhs, the United Kingdom being the sole purchaser.²¹⁶

Tobacco, unmanufactured

The United Kingdom and Ceylon increased their off-take considerably from Rs. 12.89 lakhs and Rs. 6.35 lakhs to Rs. 31.98 lakhs and Rs. 11.98 lakhs, respectively. The Union of Soviet Socialist Republics, which did not buy these goods last year observed unmanufactured tobacco to the value of Rs. 10.05 lakhs in the present year.²¹⁷

²¹⁴ Ibid, PP 221-22.

²¹⁵ *Report on the Administration of the Madras Presidency for the year 1944-45*, PP 232-36.

²¹⁶ Ibid -PP 237-239.

²¹⁷ *Modern Review*. Calcutta, 1945, PP 107-109

Leather

The United Kingdom reduced her takings from Rs. 242.52 lakhs to Rs. 233.51 lakhs. The share of the Union of South Africa rose from Rs. 16.97 lakhs to Rs. 46.65 lakhs, of the United States of America from Rs. 7.49 lakhs to Rs. 12.51 lakhs and of Ceylon from Rs. 5.56 lakhs to Rs. 8.76 lakhs.²¹⁸

Groundnuts

Exports to the United Kingdom declined by nearly 50 percent from Rs. 619.97 lakhs to Rs. 311.74 lakhs. The requirements of Ceylon and the commonwealth of Australia also decreased from Rs. 12.38 and Rs. 16.16 lakhs to Rs. 5.76 lakhs and Rs. 5.78 lakhs respectively. But Egypt increased her consumption from Rs. 66.39 lakhs to Rs. 140.84 lakhs. Canada, Kenya Colony, Palestine and Turkey entered the market with purchases to the value of Rs. 47.17 lakhs, and those to Ceylon from Rs. 2.68 lakhs to Rs. 4.91 lakhs.²¹⁹

²¹⁸ *Annual Report of the South Indian Chamber of Commerce*, J 944-45, Annual Re PP, 87-89

²¹⁹ *Ibid*, PP 89-91

Manganese Ore

The United States of America cut down her requirements from Rs.43.87 lakhs to Rs. 1.25; also there were no shipments to the commonwealth of Australia, which absorbed Rs. 2.98 lakhs last year.²²⁰

Coffee

Supplies to Ceylon dropped from Rs. 35.59 lakhs to Rs. 9.50 lakhs but the United Kingdom absorbed almost half the exports.²²¹

Coastal Trade

It is seen from the figures given below that the value of coastal trade in 1944-45 was nearly three and a half times what it was in 1937-38 and indicates the growing importance of coastal service:

	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
Value of coastal trade in crores of rupees	20.37	17.48	16.18	16.32	15.58	25.54	49.43	28.54

(Source: Statistical Abstract of the British India- 1937-38 -1944-45)

²²⁰ *Ibid*, PP 91-93

²²¹ G.O. Ms No. 527, Trade, dated 8th February, 1944, TNA

During the year 1944, imports rose from Rs. 26.79 crores to Rs. 35.02 crores and exports from Rs. 22.64 to Rs. 33.52 crores. Trade with Bombay amounted to Rs. 17.35 crores, with Bengal Rs. 27.33 crores and with Sind Rs. 13.76 crores.²²²

	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
Trade with British Empire countries (in crores of rupees)	30.01	39.88	44.94	45.38	48.65	34.55	33.36	42.60
Percentage of the foreign trade	55.8	66.14	68.86	77.18	80.00	84.55	76.36	67.45

(Source: Annual Statement of the sea-borne trade British India in the British Empire and Foreign Countries- 1937-38-1944 - 45.)

The aggregate value of the sea - borne of the Province of Madras decreased by Rs. 3.23 crores to Rs. 131. 52 (134.75 crores) during the year 1945-46. This consisted of:

	Rs.
Imports on Private account	24.23 (24.05) crores
Exports on Private account	44.68 (39.59) crores
Coasting Trade	62.50 (68.54) crores

Government transactions dropped very heavily to Rs. 95.00 (257.11) lakhs.

²²² Ibid

Foreign Trade Imports

The total imports increased to Rs. 24.34 (24.05) crores, the contributions from the different commodities being:

	1944- 45 Rs. in Lakhs	1945-46 Rs. in Lakhs	Increases Rs. in Lakhs
Machinery	180.01	201.03	21.02
Iron and Steel	19.98	41.17	21.19
Vehicles	13.88	26.66	12.78
Instruments	37.59	58.08	20.49
Chemicals	70.74	96.00	25.26
Liquors	12.48	19.22	6.74
	1944.45 Rs. In lakhs	1945-46 Rs. in Lakhs	Decreases Rs. in Lakhs
Grain, Pulses and flour	409.33	191.85	217.48
Manures	70.00	57.76	12.24
Cotton Price goods	31.73	6.92	24.81

(Source : Indian Annual Register, Madras, 1944-45, 1945-46)

Imports from the United Kingdom of textile, sewing and knitting, sugar and tea machinery increased, but there was a sharp fall in the imports of other sorts of machinery from Rs.33.03 lakhs to Rs.10.78 lakhs, and electrical machinery from Rs.74.70 lakhs to Rs. 53.86 lakhs. There were increases under all categories of machinery imported from the United States of America. Electrical machinery increased from Rs.8.04 to Rs. 16.03 lakhs.

Iron and Steel

Imports from both the United Kingdom and the United States of America increased. Steel ingots arrived for the first time from Australia to a total value of Rs. 8.48 lakhs.

Vehicles

Forty (nil) motor cars valued at Rs. 1.40 lakhs were received from the United Kingdom and 9,134 (5,176) cycles.²²³

Instruments

Electric wires and cables from the United Kingdom increased to Rs. 14.48 (9.63 lakhs, telegraph and telephone instruments and apparatus to Rs. 5.15 (0.73) lakhs, electric bulbs to Rs.7.17 (2.74) lakhs, but Cinema, films, raw, dropped to Rs. 3.05 (6.11) lakhs.

Chemicals

Import of Sodium Carbonate, Caustic Soda and Copper Sulphate from the United Kingdom rose to Rs. 22.07 (8.96), Rs.24.75 (14.81), and Rs.3.53 (2.38) lakhs respectively. Other chemicals from Canada increased to Rs. 21.20

²²³ *Indian Review*, Madras, 1945-46

(11.20) lakhs. Egypt, which supplied Rs. 3.74 lakhs worth of Copper Sulphate in the previous years, did not supply any this year.

Liquors

Brandy from the Union of South Africa and other spirits from the United Kingdom increased to Rs. 3.46 (2.16) lakhs and Rs.3.55 (1.16) lakhs respectively, but whisky from the United Kingdom fell to Rs. 2.43 (4.60).

Grain, Pulses and flour

The supply of wheat from Australia showed a sharp fall to Rs. 8.77 (363.98) lakhs for 4,019 (144.354) tons, and that of wheat flour decreased to Rs.9.10 (21.48) lakhs for 3,095 (7,859) tons. Shipment of wheat from South Africa was nil (3,852) tons. Canada increased her wheat exports to 11,646 (2,486) tons and the United States to 48,897 (2,570) tons. For the first time after the war, Burma shipped 15,731 tons for rice to this province.

Cotton Piece goods

From the United Kingdom, supplies of white piece goods fell to Rs.2.26 (4.17) lakhs of printed piece goods to Rs. 1.59 (10.79) lakhs and coloured piece goods to Rs.3.05 (16.77) lakhs²²⁴.

Foreign Trade - Exports

The income in the total value of export was contributed to as follows

Increase

	1944-45 Rs. in Lakhs	1945-46 Rs. in Lakhs
Leather	303.37	505.41
Raw cotton	Nil	10.58
Fruits and Vegetables	430.14	633.08
Coir manufacture	187.65	292.16
Fish	187.73	231.52

(Source: Report on the Administration the Madras Presidency for the years 1944.45 _ 1945-46).

Decrease

	1944-45 Rs. in Lakhs	1945-46 Rs. in Lakhs
Groundnut	630.16	607.25
Tea	632.36	625.30
Cotton Manufacture	750.97	418.91

Source : Report on the Administration of the Madras Presidency for the years 1944-95-1945-46)

Leather

²²⁴ G.O.Ms.No.1207, Trade dated 23rd March, 1947, TNA.

Shipment to the United Kingdom increased to Rs. 440.61 (233.51) lakhs.

Raw cotton

Exports to the United Kingdom and the United States of America amounted to Rs. 5.41 (nil) lakhs and Rs.5.17 (nil) lakhs respectively.

Fruits and Vegetables

Cashew kernels to the United States of America increased to Rs.526.87 (297.91) lakhs and onion to Ceylon to Rs.70.61 (58.02) lakhs.

Coir manufacture

The United Kingdom purchased Rs. 109.28 (97.87) lakhs and the United State Rs.98.01 (51.61) lakhs. For the first time after the war, Sweden, Norway, Denmark, France and Switzerland entered the market.

Tobacco - Raw and Manufactured

The United Kingdom increased her requirements of unmanufactured tobacco to Rs. 90.72 (31.98) lakhs, while Ceylon, imported beedies to the extent of Rs.40.56 (38.63) lakhs.

Fish

Ceylon was the sole consumer of dry salted and unsalted fish²²⁵.

Groundnut

Shipments to Egypt, Kenya colony and New Zealand were nil (140.84), nil (4.56) and nil (2.52) lakhs of rupees, respectively. South Africa, Australia and Canada reduced their requirements to Rs.46.12 (147.97) lakhs. The United Kingdom purchased Rs. 471.02 (311.74) lakhs, while France re-entered the market to the extent of Rs. 34.75 lakhs.

Tea

The United Kingdom and Canada decreased their requirements to Rs. 434.51 (460.36) lakhs and Rs.49.34 (51.90) lakhs, respectively.

Cotton Manufacture

Exports of cotton twist and yarn fell to Rs. 18.81 (36.82) lakhs and those of cotton piece goods to Rs.360.38 (682.94) lakhs.

Coastal trade

Imports decreased to Rs.29.67 (35.02) crores and exports to Rs.32.82 (33.51) crores. The total decreased to Rs.62.50 (68.54) crores. Trade with Bombay, Bengal and Sind amounted to 19.54 crores, Rs.24.56 crores and Rs. 10.83 crores, respectively²²⁶

²²⁵ *Census of India*, 1957, Vol. XIV, Part I & II, pp. 207-210.

The aggregate value of the sea-borne trade of the Province increased to Rs. 170.65 crores as shown below during 1946-47.

	Rs
Imports	43.42 (24.34) crores
Exports	63.47 (44.68) crores)
Coasting trade	63.76 (62.5) crores
Total	170.65

Government transactions declined from Rs.95.06 lakhs to Rs.56.87 lakhs²²⁷.

Foreign Trade – Imports

The total value of foreign imports on private account increased to Rs.43.41 crores from Rs.24.34 crores. Transactions in important commodities are shown below.

	1945-46 Rs. in lakhs	1946-47 Rs. in lakhs	Increase Rs. in lakhs	Decrease Rs. in lakhs
Grain, Pulses and flour	191.85	1,382.51	1,190.66	—
Machinery	201.03	446.91	245.88	
Manures	57.6	142.33	84.57	
Metals other than iron and steel	38.43	148.91	110.45	—

²²⁶ G.O.Ms. No. 1233, Trade, dated 9th January 1945, TNA.

²²⁷ *Report of the Department of Industries and Commerce for the years 1945-46 & 1946-47*, pp. 119-121, pp. 123-125.

Paper and Paste Board	35.04	112.24	77.20	—
Cotton raw	--	112.16	112.16	--
Vehicles	26.66	188.89	162.23	—
Building, and an increasing materials	39.90	5.20		34.70
Mineral oils	1,219.40	515.98	—	703.42
Tea chests	30.77	20.99		9.78

(Source : Report on the Administration of the Madras Presidency for the years 1945-46-1946-47).

Grain, Pulses and Flour

Burma, Siam, Brazil and Java supplied paddy and rice. Canada, Australia and the United States of America supplied larger quantities of wheat and wheat flour. The Argentine Republic, Australia, Burma and the United States of America accounted for other grains and pulses.

Machinery

Imports of all kinds of machinery increased, the increase being marked in the case of electrical machinery, textile machinery, metal working machinery, tea machinery, boilers, sewing and knitting machines and sugar machinery²²⁸.

²²⁸ G.O.Ms. No. 4620, Trade, dated 17th December 1946, TNA

Manures

There were larger shipments of Sulphate of ammonia from the United Kingdom and of ammonium phosphates from Canada, Egypt sent Rs. 2.46 lakhs worth of Super phosphates.

Metals other than Iron and Steel

The United Kingdom supplied Rs. 52.19 lakhs worth of brass (13.46) and Rs.22.83 lakhs of copper (8.96). Italy sent Rs.3.26 lakhs worth of quick silver.

Paper and Paste Board

The chief suppliers of paper were Canada and Sweden. The United Kingdom dispatched writing paper to the extent of Rs. 13.76 lakhs (4.04).

Cotton - Raw

This was received from Egypt.

Vehicles

Thirty four thousand one hundred and twenty nine (9,134) cycles of the value of Rs.30.33 lakhs (6.85) 1016 motor cars (40) of the value of Rs.43.98 lakhs (1.40) were received from the United Kingdom. Four hundred and thirteen motor cars of the value of Rs. 17.30 lakhs were received from Canada. 133 cars valued at

Rs.6.29 lakhs from the United States of America and 75 of the value of 3.27 lakhs from France. There were no imports from these countries in the previous year. Motor cycles and omni buses were also received while none was received in the previous year²²⁹.

Building and Engineering Materials

The United Kingdom, Egypt, Iran and Palestine curtailed their shipments of asphalt.

Mineral Oil

Iran reduced its supplies in fuel oil and motor spirit but increased its shipments under kerosene oil.

Tea Chests

There were no imports of metal tea chests during the year and there was a fall in the imports of wooden chests²³⁰.

²²⁹ G.O.Ms.No.955, Trade, dated 4th March, 1946, TNA

²³⁰ G.O.Ms. No. 2482, Trade, dated 26th January, 1946, TNA.

Foreign Trade - Exports

The total value of private merchandise increased from Rs.44.68 crores to Rs.63.47 crores. The chief articles, which accounted for increase. and decrease are shown below.

	1945-46 Rs. in lakhs	1946-47 Rs. in lakhs	Increase Rs. in lakhs	Decrease Rs. in lakhs
Hides and skins Raw	24.38	86.12	61.74	~
Leather	505.41	1,582.49	1,077.08	~
Metals and Ores	39.00	108.03	69.03	~
Oil	83.71	313.54	229.83	
Coir raw and manufactured	293.59	570.13	276.54	~
Tobacco raw and manufactured	169.03	583.78	414.75	~
Rubber raw	51.37	3.03		48.34
Seeds	687.11	45.21	~	641.90
Tea	625.30	519.36		103.94

(Source : Report on the Administration of the Madras Presidency for the year 1945-46-1946-47).

Hides and Skins - raw

There were large shipments to Australia and America. **Leather**

There were large exports to America, the United Kingdom, Burma, Belgium, Sweden, Switzerland, France and Denmark. The Netherlands also received supplies to a small extent through them did not get them in the previous year.

Metals and Ores

Manganese was exported in large quantities to America.

Oil

There were large exports of lemon grass oil and sandalwood oil. Burma, which made no demand on groundnut oil in the previous year, received an appreciable quantity during the year.

Coir - Raw and Manufactured

There were no exports of coir raw while the exports coir manufactured increased.

Tobacco - Raw and manufactured

The United Kingdom and Soviet Russia received a major share of the exports. Burma, which had no trade in besides in the previous year, received some supplies in the year²³¹²⁵.

Rubber Raw

There was no demand from the United Kingdom and America which were the usual markets.

Seeds

There were no exports of groundnuts owing to restrictions imposed on them. The United States reduced her demand under Linseed and so did Ceylon in respect of Coriander of which she was the sole consumer²³²²⁶.

The war had shaken the pace of the tendency of the diversion of trade from Great Britain. Next to Great Britain, United States of America had become the biggest customer and on the import side also, she stood second only to England. The Madras State enjoyed favourable balance of trade both with the Empire and non - Empire countries and in both cases, there was an appreciable increase. It may be mentioned that as a result of war, the balance of payments had

²³¹ *Proceedings of the Madras Chambers of Commerce, 1946-47*, pp. 203-205.

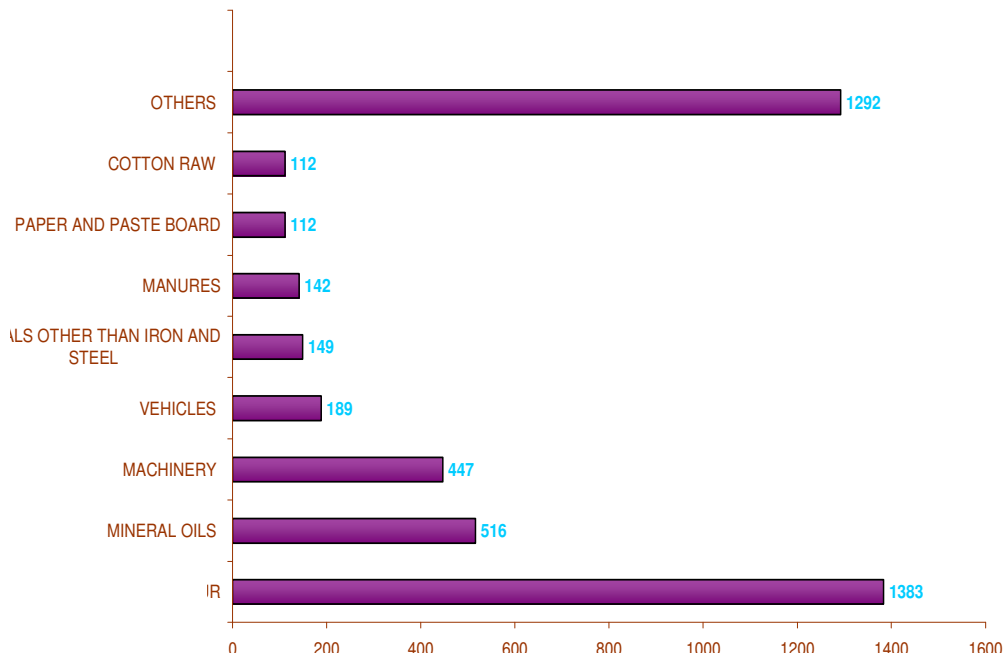
²³² *Annual Report of the Southern Chamber of Commerce, 1946-47*, pp.87-9\.

also become favourable to the Madras Presidency as well as India. This was due to the repatriation of our sterling debt and the commutation of sterling pension. Finally, it may be stated that in spite of favourable position in which Madras was placed in respect of foreign trade, the terms of trade i.e. the exchange of import for the exports were going against us.

The conclusions from the above study are:

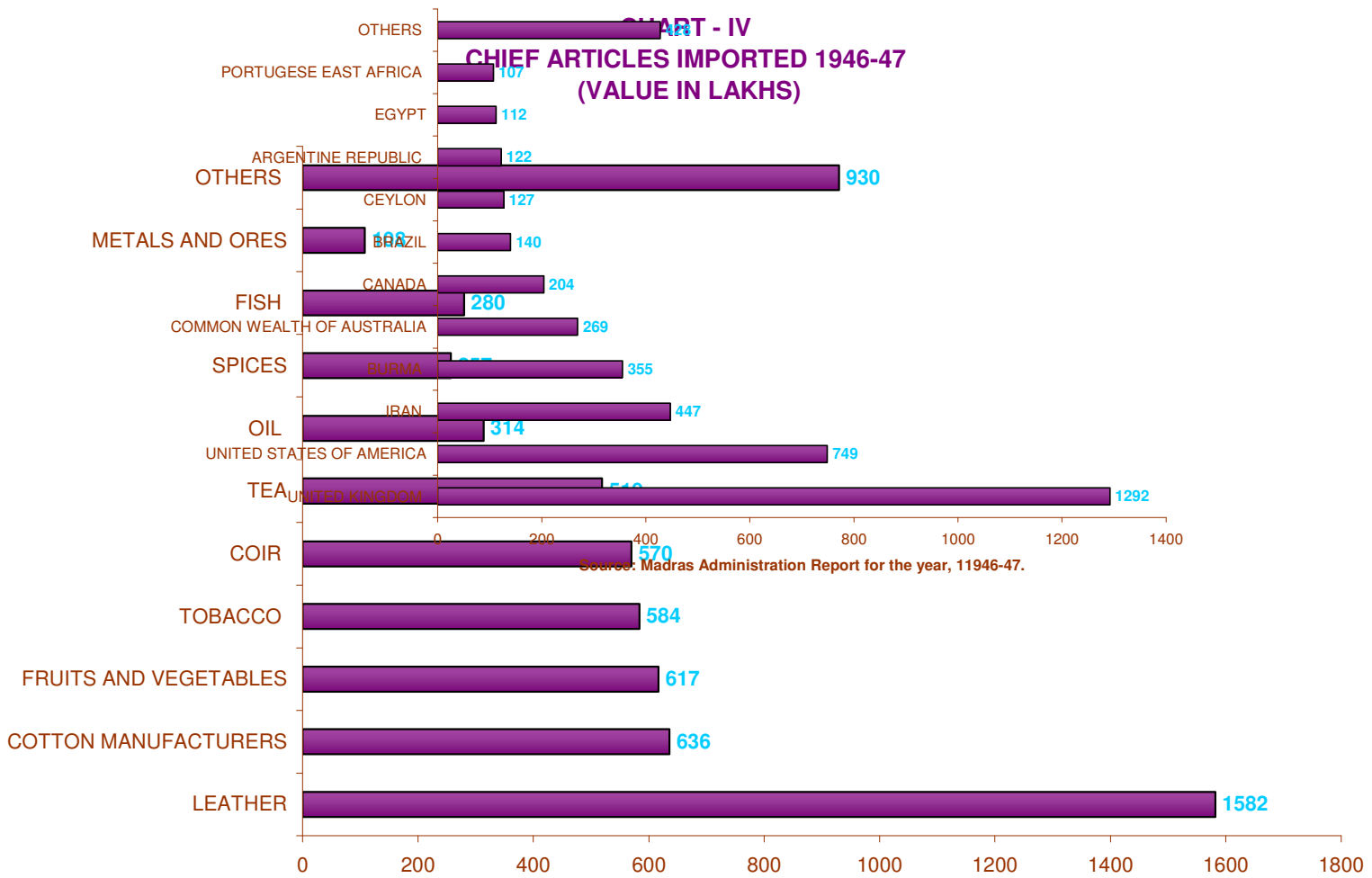
1. The favourable position of foreign trade (export trade) was at the expense of the domestic consumer and reacted on the internal price system unfavourably.
2. The fall in imports created shortage of many articles and this produced rise in the price level.
3. The favourable position indicated by changes in the composition was deceptive. It did not indicate further industrialization of the Presidency. On the contrary, the heavy reduction in the import of machinery shows that our capital equipment was seriously subjected to greater wear and tear and thus to greater depreciation; and
4. In spite of our favourable position, in regard to our export trade, the imports were growing costly in terms of our exports.

CHART - III
CHIEF ARTICLES IMPORTED 1946-47
TOTAL IMPORTS - Rs.4342 LAKHS (VALUE IN LAKHS)



Source : Madras Administration Report for the year, 1946-47

CHART - II
 TRADE OF THE PROVINCE BY COUNTRIES 1946-47 TOTAL IMPORTS -4,342 LAKHS (VALUE IN LAKHS)



Source : Madras Administration Report for the year, 1946-47

CHAPTER – V

Chamber of Commerce

The Madras Freight Association formed earlier merged again with the Chamber of Commerce to avoid redundancy. The mill owners of South India formed a separate Association in 1910. The chamber together with the Bombay Chamber addressed the London Chamber of Commerce to get a better voting strength for the Indian Chambers in the Empire Congress of the Chamber of Commerce, functioning from 1902. The basis suggested was the average value of external trade which was over £430 millions, exceeding the combined figures of any two colonies. It wanted the Empire Congress to discuss the methods of avoiding double taxation¹.

In 1918-19, a proposal to form an Associated Chamber of Commerce in India was mooted. Though the first attempt at concerted action by the Chambers was made in 1905, when a conference was held at Calcutta, no further steps were taken until 1917 when the second conference was held at Delhi to consider Indian Trade after the First World War. The need,

¹ Thirumalai, C. - The Voice of Enterprises-150 years of Madras Chamber of Commerce and Industries, MacMillan India Ltd., Madras 1986, P. 131.

however, was felt for such a Federated Organisation from time to time. It was only January 1920, an Association was constituted for the promotion and protection of trade and commerce, industries and manufacturers of India and Ceylon. The immediate issues suggested for discussion therein were the levy of Excess profits duty and the post-war problems. The Madras Chamber intended to raise the labour unrest as well, as Madras was having quite a bit of it in 1919-20. A concerted approach by all the Chambers on this issue could help. The Associated Chambers of Commerce took shape and commenced function from 1920.²

Thereafter, questions of national policy and importance were considered more in the joint deliberations of the Associated Chambers of Commerce. The regional chambers were concentrating on problems of local and regional interest and brought up issues of common interest before the Associated Chambers of Commerce for collective deliberation and action. It was, however, the convention that only unanimously agreed the Associated Chambers of Commerce would project resolutions to the Government and when any constituent had strong views of its own, it could address the authorities concerned directly³.

In 1920s and 1930s, protection for the infant industries in India was the cry of the nationalists and of the Indian industrialists. The Government appointed the Tariff

² Ibid, p. 131

³ Ibid

Board in 1923 to enquire into the claims for protection. It rejected several claims and even some recommended by it for protection, like cement (1928), glass (1931) and woolen goods were declined by the Government. The Chamber, too, held that neither imported cement nor imported paper could be charged enhanced duties to protect Indian Manufacturers. Between 1923 and 1939, eleven industries were granted specific protection -iron and steel, cotton, textiles, sericulture, paper, sugar, plywood and tea-chests, silver-thread and wire, magnesium chloride, salt, heavy chemicals and matches. The Indian industrialists characterized it as a halting policy of protection. Others attributed it to the Government's desire to help the British enterprises set up in these sectors.⁴

A conference of British Empire countries, called the Imperial Economic Conference was held in Ottawa in 1932. A lot of hope was pinned on this conference by the Indians. But the outcome of the conference caused only disappointment. Instead of giving concessions to its colonies, Britain tried to strike a business deal in furtherance of its own interests. At this conference, Great Britain declared which goods of each colony would be admitted free of duty and which British goods should be granted access to each empire country⁵. Canada, Austria and South Africa refused to give up any thing for the benefit of England. India alone

⁴ Ibid, pp.181

⁵ Rothermund .D., - *Global Impact of Great Depression*, pp.65.

was compelled to agree to give preferential treatment to British goods⁶. The Indian delegation was forced to conclude an agreement with the British representatives, giving preferences over non-empire manufacture exported to India. In return, the British guaranteed free entry for some Indian goods⁷. At current volumes and 1928-29 prices, Indian preferences on British goods were worth about \$ 55 million while British preference on Indian goods were worth about \$ 47 million.⁸

The South Indian Chamber of Commerce in the course of a lengthy communication to the Secretary of the Federation of Indian Chamber of Commerce and Industry said that the Ottawa agreement had tilted the scale against India. The Chamber complained that it was progressively subjecting India to helpless dependence on trade with United Kingdom.⁹ The dominos and India hoped that currency policy would be fully discussed at the Ottawa Conference and that the British authorities would commit themselves to a definite policy to raise the prices of primary commodities. But the expectation was belied and the British Chancellor only expressed his wish to see world prices rise. Increased public works

⁶ Nehru, - *Glimpses of World History*, pp.906

⁷ Tomlinson B.R., - *Political Economy of the Raj*, pp.136-137.

⁸ Ibid

⁹ Modern Review, 56, 1934, pp.367

expenditure was ruled out and emphasis was laid on the control of production to raise the price.¹⁰

The Ottawa Conference turned out to be a business deal to grant preference to some special British commodities, as the gain accrued to India was small.

The Ottawa agreement came up for renewal in 1936. By then the Congress had lifted its boycott of legislature programme. The entry of Congressmen into the Legislative Assembly led to increasing attack on the Ottawa agreement.¹¹ A resolution for its rejection was carried in the Legislative Assembly by sixty-six votes to fifty eight on 26th January 1935, Though this did not affect the validity of the Ottawa agreement, since the viceroy could ratify it through his Certificate procedure, it was indicative of the attitude of the Congress Party to the imperial trade policy of the Government of India.¹²

The Madras Chamber declared in 1921 that "very ancient but still existing grievance- the vexed question of the provincial contracts" should be "fought in a last battle to secure full financial success". It supported a resolution in the Madras Council, agreed to take a deputation to the Viceroy and urged all the mofussil

¹⁰ Tomlinson B.R., - *Political Economy of the Raj*, 1914 – 1947.

¹¹ Rothermund D., - Op.cit., pp.151

¹² Anstey .V., - *Economic Development of India*, pp.488

Chambers, the Southern India Chamber of Commerce, the Traders' Association, the Madras Skins and Hides Merchants' Association, the Ryotwari Landholders' Association and even the political organisations like the National Home Rule League, the South Indian Liberal Federation and the Dravidian Association that they send a telegram to the Viceroy so that the voice of Madras could be heard by the Government of India. This veritable campaign mounted in 1921, enlisting the support of all the sections of the Indian opinion did not yield the result.¹³

In 1922, a joint delegation of the Associated Chambers of Commerce met the Viceroy to urge retrenchment and economy in the Government of India, consistent with efficiency and ultimately to lighten the grievous burden under which Madras was labouring. The Chamber stated in the Associated Chambers of Commerce meeting in 1926 that it would give priority to the withdrawal of the Provincial Contribution over the abolition of Super-tax. It pointed out the iniquity of the Government of India demanding a provincial contribution from Madras when the Province of Bengal was exempted there from in 1927. The inadequacy of the Central allocation to the Madras Province and the discrimination against this province were persistent complaints the Chamber made, urging their remedy, which was slow to arrive.¹⁴

¹³ Ibid, pp.182

¹⁴ Thirumalai C., - Op Cit.,pp.183

Provincial taxation

With Provincial autonomy coming into force and the introduction of prohibition, the Congress Government introduced legislation to levy a number of taxes; The Madras General Sales Tax Act, The Tobacco Tax Act, Entertainment Tax Act and The Madras Sale of Motor Spirit Taxation Act, with the expansion of road transport, increase in the motor vehicles taxation was also contemplated.¹⁵

The Chamber was particularly agitated over the legality of the Madras General Sales Tax with reference to the Government of India Act, 1935 and petitioned the Governor- General to make a reference to the Federal Court but it was rejected. In particular, it was concerned with the levy of Sales Tax on the first sale and the last sales destined for exports. It urged the imperial Parliament to define the legislative powers of the Centre and the Provinces more clearly. At the same time, it raised a number of points of details with the Provincial Government. It raised the question of the constitutional tenability of The Madras Tobacco Taxation Act but the Government of India declined to make a reference to the Federal Court. It enlisted the participation of the European Associations (the Trades, the UPASI and the mofussil) and also the Southern India Chamber of Commerce and other Indian bodies in questioning the constitutional tenability and the taxation affected

¹⁵ Ibid, pp.183, *PMLC-66*, 1937, pp.43-45.

trade and commerce as a whole. The General Sales Tax Act came into force in 1939. In 1940-41, the rate was reduced to ¼ % from ½ %. A commercial taxes sub-committee critically examined every provision, rule and procedure and advised the members of the Chamber on all aspects of the new law. When the Act was proposed to be applied to import sales the incidence falling on the purchaser, the Chamber opposed it. The Chamber carried on a campaign to reduce the rates of taxation and bring about uniformity in the rates of taxes.¹⁶

Stamp duty

It was persistently seeking (1926, 1930 and 1931) a reduction in the duty on Usance Bills (Hundis), which was too high and restrictive. In 1931, the Chamber was categorical that there was no evasion of stamp duty in Madras and the loss of revenue was negligible. In 1937, it agreed with the Reserve Bank of India's recommendation that the duty on inland usury bills of less than one year's usance should be drastically reduced. The Chamber was not for its abolition as a stamped paper was held to carry title. It was for continuing the unified stamps for both postage and revenue purposes.¹⁷

¹⁶ Ibid, pp.184, *PMLC,66*, 1939 and 1940-41, pp.35-36 & 47-49.

¹⁷ Ibid, pp.185, *PMLC,66*, 1931, pp.35-36

The Chamber's efforts predictably, were directed to containing the level of taxation at the minimum levels and seeking exemption from Local taxation for the smaller constituents. While the municipalities could freely tax the firms, even iniquitous levies could not be gone into, by any independent judicial body, as appeals against the assessment lay only to the Council, which assessed them. The Provincial Government was contemplating a legislative remedy in 1921. The Chamber enlisted the support of the Southern India Chamber of Commerce and the Trades Association as well and jointly discussed with them the objectionable features of a Bill to levy companies' tax on the basis of the business turnover of a company in 1924. It objected to all the inclusive definition of 'turnover' contemplated and the Local and Municipal Advisory Committee accepted its protest.¹⁸ In 1929, the Chairman gave notice of a motion to abolish the Companies Tax and the Profession Tax or alternatively to limit the taxation to a business tax. In 1934, again, it opposed the increase in the municipal levies on companies.

In 1940, the Central Assembly provided for continuing the right of the Provincial Governments to impose Professional Tax, subject to a limit of Rs.50/- when the tax was imposed after the date of that Act. The Chamber urged that the limit should

¹⁸ Ibid, pp.186, *PMLC,66*, 1924, pp.34-36.

apply to the earlier enactments of Madras where the maximum for Profession Tax for the city was Rs. 10,000- and in the mofussil Rs.550 in a year. The Madras Government rejected the Proposal. But in 1941, Frederick James was able to get a legislation passed in the Central Legislature to apply the limit to the existing local taxation. In 1946, a further amendment was made in the Profession Tax Limitation Act to clarify that the Madras City Municipality Tax would not come within the limit of Rs.50-. The Chamber rather morosely recorded: "Now we must continue to pay this iniquitous tax with no possible doubt whatever, we would continue to object".¹⁹

The Chamber agreed in 1939 with the Madras Corporation that the annual election to the 15 divisional seats by rotation might be replaced by a simultaneous election to all the 45 divisions once in three years. Accordingly, the necessary legislation was put through.²⁰

The Government appointed in 1921 the Indian Fiscal Commission with Ibrahim Rahimtulla as the Chairman and J.K. Keynes, the Economist as the Vice-Chairman.²¹

¹⁹ Ibid, pp.187, *PMLC,66*, 1950, pp.35-37.

²⁰ Ibid, pp.188, *PMLC 66*, 1939, pp.37-39.

²¹ *The Indian Fiscal Commission*, 1921.

See also: Jon E., War *Time Development in Indian Currency-Post-War, Development and Lessons of War-time Developments in Indian Economy*, M.Litt-Thesis, 1989, University of Madras.

The Chamber made several suggestions to the Commission to be considered in evolving a fiscal policy. It favoured a policy of free trade, but had no objection to the imposition of customs duties for the purpose of obtaining revenue. A tariff system was a more suitable form of taxation for Indian than direct taxation, which was unpopular and sometimes evaded and beset, frequently, with difficulties of collection. The Chamber, to repeat, had changed its preference for direct taxes. The existing tariff policy did not hinder but helped the Indian Industries to flourish greatly and as such it might be continued. The Chamber would agree to some latitude to the strict theory of the Free Trade Policy that a tariff imposed should call for an excise duty on the same article of Indian manufacture. The excise duty should be imposed for revenue purposes only. The object of fostering Indian industries should be a secondary consideration. For the purpose of developing Indian industries, temporary protective duties on some imported manufacture could be imposed but certainly not on all imports, for protraction might lead to quasi-monopoly.²²

For developing Indian industries, an increase in prices to the Indian consumers would be justifiable. This might lead to a cost-push and increase the cost of living, which could not be fully compensated by the rise in wages or salary. No duties,

²² *Annual Review of Trade of India (Publications – 1929-1946)* published by the Governor – General in Council.

however, on import or export could be imposed without raising the price to the ultimate consumer and the rise in price would be as permanent and as much as the duty. If the export offered a more attractive price than the home market, the producer should be allowed to produce for exports. If an export duty was levied on foodstuffs, their exports could be controlled but there was the danger of the agriculturists going in for commercial; crops to get better prices. The economic philosophy of the chamber was, as usual, a mix of Free Trade and Protectionism and it was, as every, pragmatic in its approach²³.

In the wake of economic crisis, the first positive action of the Government of Madras was appointment of a committee of officials and non - officials to conduct an enquiry. On 16th January 1931²⁴, the Madras Oil seeds and Ryotwari Association called on the Governor, to represent to him the depressed condition of the groundnut trade. In response, the Government decided to form a committee of officials and non-officials to examine whether some system of co-operative marketing of the Madras groundnut crop could be devised and organized. At the same time, the Government also wanted to know how far the economic conditions of the agriculturists of the Presidency had been affected by the fall of agriculture prices. It decided-in-suppression of the earlier decision - to appoint an Economic Depression

²³ Ibid

²⁴ *The Hindu*, Madras, dated 17th January, 1931

Enquiry Committee, to probe into the effects of the Depression and to report whether any measures should be adopted by the Government to mitigate them²⁵.

The government, however, had to yield to the rice lobby. In 1935, import duty was imposed on broken rice, as it was a major item in the import bill²⁶. But the import duty did not have much impact. The Special Officer, Sathyanathan himself had to admit this frankly in his report - "the recent levy of a small import duty on broken rice will undoubtedly afford much relief; but it may not be high enough or comprehensive enough, I submit, to prevent paddy, whole rice and even broken rice from being imported in sufficient quantity to depress local prices seriously²⁷."

The Japanese piece goods flooded to the Indian market and depressed the Indian Cotton Industry. When the situation became worse, the Government imposed high duties on these imports. In 1930-31, the duty on cotton piece goods was raised from 11 percent to 15 percent, with an additional 5 percent on non - British goods and the supplementary budget imposed a surcharge of 25 percent of these rates²⁸. Japan was the largest single consumer of all varieties of Indian cotton. When import duties were raised, it embarked on a boycott of Indian cotton as a retaliatory measure. As a result, the Government of India was forced to sign a trade agreement with

²⁵ G.O.No.328, Revenue (Confidential), dated 11th February, 1931, TNA

²⁶ Rothermund D., - *British Foreign Trade Policy in India*, pp.3-4.

²⁷ Sathyanathan, SS - *Rural Co-operation in Madras Indian Journal of Economics*, 1941-42, pp.22

²⁸ Thomas P.J., - *Growth of Federal Finance in India*, pp.366.

Japan in 1934. The Anglo - Japanese agreement of 1934 permitted the Japanese to sell 325 million yards of cotton cloth annually to India, if they bought 1 million bales (one bale is five hundred pounds of cotton) of Indian raw cotton²⁹. Japan could skillfully increase her export of textiles by increasing her consumption of raw cotton while the agreement was in force (1935-37). The competition of Japanese textiles with Indian Textiles therefore called for the revision of first agreement in 1937. This time, the quota of Japanese exports of textiles was reduced from 325 million yards to 283 million yards and her import of Indian raw cotton was fixed at 1.5 million bales.³⁰

Government's Remedial Measures

The Government of Madras, relying on the reports of the District Collectors, initially did not take any serious view of the Depression. The Secretary in the Department of Commerce of the Government of India addressed a letter to the Chief Secretary to the Madras Government on 2nd August 1930³¹, calling for a report on the economic condition of the Presidency in the wake of the fall in prices.

²⁹ Rothermund D., - *British Foreign Trade Policy in India*, during the Great Depression, 1919 to 1939, pp.9-12.

³⁰ Ponniah J.S., - *The Production and Marketing of Raw Cotton in the Madras Presidency with special reference to the Districts of Bellary, Kurnool, Coimbatore, Madura, Ramnad and Tinnevely*, D.Litt., Diss, University of Madras, 1944, 2:87

³¹ *The Hindu*, Madras, dated 3rd August 1930.

The government of Madras called for reports from District Collectors. On the basis of their reports, it wrote to the Government of India, stating that "the reports received from the Collectors of districts and the Director of Agriculture do not indicate that there is any ground for apprehending anything like a serious economic crisis in this Presidency owing to the fall in prices" (The report further state that, "the case with which the land revenue had been called, in spite of sharp decline of prices, suggests that the ryots have so far not been seriously hit by the low prices)³².

The Government of India decided to appoint a Retrenchment Committee to suggest means of economy in public expenditure.³³ In line with the Government, of India, the Madras Government also appointed a Retrenchment Committee in Madras 1931, under the Chairmanship of the finance member of the Government of Madras, H.G. Stokes, I.C.S, with K.Kuppuswami Chowdary, Raja of Bobbli. Mahmud, Raja of Calicut, S. Ellappa Chettiar, F.F. James, T.M Narayanswami Pillai, T.S Ramaswami Ayyar, N. Sivaraj and C.S Rathnasabapathi Mudaliar as members. All the members were legislators. But the Government chose to appoint only nominated members and close associates of the Justice Ministry. G.R.F

³² *Proceedings of Board of Revenue*, No.3315 (Mis), 10th November 1930.

³³ *Indian Annual Report*, 1931, Vol – I, pp.152

Tottenham was appointed Secretary to the Committee. Thus the Retrenchment Committee was virtually a Committee of the Government³⁴.

The appointment of a Committee came under severe criticism. The Tamil Nadu wrote: "we are glad at the Government taking such an interest in the matter. But no one can deny that when a person asks for water when he is about to die, it is foolishness to offer it to him only after a committee has been appointed and it has made enquiry. Committees should, of course, be appointed for matters, which need them. But when an emergency arises, action has to be taken to suit it also".³⁵

The composition of the Committee caused misgivings about the probable outcome of the enquiry. Referring to the Committee, the Andhra Patrika observed, "No good will result from such a Committee as it will depend on the statistics furnished by Hood (the Collector of Madras) and not upon the evidence gathered from those who are directly affected by the economic crisis. It will be no wonder if this should prove useless as all other committees"³⁶. Paradoxically, even the recommendations made by such a pro-government committee were unacceptable to the colonial government.

³⁴ Report, Madras Retrenchment Committee, pp.74

³⁵ The Tamil Nadu, Madras, dated 19th February 1931, NNR.

³⁶ The Andhra Patrika, Madras, dated 20th February 1931, NNR.

However, the orders of the Government on the recommendations of the Economic Depression Enquiry Committee were disappointing³⁷ the Government used this as an alibi and relegated the recommendation to the dustbin. The Government of India, for its part, was promoted to take this initiative by one curious factors³⁸. Though the Civil Disobedience Movement had been officially called of, the agitation had not died down till 1934.

In a press communique, the Secretary of the Retrenchment Committee, G.R.F. Tottenham said, "Apart from the imposition of new taxation, a matter in which the field open the Local Government is limited, the only further possibility of securing the necessary savings is by making an emergency cut in salaries³⁹. At the time, when the cut was introduced, it was definitely needs of the exceptional emergency. The Government order on the 10 percent salary cut said that, "the cut would be removed as a first measure of relief as soon as financial conditions improved, and there was no intention that it should remain in operation after the 31st March 1933"⁴⁰. Addressing the scheme of retrenchment in the Legislative Council, the Governor said: "in order to assist the country, a cut has been foreshadowed in the

³⁷ The Hindu, Madras, dated 2nd March 1932.

³⁸ The Hindu, Madras, dated 2nd March 1932.

³⁹ G.O. Ms. No.4043, Land Revenue and Settlement Department, dated 16th December, 1931, NAI.

⁴⁰ Ibid

pay of the services.... The Hon'ble Chief Justice and the Judge of the High Court have also agreed to a voluntary cut"⁴¹.

The Retrenchment Committee made a series of recommendations, based on which the Government started issuing orders. On the grounds of financial stringency, the Retrenchment Committee recommended that a cut from 10 percent to 15 percent should be applied to all fixed traveling allowances. The Government directed that all fixed traveling allowances be reduced by 12.5 percent⁴². The Committee recommended an immediate cut in all compensatory allowances, including those granted to officers of All India Service stationed at Madras. The Government ordered a 31.25 percent cut on all allowances above Rs. 50, a 25 percent cut on all allowances above Rs. 20 but below Rs. 50 and a cut of 12.5 percent on allowances below Rs. 20⁴³. The Committee also suggested that conferences and Committees be curtailed as far as possible and the government implemented the recommendation⁴⁴.

⁴¹ Proceedings of the Madras Legislative Council, 1931, pp.13

⁴² G.O.Ms.No.631, Finance Department, dated 6th October, 1931, NAI.

⁴³ G.O.Ms.No.612, Finance Department, dated 29th September, 1931, NAI.

⁴⁴ G.O.Ms.No.687, Finance Department, dated 23rd October, 1931, NAI.

The Government in accordance with the recommendation of the Committee directed that all heads of department and their subordinates to make considerable reduction in the cost of printing by reducing the size of their departmental administration reports and the statistical tables attached to them⁴⁵. The indenting officers of departments were instructed to restrict their requirements under stores to absolute minimum⁴⁶. The government accepted the recommendation of the Committee that expenditure under charges for electricity should be reduced as much as Possible Avenue of economy⁴⁷. The use of cheaper materials in the construction of Government buildings, as recommended by the Committee, was also accepted⁴⁸.

The recommendations of the Committee concerning the Department of Education were the closure of certain colleges or discontinuation of affiliation to certain subjects or reduction of the status of the staff employed. In the Madras Presidency College, the Philosophy and Sanskrit Departments were wound up. A 5 percent cut was made in all teaching grants during 1931-32. The special grant of Rs.15 million for the improvement of pay of trained teachers in aided elementary schools was withdrawn. The grant to Boys Scouts and Girl Guides Associations was reduced

⁴⁵ G.O.Ms.No.2462, Public Health Department, dated 29th November, 1932, NAI.

⁴⁶ G.O.Ms.No.3232, Public Works and Labour Department dated 22nd December 1932, NAI.

⁴⁷ Ibid

⁴⁸ G.O.Ms.No.1769, Public Works and Labour Department, dated 22nd August, 1932, NAI.

by 25 per cent⁴⁹. The Committee recommended that all Government grants for medical inspection in secondary and elementary schools, a schemes that had been made compulsory education areas, should be suspended until more prosperous times return. The Committee considered the proposals made by the Director of Public instruction for the abolition of scholarships. The Government not only accepted their recommendation but also granted no new scholarships during 1931-32⁵⁰.

On the revenue side, the Committee made various recommendations for the enhancement of fees in Government Arts and Professional Colleges. It accepted the proposal of the director that a registration fee of five rupees should be collected from each student admitted in the Presidency College and three rupees in other Government-run colleges⁵¹. The Government implemented the recommendation. The retrenchment in the Department of Education was massive and Sami Venkatachalam Chetty complained in the Council that, "the Education Department is practically reduced to its former position probably earlier than 1920 or 1921. By one method or other, the Finance Member is so clever as to introduce the Minister

⁴⁹ Report, Madras Retrenchment Committee, pp.123

⁵⁰ Ibid.

⁵¹ Ibid.

to fall in line with his proposals, so much so that a good deal of Education budget is cut away⁵².

The Government dispensed with the officially financed propaganda against drinks and drugs carried on by the Central Propaganda Board, temperance publicity Committees and the District Propaganda Committees.⁵³

Provision of funds for the maintenance of roads and buildings was reduced to even below the minimum required for efficient up-keep. No new works were undertaken in the department.⁵⁴ There was reduction in the strength of menial staff in the Labour Department. District Labour Officers of the grade of Tahsildars replaced officers of Deputy Tahsildars. Grants in aid to societies and institutions working for the uplift of the depressed classes were reduced. The industrial centres in Madurai, Ramanathapuram and Thanjavur Districts remained closed. The grant of land to Kallars was dispensed with. New building and repair works were kept in abeyance⁵⁵.

⁵² PMLC, 69, 1934, pp.173

⁵³ G.O.No.1583, Public Health Department, dated on 28th August, 1931, NAI.

⁵⁴ G.O.Mas.No.44, Finance Department, dated 28th January, 1933, NAI.

⁵⁵ *History of Higher Education in South India*, The University of Madras (1857-1957), Madras, 1957, pp.126

The Corporation of Madras followed the principle of equity while imposing pay cuts. The number of meetings of the Academic Council and the Boards of Study was reduced. On the grounds of financial stringency, the opening of new branches of research was deferred⁵⁶.

The net effect of retrenchment measures was that in the revised estimate for the year 1931-32, the Government was able to show a saving of Rs.1 1.27 million under the expenditure.⁵⁷

Criticism

When the whole world was reeling under acute financial depression of an unprecedented nature, the Madras Government's budget was at surplus. The retrenchment policy of the Government enabled it to maintain budgetary equilibrium. But it led to reduction in Government spending on development activities. The Government's drastic cut in their capital expenditure reduced the century's purchasing power.⁵⁸ The retrenchment hit the department of Public Work most severely. The Hindu wrote: "the retrenchment policy of the Madras Government had caused quite a sensation among the members of the District

⁵⁶ Ibid

⁵⁷ G.O.Ms.No.15, Finance Department, dated 12th January, 1932, TNA

⁵⁸ Thomas P.J., - Op.Cit.,pp.363

Educational Councils and the Managers of aided elementary schools in the Presidency."⁵⁹

After the First World War, when a readjustment of production lines had been completed in the western countries, the demand for the primary commodities from Madras rose. Exports increased and the terms of trade moved in favour of the Province with treasure in unprecedented volume combining in between 1920 and 1930. The Depression thereafter affected the primary produce exporters. Prices fell, though the volume was expanding Modestly. The terms of trade drifted against Madras.

In the thirties, the Central European countries like Germany were closing in their commercial channels and Japan was getting into the "Empire" countries like Ceylon, displacing Indian piece-good exports. The Government of India was invited to the Ottawa Conference to consider tariff arrangements embodying a reciprocal preference regime for the mutual benefit of the participants from the Empire. The Indian nationalist opinion was opposed to any Imperial Preference, as it felt India would have to give more than what it received.⁶⁰

⁵⁹ The Hindu, Madras dated 6th March, 1932.

⁶⁰ Thirumalai C., - Op.Cit.,pp.175.

The Madras Chamber, too, apprehended the possibility of the Import Duties Act of 1932 of the United Kingdom being applied to India's exports to the United Kingdom, to the disadvantage of India, which could be one of the side effects of the protectionist policy of India followed from 1923 onwards. The Ottawa Conference agreed that India might increase her import duty on a large number of goods in manufactured or produced outside the British Empire. The Madras Chamber favoured the agreement. The Imperial Legislative Assembly ratified it. But the Ottawa Agreement had not been effective in getting favourable treatment for Indian products the "Kailies" in Ceylon, despite India's import of Copra and Coconut oil and products from Ceylon. The Chamber left this issue in the hands of the Associated Chamber of Commerce.⁶¹

In 1936, the Indian Chamber of Commerce made a strong case for discontinuing the Ottawa Agreement. The Central Legislative Assembly refused to continue the Agreement on its termination. India concluded a new Trade Agreement with the United Kingdom in 1939. This, too, preserved India's privileged position as an exporter to Britain but considerably narrowed the scope of preference granted to imports.

⁶¹ Ibid, pp.176

The Chamber had, however, no misgivings on the continued utility of the Ottawa Agreement as the basis for negotiating a new treaty for trade within the Empire. It analysed the prospects of each commodity and urged a higher rate of preference where necessary, as for example, oils and oilseed and Indian cigars. It also quoted the British Government's recognition the India's fiscal policy should be largely determined by (i) the protection deemed necessary for developing her own industries and (ii) the exigencies of the revenues of the Government of India. The new agreement in the long run, proved to be of great advantage especially after the Second World War.⁶²

An impressive favourable movement in the terms of trade, associated with the post-war boom and the release of the Sterling balances built up during the War was accompanied by a steep rise in imports in the late 1940s.⁶³

An Export Advisory Council was set up in 1940 and the Madras Chamber had two European nominees in addition to a Government nominee, Kumararaja, M.A. Muthiah Chettiar (who was an individual member of the Chamber till his demise in 1984). In 1946, it pointed out that the Government of India should

⁶² Ibid, pp.177

⁶³ Ibid, pp.178.

decide what quantities of each commodity could be the exportable surplus so that free export could be allowed within that limit. It felt the export trade, as for example, leather, was unduly and unnecessarily distorted by controls. Even otherwise vexatious delays had discouraged the export trade. It supported the proposal for an association of exporters to check on the quality of the products to be exported, but doubted if it could be effective. That could not check an unscrupulous exporter but might hamper an honest merchant unless the Association was empowered by the Government to demand a banker's guarantee that every exporter would pay any claim upheld in arbitration. It felt, at the same time, any such restriction would be, on the whole, counter-productive. It would rather leave it to the customers to accept the exported product, even at the risk of a possible temporary reduction of the exporters.⁶⁴

Industrial policy

The Government of India Act of 1919 had made industries a provincial subject.⁶⁵ Thereafter the government lost direct interest in industrial development and the provinces had neither the financial nor the technical resources to stimulate development on any significant scale. Under the Government Act of 1935, the development of industries was still a provincial subject⁶⁶. But it was open to

⁶⁴ Ibid, pp.179.

⁶⁵ Government of India Act, 1919.

⁶⁶ Government of India Act, 1935.

the center to declare Central control and was expedient in the public interest. Thereupon, the development of such industries would become a Central subject. However, the Central Legislature with the result had in fact passed no such Act 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, technical advances had been immense with a striking increase in the total volume of skilled labour.⁶⁷

JP India was to make a 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.

In India, ordinance factories, public utilities and railways formed a considerable proportion of the total industrial enterprise, which was already largely state-owned, and state operated. Further it was decided that the bulk generation of electric power would, as far as possible, be a state concern. Besides, basic industries of national importance would be nationalized provided adequate private capital was not functioning and it was regarded as

⁶⁷ G.O.No. 2785, Development Department, dated 17th July, 1945-NAI.

essential in the national interest to promote such industries. For the purpose of government policy basic industries could be defined as aircraft, automobiles and tractors, chemicals and dyes, iron and steel, prime movers, transport vehicles, electrical machinery, machine tools, electro chemicals 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 industries⁶⁸.

The government of India had also come to the conclusion that they must take power to license 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 inadequate attention to other industries which were equally necessary in the national interest. To overcome this difficulty, the government felt it

⁶⁸ *Post-War Development- Government of India's statement on Industrial Policy*: Annual statements of the Sea and Airborne Trade of India- Published by the Director General of Commerce and Intelligence, 1920-1947.

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 license the starting of new factories, the expansion of existing factories, for without this power, planned industrial development would be 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 higher level to advise the Central Government in the matter of granting licenses for specified industries.⁶⁹

Reacting to the Government of India's Statement on industrial policy, the Madras Government felt that India was moving towards the Central Government exercising unified control over matters of wide and vital concern to Provinces which was an anomaly considering the federal structure the existing constitution. Emphasizing that industry could not be built piecemeal, the Madras Government made it clear that the function of the Centre was more properly coordination than

⁶⁹ Ibid.

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 to which the Central and Provincial Governments were represented at a high level and the decisions in the framing of which they had their share. The mechanisms of such a Board of Industries would fit both into the present constitution and a future federal constitution⁷⁰.

The Government of Madras hoped that this organisation 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 centre 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 and the views expressed by the Government of India.⁷¹

⁷⁰ G.O.No.2785, Development Department, dated 17th July, 1945, TNA.

⁷¹ Letter from the Development Department, Madras to the Secretary to the Government of India, Department of Planning and Development, dated 27th July, 1945.

However, while the Government of Madras welcomed the re-iteration that central control could give industrially backward provinces a preference over others through the machinery of licensing, no serious attempts was being made to determine in what form and how the broad objectives of regionalization could best be achieved in practice⁷².

In regard to the promotion of new industries in this Province, this Government considered that they would be fully justified while issuing licenses to company promoters in stipulating that they should in the allocation of shares, give preference to subscribers of capital in the province. Such stipulation would not be unfair to the companies for it 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 been allotted.⁷³

We do not have the reactions of the public to Government's statement on Industrial Policy but an extract from the journal 'Eastern Economist' (which the

⁷² Ibid.

⁷³ Letter from the Development Department, Madras to the Secretary to the Government of India, dated 28th July 1945.

provincial government had deemed important enough to be filed). Could be taken as some sort of representative opinion of the private sector. 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 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 towards, what is the hope that anything tangible will be achieved so long as the same regime continues to be in the saddle?"⁷⁴

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 development. The objectives of control have been set down in too vague and general terms; one would like to know the methods which

⁷⁴ H.N.Mitra, *Indian Annual Register*, Calcutta, 1946.

would be adopted to secure balanced investment in industry, agriculture and social services. Apparently they have not been worked out".⁷⁵

In 1949 the Government was still taking 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 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 had examined the possibilities of starting various industries in the frovince. But as always, action and operationalisation of the recommendations eluded the political system⁷⁶.

⁷⁵ Annual Report of the Government of India, 1944-45.

⁷⁶ Annual Reports of the Director of Industries and Commerce Government of Madras, Madras, 1947.

CONCLUSION

India in the pre-colonial period had a stable economy. Self-sufficient agriculture, flourishing trade and rich handicraft industries were some of the features of the Indian economy. India enjoyed extensive trade both within the country and with other countries. A balance of imports and exports was maintained

India towards the 18th century was undoubtedly one of the main centers of world trade and industry. This status was completely destroyed under Colonial times. The western writers have made two points clear regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found highly underdeveloped India with productivity in agriculture, very low per capita income and absence of any developed technology or tools for manufacturing. The benevolent policies of the British helped in the establishment of political unity, a

system of governance and it had the foundations of economic development in India.

As against the modern viewpoint, the Indian nationalist scholars representing the nationalist perspective highlighted two important aspects of the British Colonial rule over India-'drain-theory' and 'de-industrialization'. The industrialization of England was accompanied by the decline and destruction of Indian industries. As a result, India witnessed a steady decline in population dependent on indigenous industries and consequent over-burdening of agriculture. This was partly due to the competition of cheap goods produced by machinery and partly due to the unwillingness of Government of the company to protect or encourage trade and crafts. So, by the first half of the 19th century, India lost the proud position of supremacy in the trade and industry of the world which she had been occupying for well over two thousand years and was gradually transformed into a plantation for production of raw materials and a dumping ground for cheap manufactured goods from the west.

The First World War led to great dislocation in the economic life of the nation. Production had suffered by industrial organization being diverted to the purposes of war. The war brought about disruption of normal international trade

channels because of the fact that countries involved in war directed much of their natural and human resources for the production, of goods necessary for the prosecution of war.

The war affected the trade of India both directly and indirectly. The first direct effect was that it stopped considerably the trade with Germany and Austria. There was further a complete stoppage of trade with Belgium and France. Trade with Turkey had also ceased. In addition to the loss of trade with enemy countries, the export trade with allied and neutral countries-had also suffered.

The dislocation of trade in the Madras Presidency during the war was enormous. The coasting trade, whose recrudescence was the result of the war, had, of course, suffered severely; freights for timber, for instance, had fallen from Rs.120/- per ton in 1918 to the low figure ofRs.30/-. Super dues on exports and imports were necessary to maintain the solvency of the Port of Madras in view of the depleted volume of trade. The shortage of land naturally affected the movement of products by sea; thus an enormous and unprecedented quantity of Burma rice was imported while no Indian rice was exported owing to the prohibition. There was a notable decrease in imports of sugar owing to the retrial from the market of

Bombay buyers; the general increase of the value of sea-borne trade over the figures for 1918 was as much as forty per cent. There was a tendency to multiply the installation of cotton, rice-mill and manufacturing industries. The activities of the Department of Industries had been vigorous and comprehensive and the financial results had been everywhere favourable.

Trade in the Madras Presidency during 1920-21 was more abnormal than any of the war years, consequent on the dramatic collapse of the European changes the depreciation in the value of rupee as a result of the adverse balance of trade, the accumulation of large stocks brought at high prices by overseas customers and unfavourable season. In the first year of 1921-22, the reduced purchasing power of the country consequent on the unsatisfactory monsoon of the previous years coupled with the high price of imported goods presented absorption of the heavy stocks in the market. Owing to the increase in the general rate of import duty on luxuries, fresh imports received a check. The export trade failed to come up to general expectations. In the next two years, the trade of the Presidency was passing through a period of recuperation and although under the stimulus of high prices, the value of the export trade expanded by over 10 crores of rupees, the value of imports declined by over 1 1/2 crores of rupees. The depression in Europe

generally restricted the Presidency's outlet for produce and in turn diminished her purchasing power. The year 1924-25 witnessed further expansion in the export trading owing to fairly good crops in that year, the 'large demand for them as a result of improved economic conditions in buying countries and the consequential rise in the prices of the most of the exported produce. In the next year, the import trade in most articles was depressed despite favourable exchange and the tendency of the fall in prices considerably restricted imports, especially cotton piece goods, the price paid by the customer was still above the general average before the war.

Consequent on a marked improvement in the importation of cotton manufacture, sugar, dyes and colours, machinery and mill work, paper and paste board, there was an expansion in the foreign import trade of the year '1926-27. In the next two years, the trade assumed prosperous dimensions. Exports and imports in the year 1928-29 in particular attained a level never reached previously or subsequently. This was due to a general stability in the financial condition of the world; a stable exchange and a comparatively good supply of freight and reasonable rates. The year 1929-30, however, showed a slight diminution in the foreign trade of the Presidency. Following Great Britain's departure from the gold standard September 1931 and the linking of the rupee with the deprecated sterling,

there was an immediate rise in price of all the principal commodities and this afforded a definite stimulus to the export trade.

The conditions created by the Depression in the Madras Presidency. such as availability of raw materials at low prices, cheap labour, low rates of interests for the money lent by banks, all proved to be conducive to the growth of certain industries registered commendable advances during the inter war period.

Though the Presidency witnessed industrial development, handloom, cottage and small scale sector had a trying time. The Government's taxation policy turned out to be disastrous to those sectors. When the tanners were demanding high export duty on raw skins and hides, the Government abolished the duty much against Indian interests. An excise duty levied on matches crippled the industry and the governments protective tariffs extended the Indian textile mil's affected the handloom sector. A large number of weavers in handloom centres and labourers in small industrial establishments lost their jobs. In large factories, the workers had to suffer wage cuts. Instead of taking the offensive, the working class, in the face of acute crisis, remained passive. Even the strikes and struggles launched by the organized labour unions were of short duration, fizzling out in the end.

The damage and dislocation due to World War II left most of the, countries very short of real capital. They needed imports of equipment, raw materials and foodstuffs well in excess of their normal peacetime requirements, in order to rehabilitate their industries.

Our country had also been affected by war. Exports to the enemy countries had also been stopped and our imports had also been reduced on accounts of the lack of adequate shipping accommodation and the lack of power of foreign countries to supply good to us. Insurance premia had also gone up. Our industries had not expanded as much as they could. The currency circulation in the country now stood at about Rs.280 crores and the metallic content of the rupee had been reduced and the one rupee .inconvertible note had been issued. Control had been exercised over exchange and the imports and exports had been brought under control. The level of taxation had increased and the excess profits tax had been imposed. A system of price control had been instituted and certain commodities had been rationed. Thus Indian economy was turned into war economy.

The war opened scope for the development of some of our industries, e.g. the automobile industry, the aeroplane manufacturing industry and the like. But adequate steps had not been taken to bring these industries into existence. Our

shipping industry was in a very backward condition. But, whatever industries had received the stimulus, they continued after the war.

In the post-war period, the war economy had to be converted into a peace economy. The readjustment caused as little inconvenience as possible. The industries that grew up during the war were allowed to continue in the post-war period with as little disturbance as possible. Then there were trade agreements. All these became a part and parcel of a plan of post-war economic development or economic reconstruction.

The Government prepared a plan of post-war economic reconstruction in which due importance was given to problems of labor, industries, agriculture, trade, tariff, finance, transport and the like. India was allowed to occupy her due place in the comity of nations by being declared a self-governing Dominion immediately after the war.

The war had an appreciable effect on the foreign trade of the Presidency. On account of the war, the balance of trade of the Presidency soon moved in its favour. As regards the quantum of trade, there was an increase in exports of materials needed by the Allies for the war. Both imports and exports fell during the war period, but the exports increased more than the fall in imports.

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As a result of the war, the European markets were lost to the Presidency. The oil-seeds market was very much affected and it could not find out an alternative market in the United States of America since it was also a large producer of Peanuts. The Presidency market for linseed-oil was strongly completed for by Argentina and substitutes were used in U.S.A for jute. In regard to the Presidency trade with the British nation, there was not much of a definite increase or decrease in imports while there had been a steady increase in export side. Trade with the Middle East Countries, Australia and Canada also increased.

The industrial workers of the Presidency confronted an extremely difficult situation after 1930. The mill owners tried to pass the burden of trade crisis on to the shoulders of the workers by way of wage cuts and retrenchments. During the period, the workers did not achieve any new concession, rather they had to engage in a resolute struggle to retain not only whatever they had already gained but their very jobs. Yet, there was a rival in the trade union movement after 1933. It was mainly due to the revival of leftist forces, the constitutional reforms introduced by the Government and the recovery of economy after the Great Depression. The labourers in view of the Congress policy looked to the Congress Government in the Madras Presidency for support. The Congress refused to intervene directly to deal

with the situation in arising out of strikes. The Congress Government led by C. Rajagopalachari treated the question of strike as dispute between two parties and hence favoured only internal settlement. The Government appointed arbitrators to implement the awards of the Court of Enquiry.

The Congress Government's two generation of office in Madras achieved nothing for the protection of worker's rights. This was probably because of the Congress continuous approach of not antagonizing the employers or factory owners while intervening in a labour dispute.

The Second World War had shaken the pace of the tendency of the diversion of trade from Great Britain. Next to Great Britain, U.S.A had become the biggest customer and on the import side also, she stood second only to England. Madras Presidency enjoyed favourable balance of trade. both with the British Empire and Empire countries and in both the cases, there was an appreciable increase. It may be mentioned that as a result of war, the balance of payments had also become favourable to the Madras Presidency as well as to India. This was due to the repatriation of sterling pensions. Finally, it may be stated that inspite of favourable position in which Madras was placed in respect of foreign trade, the terms of trade i.e. the exchange of imports for the exports were going against us.

The study of trade between 1940 and 1947 may be thus concluded:

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1. The favourable position of foreign trade (export trade) was at the expense of the domestic consumer and reacted on the internal price system unfavourably.
2. The fall in imports created shortage of many articles and this produced rise in the price level.
3. The favourable position indicated by changes in the composition was deceptive. It did not indicate further industrialization of the Presidency. On the contrary, the heavy reduction in the import of machinery shows that our capital requirement was seriously subjected to greater wear and tear and thus to greater depreciation and
4. In spite of our favourable position in regard to our export trade, the imports were growing costly in terms of our exports.

The Government of India had been pursuing a policy of discrimination towards trade and industry during our period of study. It demanded provincial contribution from states to promote and develop trade and industries. The allocation of Central financial assistance to the Madras Presidency was inadequate.

In 1921, the Government of India insisted on the Provincial Contracts. The Madras Chamber of Commerce fought against the vexed question and enlisted the support of all other Associations and all sections of the Indian opinion but its attempt did not yield any success.

In 1922 like the Central Government, the Madras Government implemented retrenchment and economy measures to balance the deficit budget. The Chamber urged to lighten the grievous burden and questioned the legality of the Super Tax levied. It also pointed out the iniquity of the Government of India demanding a Provincial Contribution from Madras for its development of trade.

The Imperial Ottawa conference held in 1932 for giving some concessions to India's trade proved to be a business deal in furtherance of British Interests. The Chamber made a strong case for discontinuing the Ottawa Agreement in 1936. Though the Ottawa Agreement was renewed in 1939, it also proved to be beneficial to the British Trade rather than to the Indian trade.

The Congress Government led by Rajaji passed a number of Acts and levied taxes such as the Madras General Sales Tax Act, The Tobacco Tax Act, The Entertainment Tax Act and the Madras Sale of Motor Spirit Tax Act in 1937. The

Chamber questioned the constitutional tenability of these Acts and urged the need for the reduction of Stamp Duty, Excise Duty and Profession Tax in the city.

The Madras Chamber of Commerce always favoured a policy of Free Trade and its economic philosophy had been a mix of Free Trade and Protectionism as its pragmatic approach for the development of trade and industry in the Presidency.

It is said that the decline outweighed growth and that both growth and decline derived mainly from colonial policies. The economic interests secured by British rule led to the exploitation and impoverishment of India.

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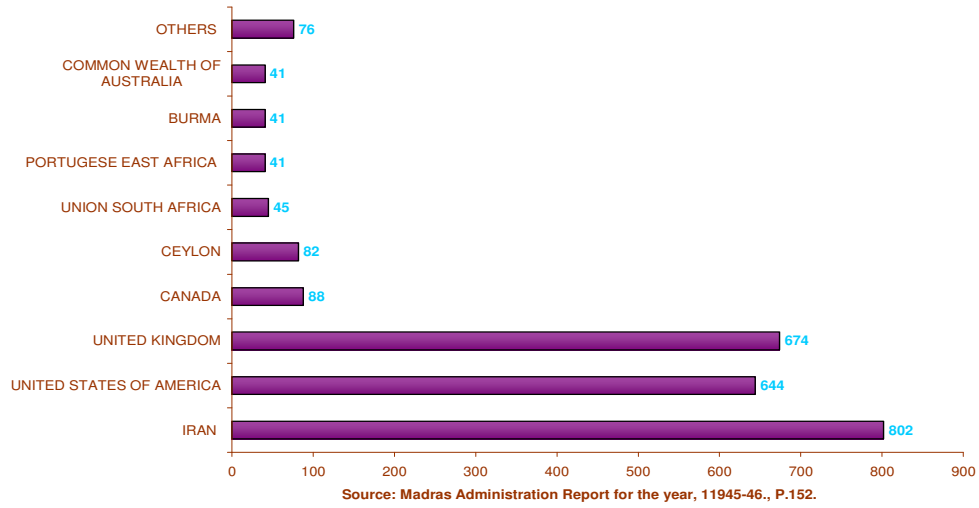
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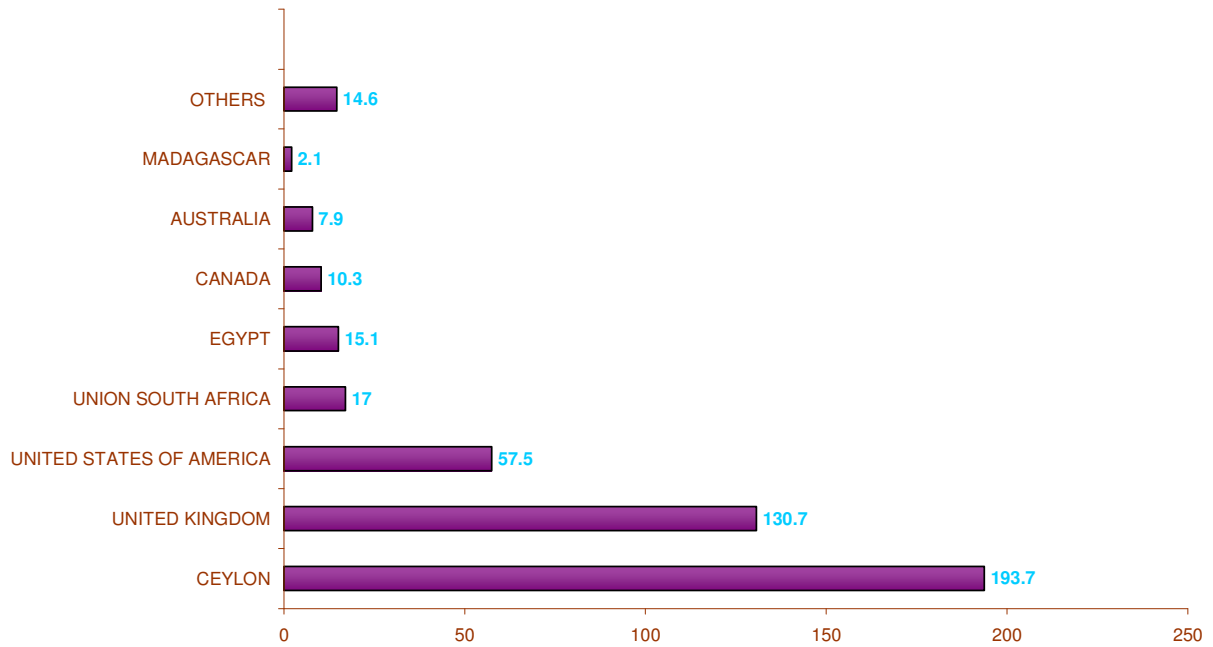
APPENDIX

CHART - XV
TRADE OF THE PROVINCE BY COUNTRIES 1945-46
(VALUE IN LAKHS)



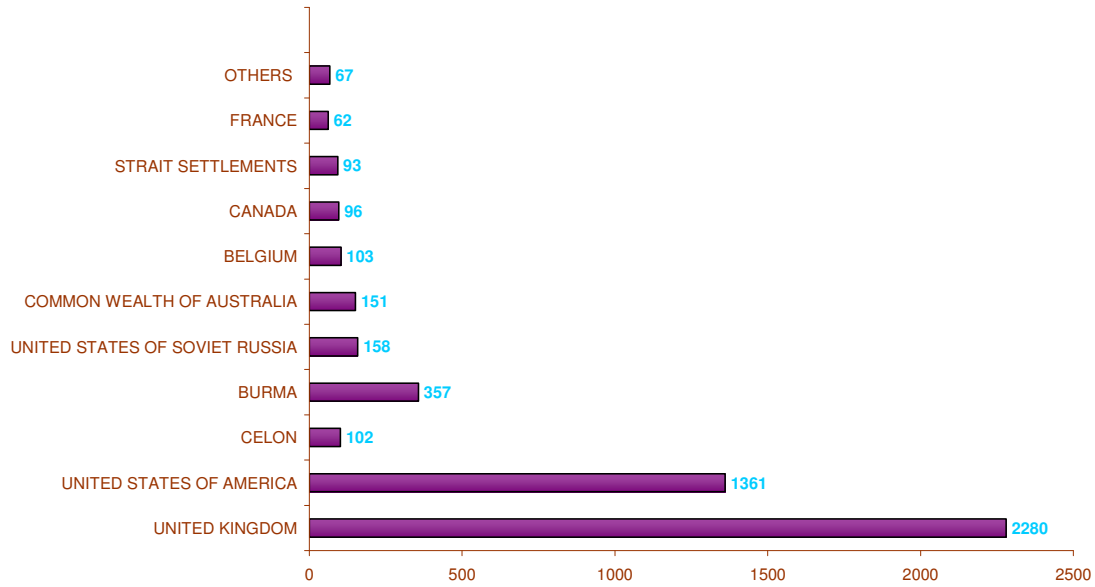
Source: Madras administration Report for the year 1945-46, P.152

CHART - XII
TRADE OF THE PROVINCE BY COUNTRIES EXPORT (1944-45)
(VALUE IN MILLIONS)



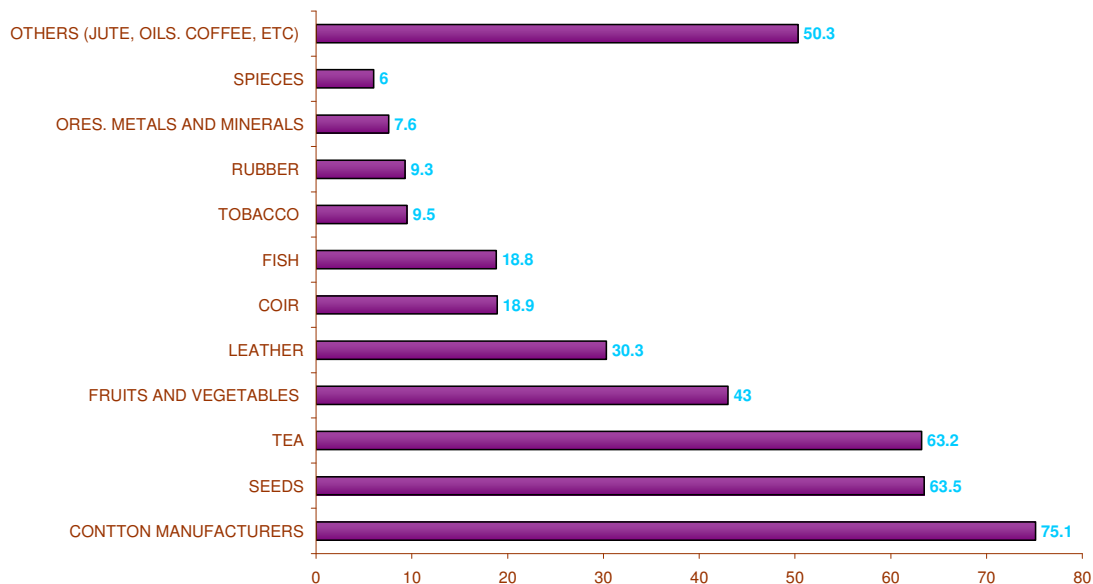
Source: Madras Administration Report for the year, 1945-46., P.152.

CHART - V
TRADE OF THE PROVINCE BY COUNTRIES EXPORT (1946-47)
(VALUE IN LAKHS)



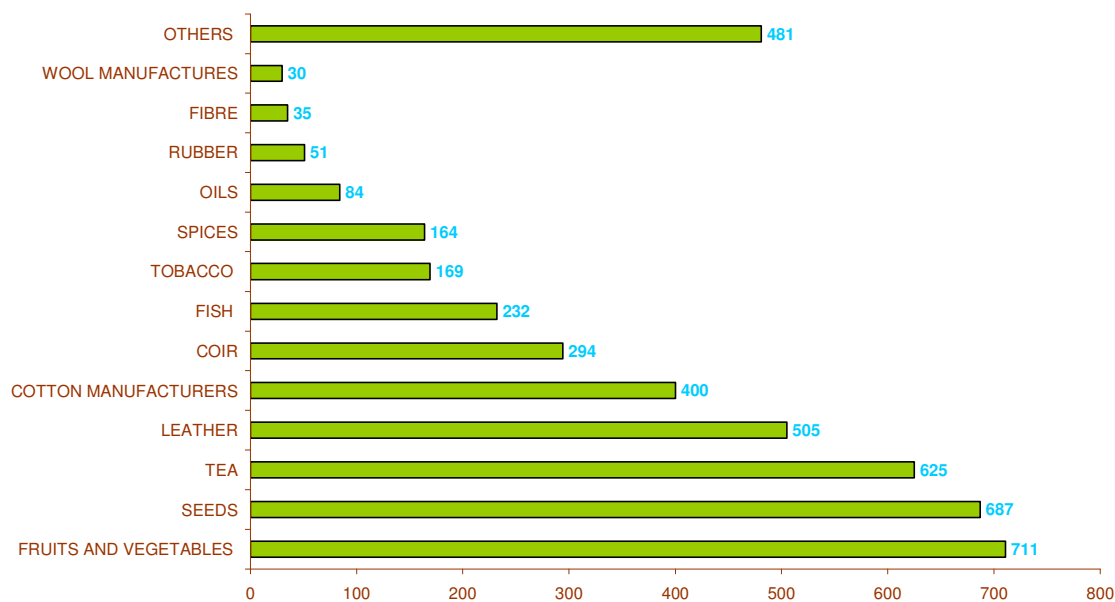
Source: Madras Administration Report for the year, 11946-47

CHART - XVI
CHIEF ARTICLES EXPORTED 1944-45
(VALUE IN MILLIONS)



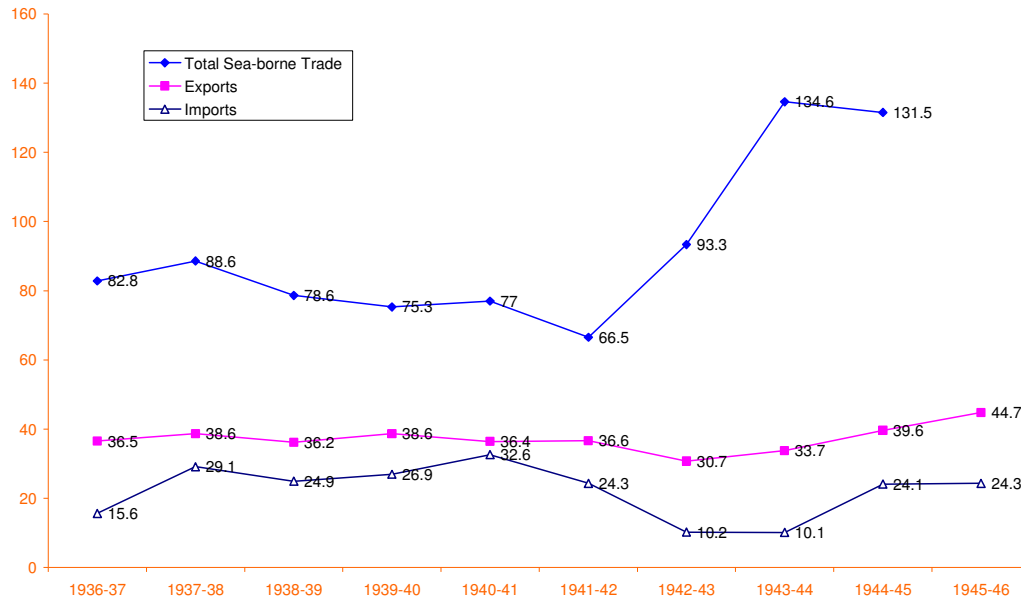
Source: Madras Administration Report for the year, 11945-46, P.207

CHART - XIV
CHIEF ARTICLES EXPORTED 1945-46
(VALUE IN LAKHS)



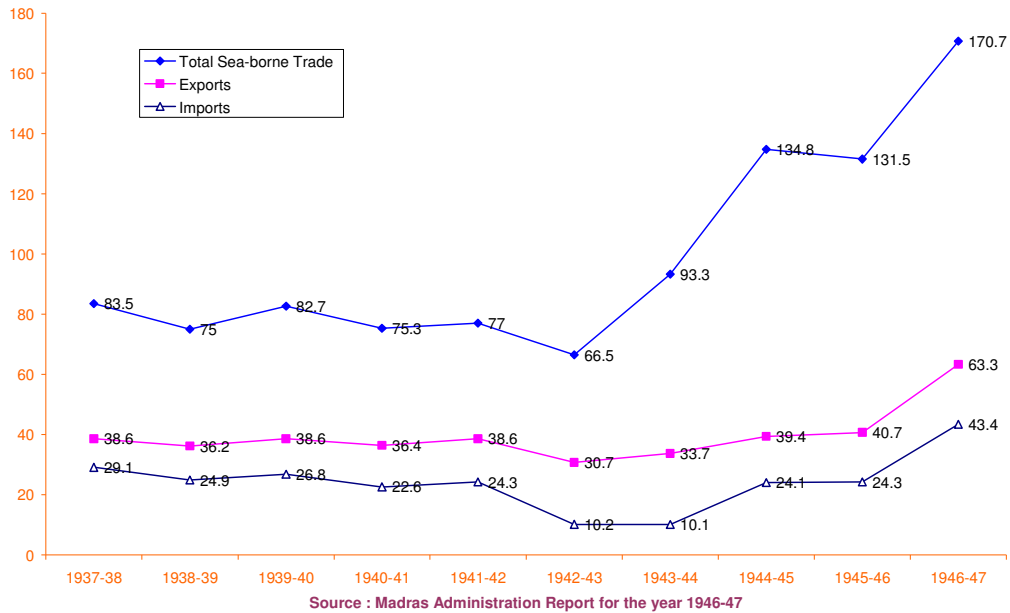
Source: Madras Administration Report for the year, 11945-46

**CHART - XI
SEA - BORNE TRADE**



Source : Madras Administration Report for the year 1945-46

CHART - X
SEA - BORNE TRADE



R. Jeyasurya, Ph.D.
Department of History
PSGR Krishnammal College for Women
Peelamedu
Coimbatore 641 004
Tamilnadu, India
jlj_12@yahoo.in