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THE

Indian Cotton Textile Industry

ITS PAST, PRESENT AND FUTURE

BY

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Secretary, Indian Chamber of Commerce, Calcutta ; Secretary, Federation of Indian Chambers of Commerce & Industry, 1929-30 ; Secretary, International Chamber of Commerce, Indian National Committee, 1929-30.

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FOREWORD BY G. D. BIRLA ESQ., M.L.A.

The Indian cotton industry has had a past, as great and glorious as old. Of all the Indian industries of the present day the cotton industry is probably the oldest. Nobody can say who grew the first cotton plant, who spun the first thread, and who wove the first piece of cloth and when all these processes were evolved, but all are agreed over this that it was a denizen of this sacred land who had the honour of discovering and making the first use of cotton and that this happened at a time when other countries were not even civilised. India, therefore, occupies a very important place in the history of the cotton industry, and it is a most painful fact that in spite of that to satisfy her demands she has at present to be dependent on other countries for nearly one-third of her requirements.

How in days of yore the art of spinning had been carried to a fineness enabling one pound of cotton to be spun into a length of 250 miles, how India used to export a large quantity of cloth to England and other foreign countries,—and how the Indian cotton industry was systematically crushed by the agents of the East India Company are facts well-known to students of history and well-depicted in this ably written booklet. And if that was the record in days gone by of a half civilised Government having recourse to coercive or terrorizing methods for the purpose, the fiscal policy of the Government of India in modern times has in its own refined way operated to achieve nothing less. Taxing the cotton industry by levying the "Cotton Excise Duty" for a prolonged period and manipulating Exchange by raising the ratio first from about 12*d*. to 1*s*. 4*d*. and then its arbitrary fixation at 2*s*. with an inevitable failure of the attempt and then by a deliberate appreciation of it to 1*s*. 6*d*. are glaring instances of the selfish means adopted to pamper Lancashire at the cost of India. And, if in spite of all these handicaps, the cotton industry of India is not only living but flourishing and gaining ground gradually it is entirely due to the sense of awakening and patriotism among the people on the one hand and the efficient management of mill-owners on the other. Whatever may be the

remarks of the unsympathetic critic against the present management of the cotton mills—and much surely remains to be done to make it as efficient as desirable—any country would reasonably feel proud of the success achieved so far by our cotton mills against heavy odds. All the countries in the world not excluding United Kingdom, have developed their cotton industries under some sort of protection from their respective Governments, and it is in the circumstances a great achievement to the credit of India that she has been able to put up a magnificent struggle for the existence of her industry against vested interests that are well organised and that could always count on the support of the Indian Government, and has eventually emerged so successful from the contest.

The Indian cotton industry, therefore, with very good reason can hold its head high and say with a contemptuous smile to Lancashire: "Wait and see. As you have sown so would you reap". One may hope that the day of industrial awakening is not far off. And, surely if one can claim to have brought that day appreciably nearer, it is of all men Mahatma Gandhi.

The first cotton mill in India was started in 1818 and as an illustration of the proverbial Vedantic phrase एकोहं बहुस्याम् it has now multiplied into hundreds of mills running on the most modern methods. Originally the cotton mills were put up in Bombay and Ahmedabad, although at present Bombay appears to offer no special facility for the development of this industry. At a later stage, people started buildings new mills more up-country than in Bombay with the result that the industry is spread now all over India. A mill which can command raw material and a market for manufactured goods at hand with cheap labour has a greater chance of success than one in Bombay which has got hardly any of the advantages mentioned above. The up-country mills, therefore, are becoming serious competitors to the Bombay Mills. The seriousness of the situation of the Bombay mills was very well reflected in the recent strikes and it is high time, therefore, that Bombay mills instead of working on cloth in which they cannot compete with up-country mills seriously took to the manufacture of fine and fancy goods. The salvation of the Indian mills lies not in internal cut-throat competition, but in presenting a united front against Lancashire and ultimately wresting from it the supremacy which it holds.

As is evident from the bibliography, the author of the present work has done laborious research into the subject, and has thrown a flood of light on the vicissitudes of the industry in the past, by his having access to several not easily accessible literature and documents. He has also made several useful suggestions for the amelioration of the cotton industry of the present time. I congratulate him for writing such an excellent monograph on the subject and hope that those interested in this industry will find it a really useful publication.

(Sd.) G. D. BIRLA.

CALCUTTA, *23rd August 1928.*

PREFACE.

The present monograph on the Indian Cotton Textile Industry is a thoroughly revised and considerably enlarged edition of my successful competitive prize-essay on the subject submitted in competition for the Ashburner Prize awarded by the Bombay University for the year 1924. It was written at the Benares Hindu University where I was a post-graduate student pursuing my studies for the Master's degree in Political Economy and Political Philosophy. By the rules of the Ashburner Prize Competition, the length of the essay was restricted to 100 F'cap pages and it was therefore impossible to treat the subject there in a fuller manner. Practically the whole of the essay was published in instalments in the columns of the "Indian Textile Journal", a Monthly published from Bombay. After consultation with several friends, I decided in October 1929 to publish the material I had collected in a book-form in the hope that it would prove of interest to all concerned in the Industry. I therefore enlarged and revised the earlier portions of the monograph as much as I could within the short time at my disposal, and rewrote entirely the last three Chapters of the book, based on up-to-date information available from the latest books, publications, Reports and other literature—to which I had easy access in the excellent library of the Indian Chamber of Commerce, Calcutta. I was also assisted in my task by my friend Mr. T. Maloney, the Secretary of the Bombay Millowners' Association, who gladly furnished me with much useful material for the last Chapter of the book. I am also indebted to Mr. J. A. Ritchie, Secretary of the Indian Central Cotton Committee and Mr. A. T. Weston, Director of Industries, Bengal, who verified the statements in my Chapter on "Cultivation of Cotton in India" and "The Hand-loom Weaving Industry" respectively.

I have tried to present a faithful picture of the history as well as the economics of the Industry at its various stages commencing from the remote Vedic period upto the present time and have come to the conclusion that the Indian Cotton Textile Industry—the biggest industry in India, manned, controlled and financed largely by the nationals of the country,—which is in the trough of a wave of acute depression since 1923, due largely to Government's unsympathetic attitude and ill-suited Exchange and Currency policy, deserves immediate help at the hands of the Government who have watched the situation for a long time as

more or less disinterested or unperturbed spectators. I fervently appeal to the Government to realise forthwith that it is their bounden duty as trustees of the welfare of the country to lift the Industry out of its present pitiable condition, by granting it a measure of additional protection, even if it be for a temporary period, and to enable it to tide over its difficult period of depression and labour troubles, in as much as the prosperity of the people of India is dependent largely on the prosperity of this Industry. My efforts will have been amply rewarded if the publication of this monograph at this juncture is instrumental in helping the Government to make up their mind to do their duty by this Industry in its hour of need by granting it additional tariff protection against foreign competition before it becomes too late, and to thus assist it to develop on sound lines, in the best interests of the country.

It is hardly necessary for me to add that the views expressed by me in this monograph are my own and have no connection with any of the Associations with which I am connected.

135, Canning Street, Calcutta.

Dated 4th February 1930. M. P. GANDHI.

CONTENTS.

	PAGE
I.—Early History	1
II.—The Industry under the Moguls ...	8
III.—Industrial Organization	17
IV.—East India Company's Trade, Policy and its Effects on the Cotton Industry (up-to 1757)	25
V.—The State and Decline of the Cotton Industry under Early British Rule ...	35
VI.—The Cotton-Mill Industry (up-to 1914) ...	52
VII.—Cultivation of Cotton in India ...	76
VIII.—The Handloom Weaving Industry ...	82
IX.—The Post-war Cotton-Mill Industry ...	95
Appendix.—Account of the development of the Japanese Cotton Textile Industry in Japan and China	125
Index	i
Bibliography	v

The Indian Cotton Textile Industry.

CHAPTER I.

Early History.

It is undoubted that the birth-place of the cotton industry of the world is India but there is a diversity of opinion as to exactly when the industry began. Indeed, tradition has it that it was even in a flourishing condition when the Rig Veda was written. This is based on certain passages in the Rig Veda which are interpreted as referring to cotton manufactures, but several researchers do not so interpret the passages, and, according to them, cotton manufactures must have commenced in India after the Rig Veda was written. It is not intended here to go deeper into this question. As is well known, the age of the Rig Veda itself is not a fully solved problem—various ages being assigned to it from 4000 B.C. to as late as 1200 B.C.,[1] but accepting even the most recent date for it, *viz.*, 1200 B.C., and accepting even the view that the cotton industry in India is later than the Vedas, the authentic account of the industry mentioned in the later Sanskrit records show that the industry did exist in 800 B.C. The Mahabharata, Ramayana and the Puranas are full of references to the cotton goods. Mr. F. W. Thomas has said that "The earliest mention (of cotton) appears to be in the Asvalayana Srauta Sutra (say 800 B.C.) where the material is contrasted with silk and hemp, as that of which was made the sacred thread of the Brahmins."[2] The Periplus[3] observes that cotton thread and cloth are repeatedly mentioned in the laws of Manu (800 B.C.). Five centuries before the Christian Era, cotton was exported from India,[4] for in the reign of Amasia (569—625 B.C.) cotton was known in Egypt, where it is not probable any was then

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1 Cambridge History of India, Vol. I, p. 110 and following pages.

2 The Commercial Products of India—Sir George Watt—page 570.

3 The periplus of the Erythraean Sea—Schoff's Edition.

4 J. R. A. S., Vol. XVII (1860), p. 347—J. A. Mann's article—"On the Cotton Trade of India".

grown.[5] During the Buddhistic period the export of Indian cotton fabrics was of world-wide importance.[6] Herodotus, writing about 450 B.C., stated that cotton was the customary wear of the Indians, and added that "India has wild trees that bear fleeces as their fruits." He also wrote of "wool" which certain trees bear that in beauty and quality excels that of sheep; "of this the Indians make their clothes."[7] This is evidently nothing else than cotton. The subsequent writings of Europeans and Asiatics bear testimony to the same fact. Coming to a later period, we find that at the time of Chandragupta Maurya (321—297 B.C.) the manufacture of cotton had reached a very high skill of excellence. Kautilaya's Arthashastra, written some-time in the second century B.C., mentions that the cotton fabrics of the Western parts are excellent.[8] At the time of Alexander's invasion of India, upwards of 2,200 years ago, the dress of Indians is described as consisting largely of calicoes, pure and white, or adorned with figures. Strabo, writing in the beginning of the Christian Era, mentions on the authority of Nearchus: "Our flowered cottons, and the various beautiful dyes with which the cloths were figured." Even admitting that the Indian trade in cotton began so late as the fifth century B.C. (it must be earlier), we cannot conclude that the Indians did not know the arts of spinning and weaving long before they traded in it with other people. The earliest records of the history of the people fringing upon the shores of the Southern Asiatic Seas, show that the cotton weaving industry was in a fairly advanced stage. Prof. H. H. Wilson even observed that the Hindus were a manufacturing people three thousand years ago, as were most people who felt the need of clothing, etc. But the claim to antiquity of the Indian cotton industry goes deeper still since the manufactured goods of India were known and used by the most civilized people of antiquity. "The primitive Aryan women of prehistoric times"[9] observes Mr. H. G. Wells, "span and wove and embroidered." In an erudite

5 In "The Commercial Products of India", p. 572, Sir George Watt quotes Yates (Text, Antiq. 1843, 334-54) in support of the above statement; "Cotton was not grown in Egypt proper during ancient times". According to Yates, cotton was first cultivated in Egypt in 13th or 14th centuries, and in support of that opinion he mentions the fact that the Arab physician Abdullah, who visited Egypt in 1200 A.D. and published a list of the plants he saw there, makes no mention of cotton.

6 *See* Dr. Radhakumud Mukerjee's "History of Ancient Indian Shipping".

7 Herodotus, Book III, p. 106.

8 R. Samasastry's Translation of "Kautilya's Arthathastra". Chap. 32.

9 The Outline of History—H. G. Wells, p. 85.

contribution to the Journal of the Royal Asiatic Society on "The Cotton Industry of India" J. A. Mann has stated, "India is according to our knowledge the accredited birth-place of the cotton manufactures. . . . . ."[10]

After the Christian Era.

The history of the cotton industry up to the 15th century A.D. is more or less unknown to this day. There is no single treatise dealing with the subject. We are thus left to collect what little information we may, from the scattered accounts of travellers and the scanty classical literature of the period.

The first definite mention of cloth as an article of trade occurs in the valuable record of ancient Indian commerce "The Periplus of the Erythrœan sea."[11] (60 A.D.)

From this record, it appears that the raw cotton as well as the cotton manufactures of India were conveyed by Arabs and Greeks from "Patiala, Ariake, Barygaza[12] and Masalia (the modern Masulipatam), up the Red Sea to Aduli; they also carried the superior muslins of Bengal, called by the Greeks, "Gangitiki." The muslins of Dacca, the most delicate of the fabrics of India, an ancient test of which was for the piece to be drawn through a finger ring, were known to the Greeks under the name "Gangitiki," which is suggestive of their origin from the banks of the Ganges.[13] Arrian[14] in about 150 A.D.[15] wrote: "The Indians wore linen (?) garments, the substance whereof they were made growing upon trees; and it is indeed flax, or rather something much whiter and finer than flax. They wear shirts of the same which reach down to the middle of their legs, and veils which cover their head and a great part of their

10 I. R. A. S., Vol. XVII (1860), p. 347.

11 The Periplus of the Erythrœan Sea. Translated by Wilfred H. Schoff, Secretary of the Commercial Museum, Philadelphia—1912. About the author of the Periplus, it is best to admit, nothing is known. About the date of the Periplus, the nearest single year that suggests itself is 60 A.D.

12 This is the modern Broach (21°-42′ N.; 72°-34′ E). The Greek name is from the Prakrit Bharukacha, supposed to be a corruption of Bhrigukachha, "the plain of Bhrigu", who was a local hero.

13 The Imperial Gazetteer of India, Vol. III, Chap. IV, p. 195, and The "Periplus" Schoff's Edition.

14 Arrian's "History of India" translated by Rooke, 1814, p 213.

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shoulders." The Romans also used Indian cotton clothes. Ventus Textiles or Nebula were the names under which they knew these clothes. These clothes are mentioned in the list of goods charged with duties in Justinian's (552 A D.) Digest of the Laws. Thus by the beginning of the Christian Era, we have a fairly vivid glimpse of India as a cotton-growing as well as cotton-manufacturing country. And it may safely be concluded, observes The Imperial Gazeteer of India,[16] that the arts of cotton spinning and weaving were in a high state of proficiency two thousand years ago.

Pliny, who wrote his "Natural History"[17] in 73 A.D., *i.e.*, at a date later than the Periplus, says that there was "No year in which India did not drain the Roman Empire of a hundred million Sesterces," which is equivalent to 15 million rupees. It is thus clear that our exports must have been much larger than imports, and that textile manufactures of all sorts must have formed a bulk of these. Pliny also refers to muslins and Indian calicoes, and describes them as 'of superior excellence.' This shows the advanced stage of the industry at the beginning of the first century A.D.

Unhappily, no writer can be found who effectually bridges over the gap between the period of the "Natural History" and that of the physicians who wrote in the 7th to 10th centuries. There is no information of the state of the cotton industry till the 9th century. Renaudot, French writer, in his translation of the journal of an Arab (Sulaiman) who visited India in the 9th century A.D., states that in Calicut "Garments are made in so extraordinary a manner that nowhere else are the like to be seen. They are for the most part round and woven to that degree of fineness that they may be drawn through a ring of middling size"[18].

Ibn Khurdadba, an Arab geographer of the 10th century A.D., mentions Rahmi (according to Elliot, this is some place near Dacca) as the place producing cotton cloths and aloewood[19]. A Chinese traveller, Chao-Ju-Kua, in the beginning of the 13th century has

16 Imperial Gazetteer of India, Vol. III, p. 195.

17 Pliny's "Natural History" XII, 18.

18 Sir George Watt's Commercial Products of India, page 572. Renaudot's Ancient Accounts of India and China by Muhammadan travellers has been translated in English in 1733.

19 Elliot's History of India (edited by Prof. J. Dawson) Vol. I, pp. 13, 14.

recorded that Ping-Kalo (Bengala) "produced superior double-edged sword-blades, cotton and other cloth[20].

Marco Polo, the first Christian traveller[21] (who travelled through a large portion of Asia in 1290 A.D.), refers to the production and manufacture of cotton in Gujarat, Cambay, Telingana, Malabar, Bengal, etc. Speaking of Gujarat, he says: "The cotton trees are of great size growing six paces high and attain an age of twenty years, but, he adds, when of that age the cotton is only used to quilt or stuff beds." Referring to Masulipatam, he says that "they produce the finest and most beautiful cottons to be found in any part of the world." Speaking of Bengal, he says that "the people grew cotton in which they drove a great trade."[22] George Phillips[23] in an instructive article on "Mahuan's Account of the Kingdom of Bengal" shows advance of the industry in the 15th century, from what Mahuan, the Chinese traveller, wrote in his account. "Five or six kinds of fine cotton fabrics were manufactured, one of which called Pi-chih was of very soft texture, 3 feet wide and 56 feet long. Another ginger-yellow fabric called Man-Cheti was also produced, which was 4 feet wide and 50 feet long, etc."

We will see in the next chapter, the state of the industry under the Moguls.

The Trade, Manufacture and Quality of Cotton Fabrics of Ancient Times.

It was for many hundreds of years and down to only two hundred years ago that India remained the home of cotton manufactures and supplied cotton and cotton goods to her people at home and her numerous customers abroad. Dr. Watt has observed: "It would not be far from correct to describe cotton as the central feature of the world's modern commerce. Certainly no more remarkable example of a sudden development exists in the history of economic products than is the case with cotton. The enormous importance of the textile to-day, in the agricultural, commercial, industrial and

20 J. R. A. S., 1806, p. 495. An article on Chao-Ju-Kua's ethnography, etc., by F. Hirth, Ph.D.

21 The Indian Empire by Sir W. W. Hunter, Chap. XX, page 701.

22 Yule's Marco Polo, Vol. II, page 115.

23 J. R. A. S. (1895) "Mahuan's Account of the Kingdom of Bengal" by George Phillip, pp. 529—533.

social life of the world, renders it difficult to believe that, but little more than two hundred years ago, cotton was practically unknown to the civilized nations of the West."[24] Thus, while Europe was in primitive darkness, India was in comparative light—while the Europeans were submerged in barbarism, ignorance and a state of wilderness, and wandered in the clothes of Adam and Eve, it was India that for thousands of years clad not only itself, in its celebrated cotton products, but also supplied the European nations of the time with its surplus produce.[25] . Clive Day has observed in his "History of Commerce" as follows:—"The manufacture of cottor goods was neglected in Europe until the eighteenth century and at the beginning of our national existence much of the supply of raw cotton still came from the ancient seat of the cotton industry in Asia."[26] We must also observe here that, in all centuries before the nineteenth, the production of raw material was as much a practica monopoly of India as the manufacture of finished cotton goods.

Spinning and weaving were, of course, both done by hand Yet even the best of her cloths were made by simple, unlettered people with the aid of only a few crude tools, in their own smal cottages. The incredibly simple methods of the Indian weaver stanc no comparison to the elaborate mechanical devices of our own times And yet, said Baines[27] in 1835, that the Indians have, in all ages maintained an unapproached and almost incredible perfection in their fabrics of cotton—some of their muslins might be thought the work of fairies, or insects rather than that of men. Considering the disadvantages of their primitive mode of manufacture, it is really a matter of genuine admiration that our ancestors should have arrivec at such an exceedingly high pitch of proficiency in the delicacy of the fabrics manufactured by them.[28] Muslins were among the earlies articles of India's shipping trade and the muslins manufactured by our ancestors particularly at Dacca, and which were known unde

24 The Commercial Products of India—Sir George Watt, p. 570.

25 The trade of Ancient India—as in fact of all early communities—must have been a trade in luxuries. Ancient India was entirely self-sufficient and exported articles of which she had a surplus. *See* Prof. K. T. Shah's "Trade, Tariffs, and Transport in India", p.p. 1—27.

26 A History of Commerce by Clive Day, Ph.D , p. 519.

27 Baines: The History of Cotton Manufactures, p. 56.

28 *See* Baines, who observes "In spite of the raw material not being brought to its highest state of cultivation, despite crude machinery, and little division of labour, the products were fabrics of exquisite delicacy, unrivalled by any other nation, even those best skilled in the mechanic arts, and he ascribes their excellence to the "remarkable fine sense of touch and the patience and gentleness of the Hindus".

such names as "Textile Breezes," "Running Water," and 'Evening Dew," are still unsurpassed in fineness by either hand or machine-woven fabrics.

Extent, Nature and Status of the Industry.

That the industry was widespread can be seen from the fact that almost every household prepared cloth, at least sufficient for the needs of the family. The industry was exclusively a cottage industry, and the membrs of the family all helped in the preparation of cloth. Craftsmanship did not hold an inferior status, and was supposed to be under the special protection of the kings.[29] The hand-loom industry and the spinning industry afforded an excellent by-employment in ancient times. It is, however, rather difficult to bring oneself to believe that this industry, which reached such a high pitch of excellence, could really be the occupation of leisure moments only. The best artisans must have been whole-time workers, who spent their whole life on this one industry and earned their living from it. To use the modern phraseology of economics, there was no exploitation of labour by capital since "setting up for oneself" was but the normal occurrence for the artisan of those days.

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29 History of Aryan Rule, E. B. Havell, p p. 76, 81.

CHAPTER II.

The State of the Industry under the Moguls.

It is evident from the last chapter that India provided clothing not only for her own population (which was large) but also exported a large quantity outside. The Indian cotton cloths show that the art was at such a pitch of perfection (this is evidenced by numerous travellers, Europeans, Asiatics and others, who speak of the Indian textiles in the highest terms) that we may say with Baker, "It presupposes long centuries of apprenticeship and practice."[1]

The Industry under the Moguls (up to the advent of the E. I. Company).

The information about the state of cotton industry, like that of almost all the other industries, during the Muhammadan period is very meagre. Any consistent, connected account of the industry, gathered together in one place is only conspicuous by its absence. The Muhammadan period up to the advent of the Moguls was a period of constant wars, sieges, and plunders which devastated the whole region. The artisans could not have led an undisturbed life because the country never enjoyed uninterrupted peace for any length of time. Under such unsettled conditions of life and the constant disturbance which would make continuity of profession improbable, if not impossible, we cannot believe that the industry could have flourished, at least it could not have received any impetus and advanced further. The Hon'ble Pandit Madan Mohan Malaviya observes :—

"The waves of conquest which commenced from the eleventh century, no doubt, greatly hampered Indian industrialists and industries for some time. But the establishment of the Moghul Empire and the safety and security of the reign of Akbar seem to have fully revived Indian industries and handicrafts."[2]

He then quotes Bernier's glowing description of the capital in the reign of Shah Jahan, "The incredible quantity of manufactured goods, embroideries, tufts of gold turbans, etc.," and Tavernier's

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1 *See* Baker, "Calico Printing in India"; (Introduction).

2 Report of the Indian Industrial Commission, Note by the Hon. Pandit Madan Mohan Malaviya, page 296.

description of the manufactured goods and the marvellous peacock-throne, in testimony of the revival of Indian industries. Akbar himself was a patron of these industries, to which we will refer later. For knowing the state of industry in the Mogul period, we have Mr. Moreland's two excellent monographs on "India at the death of Akbar" and "from Akbar to Aurangazeb." Mr. Moreland has drawn upon all the available sources of information—*e.g.*, Ain-I-Akbari, the numerous Persian chronicles, and description of foreign visitors like Monserrate, Sir Thomas Roe, Edward Terry, Peter Munday, Manucci, Berneir, Tavernier and others—with the exception of vernacular literature. A word as to Mr. Moreland's plan will not be out of place. Mr. Moreland evinces a keen desire, all through his books, to take as unfavourable a view of Mogul India and as favourable a view of the present time, as possible. Due to his keen desire of making out a case against Mogul India and proving the superiority of the British Rule, Mr. Moreland has drawn several incorrect conclusions and, therefore, we ought to accept his conclusions with reserve. But making allowance for this partisan attitude, which appreciably depreciates the value of such a monumental piece of research work, Mr. Moreland's account is admirable, and worth our attention.

Discussing the cotton manufactures, Mr. Moreland observes that the masses of Bengal at this period (1600 A.D.) wore either jute or cotton, and the province was densely populated, that its clothing must represent a substantial proportion of the entire textile consumption of the country. "Even if we conclude," says Moreland,[1] "that Bengal wore sackcloth, the fact remains that cotton-weaving was by far the most extensive industry in India, and I think it is fair to say that the aggregate production was one of the great facts of the industrial word of the year 1600." Pyrard stated that "every one from the Cape of Good Hope to China, man and woman, is clothed from head to foot" in the products of Indian looms.[2] Mr. Moreland trys to discount this remark by pointing out that the people who regarded clothing as a pure necessity of life were extremely few and that their clothing was very scanty, being usually limited to a loin-cloth, but even he has to concede: "We may then restate Pyrard's pisturesque and exaggerated account by saying that Indian looms had a practical monopoly of the home market for clothes, and in addition had three principal export markets, Arabia and beyond,

1 Moreland's "India at the death of Akbar", page 179.

2 Moreland's "India at the death of Akbar", page 179.

Burma, and the Eastern islands, besides minor outlets in various other parts of Asia and on the East Coast of Africa." It is correct to say that almost every one wore cloth produced in the country.

Other Cotton Manufactures.

In addition to cloth, certain miscellaneous goods were also manufactured from cotton. These were cotton carpets (this industry was fostered by Akbar particularly at Agra and Lahore), ropes, newads or bed-tapes, and Mr. Moreland agrees to say that the aggregate outturn was doubtless substantial, but regrets there are no means of estimating the amount. "The details go to show," observes Mr. Moreland, "that the cotton industry was at this period much the most important handicraft in India."

The Centres and the Extent of Cotton Industry.

"On the Coast of Coromandel and in the province of Bengal, it is difficult to find a village in which every man, woman and child is not employed in making a piece of cloth. At present much of the greatest part of the provinces are employed in the single manufacture. The progress of the linen (cotton) manufacture includes no less than a description of the lives of half the inhabitants of Hindustan."[1] Mr. Baines remarked in 1835 on the strength of this and other testimony, that the cotton manufacture in India was not carried on in a few large towns or districts; it was universal. The growth of cotton was nearly as general as the growth of foodstuff. The production carried on to meet the great demand of cloth at home and abroad was diffused throughout the country. There were centres which had specialized in the production of some classes of goods.[2] The facilities of transport led to the concentration of industries in particular areas either on the coast or along the inland waterways. Wherever a European penetrated inland, he found cloth being produced along his route, and it is reasonable to conclude that all towns and most large villages produced the bulk of the cloth worn in the locality. The following supplied the foreign market:— Bengal, The Coromandel Coast, Cambay which drew goods from Ahmedabad, Pattan, Baroda, Broach, Surat, etc.; and the Indus

1 Orme in "Historical Fragments of the Moghul Empire", p. 413 quoted by Baines, p. 65.

2 Moreland's "India at the Death of Akbar", page 182.

plain which was supplied from Lahore, Multan, Sukkur, and other towns which were inhabited by a large community of weavers. For purposes of export, Ahmedabad, Surat, Masulipatam, Hijli in Bengal, Sripur near Dacca, being near the sea, were well situated, and Patna was advantageously situated because of her position on the greatest river high-way of India.

Bengal was famous for her muslins. We have already referred to the Periplus which speaks of the "Gangetica," the finest of the sort. "The manufactures of Dacca," on the authority of Vertomannus, "were exported to Turkey , Syria, Arabia, Ethiopia and Persia."[1] Varthema[2] also mentions that "Mecca imported a very large quantity of cotton and silken stuff from Bengal." The Bengal cotton industry had always a place of pride in the manufacture of cotton, as is evidenced by the writings of several travellers. Master Caesar Frederick, a merchant of Venice, visited the East-Indies about the year 1563. Master Thomas Hickocke translated the narrative from the original Italian. Here is his account[3] of the kingdom of Orissa and the river Ganges: ".....Orissa was a faire kingdom and trustie..... Every yeare in the port of Orissa were laden five and twentie or thirtie ships great and small, with ryce and diverse sorts of fine white bumbaste cloth."

Causes of the Excellence of the Manufactures.

The world-famous Dacca muslins were produced not only in Dacca but in Quasimbazaar, and other places in its vicinity, like Sonargaon, which produced the best and finest cotton cloth. The climate of Dacca and its environs is specially suited to the manufacture of cotton, because of its humidity, its comparatively low temperature, medium rainfall, etc.[4] Again, we must also note that inherited skill has as much to do as environment for the success of the cotton industry. There is no doubt that the system of indissoluble hereditary bondage of a family to a single means of livelihood had much to do with the perfection of the method employed.[5]

1 Vertomannus (1503) as quoted in Taylor's Topography and Statistics of Dacca, p. 188.

2 The Travels of Ludovico di Varthema, page 151.

3 Bengal in the Sixteenth Century, J. N. Das Gupta, p. 702.

4 Taylor, Cotton Manufacture, pp. 2 and 3.

5 Decennial Moral and Material Progress Report, 1882—91, p. 310.

James Mill explains the unequalled skill of the Indian weaver thus:—

> "It is a sedentary occupation, and thus in harmony with his predominant inclinations. It requires patience, of which he has an inexhaustible fund. It requires little bodily exertion of which he is always exceedingly sparing, and the finer the production, the more slender the force which he is called upon to apply. But this is not all. The weak and delicate frame of the Hindu is accompanied with an acuteness of external sense, particularly of touch, which is altogether unrivalled; and the flexibility of his fingers is equally remarkable. The hand of the Hindu, therefore, constitutes an organ adapted to the finest operations of the loom, in a degree which is almost or altogether peculiar to himself."[1]

Baines holds a similar opinion:—

> "It is then a physical organization in the natives, admirably suited to the processes of spinning and weaving; to the possession of the raw material in the greatest abundance; to the possession also of the most brilliant dyes for staining and printing the cloth; to a climate which renders the colours lively and durable; and to the hereditary practice by particular castes, classes and families, both of the manual operations and chemical processes required in the manufacture; it is to these causes, with very little aid from science and in almost barbarous state of the mechanical arts, that India owes her long surpremacy in the manufacture of cotton."[2]

Some thought that the superiority of the Indian manufactures was due to the very simplicity and crudeness of the process.

The Coromandel Coast was most famous for chintz or printed calico, which it exported to Pegu, Malacca and other countries. The Coromandel Coast in general, and Masulipatam in particular, were the most famous centres of manufacture of chintz. Marco Polo, the

1 Mill's History of India, Vol. II, page 8.

2 Baines' "History of Cotton Manufactures of Great Britain", p. 75.

irst Christian traveller, speaking in the 13th century, observed that 'Masulipatam produced the finest and most beautiful cottons to be ound in any part of the world.[1] Masulipatam supplied the cloth to he Imperial Household." Bernier mentions that the Masulipatam hintz used to line the walls of the Imperial Durbar Hall, and as creens, were so beautiful that painted flowers looked like natural, as f the spectators were gazing at a parterre in a garden. The chintzes rom these parts, by their delectable designs and ravishing beauty, nchanted fashionable customers in every country. The Coromandel Coast had other centres of cotton manufacture also, *e.g.*, Vizagapatam, Arcot, Madras, Nellore, Tinnevelly, Tuticorin, which ade both ordinary and beautiful cloth. The Madras handkerchiefs vere much liked by the English people in England.

The other cotton-manufacturing localities had no material like nuslin or chintz to offer; but they exported in great quantities cloths f the plain type. Very fine cotton fabrics both white and coloured the cotton cloths to be dyed red, blue or black were taken uncoloured o Agra and Ahmedabad[2]), were exported from Khandesh, *via* Surat nd Ahmedabad.[3] Ahmedabad and Benares were the notable centres or the manufacture of cotton cloth worked in gold and silver, and hey exported this to all parts of India and the world outside.[4] Cambay made cheap cloth which it supplied to Arabia, Pegu and Malacca.

Varthema says that Gujarat supplied "All Persia, Tartary, Turkey, Syria, Barbary, Arabia, Ethiopia" and some other places, 'with silk and cotton stuffs."[5] Mr. Moreland remarks that Mr. Varthema's book bears signs of loose writing, but he agrees to say hat it is fairly certain that substantial quantities of cotton goods vent out of India to many of the countries named by him.

Tavernier observes :—

> "White cotton cloths came to Renonsari (near Surat) and Broach, where they have the means of bleaching them in large fields, on account of the quantity of lemons growing in the neighbourhood. The cloths are 21 cubits

1 Marco Polo's Travels, Book III, Chap. 21.

2 The Periplus, page 179.

3 Storia II, 429—quoted by Prof. Jadu Nath Sarkar.

4 Storia II, 83 and 425—quoted by Prof. Jadu Nath Sarcar.

5 Moreland's "India at the Death of Akbar", p. 172.

long when crude, but only 20 cubits long when bleached There are both narrow and broad kinds. The broad are 1⅓ cubit wide and the piece is 20 cubits long."[1]

Baroche is said to have exported largely the calicoes, muslins and and other goods both plain and figured with flowers, made in the provinces of which it was the part, and in the interior of the more remote provinces of India. Surat was famous for its coloured chintzes and piece-goods, but the Baroche muslins were inferior to those of Bengal and Madras, as were the printed chintzes of Gujarat to those of the Coromandel Coast.[2]

Description of Method and Quality of Manufacture in the Mogul Period.

The verdict of Tavernier, that competent judge of artistic things, is worth quoting. He says, "Some cloths are so fine that you can scarcely feel them in your hand, and that they were woven from the thread of such extraordinary delicacy that a single pound of cotton was spun from it into a length of 250 miles."[3] Though the manner in which this wonderful delicacy of texture was wrought is surprising, it is not astonishing that the natives of India should have excelled in the manufacture. In such a climate, the delicacy and fineness of the garment must necessarily have been of first consideration, and when we regard how greedily fabrics eminently combining these qualities must have been sought after by the wealthy nobles of India, not fallen India of modern times, but the India of poetry and romance, of splendour and glory, every stimulus to excellence in this direction must have been afforded by the luxurious mode of living, and their vanity. Utility and economy were the characteristics of the energetic and thrifty European, but to the Asiatic no expenditure of labour or material was too great that could add in the slightest to his wishes in this respect. Tavernier also states that "When a man puts it (the cloth) on, his skin appears as plainly as if he was quite naked." Of the latter quality, some amusing stories are also told:—

(1) "The Emperor Aurangzeb (so runs one of the stories) was once angry with his daughter for showing her skin

1 Tavernier's Account, quoted in the Periplus, p. 179.

2 J. A. Mann's Article in J. R. A. S., Vol. XVII, p. 348 (1860).

3 Tavernier Vol. I, page 811 and following.

through her clothes; whereupon the young princes remonstrated in her justification that she had seven Jamahs (suits) on."[1]

(2) In Nawab Alliverdy Khan's time a weaver was chastised and turned out of the city of Dacca for his neglect in not preventing his cow from eating up a piece of Abrooan, which he had spread and carelessly left on the grass. The very poetic name Shubnam—"Evening dew" (as the particular type of muslin was called)—suggests that the fabric could be scarcely distinguished from the dew on the grass, when spread over a bleaching field.[2]

With such rude implements as they possessed, the Hindu women almost rivalled the fabled skill of Archnes' spinning.

An incredible amount of patience and skill were required in this industry. One way of testing the fineness of the fabric, often described by Mediaeval and earlier travellers, was to pass a whole piece (of cloth) twenty yards long and one yard wide through an ordinary finger ring. The best test, however, was by the weight in proportion to size and number of threads. In the halcyon days of the Dacca industry, a piece of muslin 15 yards long by 1 yard wide could be made so fine as to weigh only 900 grains, or a little over 1/10 of a pound. In 1840, a piece of the same dimensions could not be made finer than 1,600 grains and was valued about a hundred and fifty rupees. A piece of this muslin 10 yards long and 1 yard wide could not be woven in less than five months, and the work could only be carried out in the rainy season when the moisture in the air would prevent the thread from breaking.

Tavernier in admiration of the fine cloth manufactured in India (and which rightly deserved these seemingly extravagant phrases like "Textile breezes," "Evening dew," etc., already referred to,) tells us of a Persian ambassador who took for his sovereign, on returning home, "a cocoanut of the size of an ostrich's egg, enriched with precious stones, and when it was opened, a turban was drawn from

1 Quoted from *Modern Review*, January 1924, Article by P. T. Thomas, also quoted by P. K. Dutta.

2 From a paper read before the Manchester Municipal School of Technological and Textile Society.

it 60 cubits (30 yards) in length, and of a muslin so fine that you would scarcely know that you had it in your hand."

These pieces of cloth which are spoken of in eloquent terms by the foreign travellers and which won the admiration of the customers, are, unhappily for us, relics of a by-gone age.

In the world of to-day where monetary cheapness is the primary consideration, articles of the above description can only adorn quiet corners in museums. Expert opinion is still at one, however, that the Indian muslins and chintzes still remain unsurpassed in their beauty, in spite of the advent of the modern machine in contrast to the distaff and spindle on which this beautiful cloth was prepared. In delicacy of texture, in purity and fastness of colour, in grace of design, Indian cottons may still hold their own against the machine-made products of the world.

CHAPTER III.

Industrial Organization up to the Mogul period.

It will be useful and instructive to direct our attention to the conditions of economic organization of the cotton industry in its palmy days. At the outset, we may observe that the caste system, though it was a predominant factor in both the social and economic life of the country, was not the sole economic factor in industry. There were separate castes for carrying on different professions. The country, before the advent of the British, was a self-contained, self-supporting economic unit, and weaving was confined to the castes set apart for it. When the villages were self-supporting, the wants of the people were limited in number, and there was not much inland transport and no export trade. The bad state of the transport in the Mogul period, combined with the uncertainty of the goods reaching their destination did not permit the export, or inland transport over long distances of articles of low price and heavy bulk. Thus only rare objects of small bulk and great value which could bear a stiff rate of transport charges and yet leave a wide margin of profit, could be carried to remote places[1] or exported. But as articles produced by these weavers began to acquire a reputation, the demand for cloth increased and thus many castes took to spinning and weaving and made it their profession. These castes, though they maintained their separate entity, became members of a guild, which came to regulate the industry. Monopolies of professions were done away with and other classes began to take to weaving freely, and they made up the guilds of the town. The two types of economic institutions most generally met with are the *domestic industry* and the *institution of guilds* which originated in the country during the early ages. In the former, the workers are confirmed to small groups. Each group produces and consumes for itself. Consequently, there is little exchange of commodity and no proper market.

Moreover, there is little division of labour in this system, but the craftsmen and their dependents working for themselves cause a fusion of labour which may be regarded as the truest from of co-operative production—not the self-seeking form that such production

1 On the average, the cost of carrying 100 lbs. to a distance of 100 miles in Northern and Western India ranged between half and three-quarters of a rupee, exclusive of anything required for payment of armed guards and inland customs luties. *See* Moreland's "From Akbar to Aurangzeb", pp. 150—152.

has assumed in modern communities to-day. The emergence of the guild system marks an epoch in the economic history of the country. Ahmedabad,. Benares, Dacca, Surat and other towns owe their rise as polytechnic centres to these guilds. Each trade had its guild representing many castes, but the business of the guild was carried on by the two chiefs called *Sheths* and a *Gumastah* or clerk.[1] In some prominent places, there was a Nagar-Seth who looked after the general administration of the trade.

In the Guild System, all the workers of an art or craft, are associated by a guild in which they are pledged to support and protect each other. Here they turn out goods as required by themselves and their neighbours or what they can readily sell in the local market. Membership of the guild was hereditary, and new-comers were admitted on payment of an entrance fee. The guilds were particular to see that no unqualified person entered the guild. The hours of labour and the work to be performed by the members, etc., were regulated by these guilds, like the trade unions in the Western countries. Unlike the trade unions which spend their funds mainly for supporting their members, when thrown out of employment, the funds of these guilds, obtained from fines levied for infringement of their rules and from entrance fees, were utilised for charitable purposes. The efficiency of the organization will be apparent from the laws relating to apprenticeship. There was a system of indenture under which the apprentice and the master were bound to each other, for a fixed period. The master was competent to make him (the apprentice) do the work strictly related to the craft but could not exploit his labour. Likewise, the apprentice was also obliged not to leave the master before serving his full term, even if he attained proficiency before expiry of the stipulated period. The master was to treat him like a son, and the pupil is recommended to be humble.[2] We can see that a sacred and spiritual relation normally obtained between the master craftsman and his apprentices—relations which were the direct outcome of the peculiar educational system and their environments. To these wholesome relations and the peculiar educational system is to be traced the signal success admitted by all, friends and foes, to have been achieved by the handicraftsmen of

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1 R. K. Mookerji's Local Government in Ancient India, and Bombay Gazetteer, Vol. IV.

2 Radha Kumud Mookerji's Local Government in Ancient India, pp. 57, 95.

Ancient and Mediaeval India, which enabled her to command the markets of the East and West, for over 2,000 years, and secured to her a universally recognised pre-eminence in manufacture and exports.

The essence of the whole scheme, however, is that the young craftsman is brought up and educated in the actual workshop of his master, where is life itself, besides plant and tools, because the workshop is part of a home which relieves its dull monotony and the pupil is placed in touch with life, its culture, its difficulties, etc., necessary to art as techinque itself.[1]

A word as to the internal conditions. It is not infrequently supposed, that there was little or no division of labour in India. It is true that in the earlier stages of economic life, like the family or the domestic system, there was not so much scope for division of labour. But with the widening of the markets, conditions changed. The different processes of cloth-making became very much specialized, and this led to a progressive division of labour in centres like Masulipattam, Dacca, Ahmedabad and Benares. Mr. Moreland[2] refers to an observation recorded by Thevenot as showing that towards the middle of the seventeenth century, specialization in industrial processes also had begun to make its appearance in some localities. Taylor gives a description of the complex processes involved in the Dacca industry. With the multiplication of processes labour had to be intensely specialised, for which there was a vast demand. There was almost a territorial division of labour: witness the special Bengal muslins, Coromandel chintz, Ahmedabad gold and silver embroidered cloth. This intensive form of division of labour and a localization of industries, combined with the hereditary choice of a profession forced due to the caste-system, brought about the "specialized skill, the secret of Hindu pre-eminence in arts," as Orme observed long ago.

Relation of Capital and Labour.

The next question is the relation of Capital and Labour. Production in the earlier stages was on a small scale: it took place either at the customer's house or in a small workshop or shed near his own dwelling, and there was no intermediary between producer and

1 Dr. A. K. Coomarswamy's "Indian Craftsman".

2 Moreland's "India at the Death of Akbar", p. 158.

customer. The producer worked on the customer's material, or if he bought his own material, he had not only labour but commodity to sell, and he dealt directly with a small neighbouring circle of patrons. The producer thus was in direct touch with his small market. Probably he had an apprentice or two whom he paid wages. So the problem and complexities of capital and labour never arose. This system was in vogue even in centres like Dacca, where small weavers having three or four looms, employed a couple of apprentices and journey-men, *i.e.*, men paid by the day and not like the apprentice, bound for a long period of indenture.[1] But as the market for these goods widened, this simple system crumbled to the dust. The craftsman who so far combined in himself the functions of a buyer of raw materials, an employer of labour, a seller of goods, and a skilled workman who prepared the finer sides of the job in collaboration with his apprentices and journey-men, found it impossible to cope with the new situation and widening of the markets. Great specialization became necessary and greater capital was indispensable to meet the new demand. Thus in the competition the hitherto independent craftsman succumbed, lost his independence and there sprang up various kinds of commercial middlemen or merchant-princes, who supplied the capital and acted as intermediaries between the actual makers in the workshops and the final purchasers in the country and abroad. The craftsman was thus reduced to the position of a wage-earner, but was still working in his home. This system, called the Domestic Industry System organised for the supply of distant markets, is an intermediate or a transition stage between the guild system with its independent handicraftsman and the factory with its mass of congregated work-people.[2]

The Mahajan was like a commission agent and an export merchant, but not like the English 'clothiers' who are a class of entrepreneurs who control the whole process of production. The Indian Mahajan was not an entrepreneur in the sense that an English clothier was. He was a capitalist, and, in some sense, he was an employer. In spite of several defects, the Mahajan was the person who financed industry and trade. But as yet there was not

1 The Economic Organisation of England, W. J Ashley, p. 38.

2 The Economic Organisation of England, W. J. Ashley, p. 93. Also *see* Unwin, in Daniel's Cotton Industry, p. XX, where he says, that this system of Domestic Manufacture under the control of capitalist clothiers "represents a phase of industrial development historically intermediate between the handicraft system of the Mediæval City and the factory system of the 19th century.

ushered that stage, I mean, the factory stage, in which the workmen were huddled together in factories where the owners and controllers of capital not only find the market, but organise and regulate the actual processes of manufacture. Commerce, on a large scale, beyond the limits of the country, was carried on by what may be styled merchant-princes, who had the title Maha-Vadda-Byavahari.[1]

The principal institutions referred to above were not the only ones then existent. We occasionally come across the Workshop Organisation. Here the head of the guild, or a Mahajan as he is termed, has assumed the role of an industrial oragniser, who collects the craftsmen from their scattered homes and locates them in a workshop where he furnishes the raw materials, the work implements, etc. A division of labour was thus attained, time and trouble economized, and the cost of production reduced. The division of labour consisted in the artisans specializing in particular kinds of work.

Patronage to the Industry.

The State also had palace-workshops or *Karkhanas*. Bernier described in 1666 what he saw in the palace at Delhi in the following terms :—

> "Large halls are seen in many places called *Karkhanas* or workshop for the artisans. In one hall embroiderers are employed, superintended by a master; in another you see goldsmiths, in a third, painters.....in a fifth, tailors, etc., in a sixth, manufacturers of silk brocades and fine muslins."[2]

The nobles had to present the rarest products, both natural and manufactured from their provinces, to the Emperor. It was in fact considered a breach of etiquette to go to the Emperor empty-handed, *i.e.*, without *Nazrana*. The nobles, therefore, employed the best artisans to manufacture articles worth presenting. Thus, though they maintained no *Karkhanas* in imitation of the Emperor, they caused articles to be manufactured by advancing money and material to the craftsmen. Mr. Moreland believed that it was possible that private workshops may have been in existence in case of some handi-

1 Dr. Radhakumud Mookerji's "Local Government in Ancient India", p. 52.

2 The *Modern Review* for February, 1924, from an article by P. T. Thomas.

crafts, though the authorities say nothing about them. Thus the nobles encouraged the arts and crafts in their own provinces. The foreign traders, however, were the chief cause of the expansion of our products. They also followed the universal mediaeval system of giving *Dadan* or advances like the indigenous Mahajans. In one sense every weaver worked for himself, in another he was in the power of the capitalist who advanced the funds required to buy materials and support him while at work. The system of advances by merchants is too well known to require further illustration. The historiographer of Akbar's days observes that "for the weavers it is probable that advent of the Dutch and English buyers were beneficial."[1] They maintained unbroken the thread of economic unity, by giving employment to artisans. They also gave advances to the weavers, and to do this business employed middlemen who knew the language of the weavers. These middlemen called *Dalals* frequently robbed the company and exploited the artisans. The company employed the Gumastahs for helping them in the work of giving advances to handicraftsmen against the promised supply of goods. Owing to the poverty of the artisan such advances had become the order of the day. Thus the company also kept up the Mogul System of exploitation of labour. The weavers were always complaining that the agents abused their authority and forced them to accept non-remunerative wages. Prof. Hamilton says that :—

> "There was in this system room for the company and its agents to force the weavers to accept advances and then compel them to surrender their cloths at unduly low prices, while there was equally the real danger that in the absence of strict supervision the company should suffer losses by making advances for which it got nothing in return and having to accept goods of inferior quality."[2]

James Mill vividly describes the oppressive methods used by the Gumastahs towards the poor artisans whose goods were undervalued and prices fixed at 30 or 40 % below the ruling market rates.

The weavers in India have always been poor, and this fact is sadly true even in the palmy days of the cotton manufacture. The weavers then, as now, hardly possessed any capital and had therefore

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1 Moreland's "From Akbar to Aurangzeb", pp. 192-193.

2 Trade Relations between England and India, pp. 73, 75.

no other course but to accept advances of money to enable them to obtain their raw material and subsist until the completion of their work.

Bernier observes :—

> "The grandees pay for a work of art considerably under its value. Nothing but sheer necessity or blows from a cudgel keeps him employed; he never can become rich and he feels it no trifling matter if he has the means of satisfying the cravings of hunger and of covering his body with the coarsest garment."

Thevenot was told about the same period of the state of arts in Delhi that the artisan in the middle of the seventeenth century was working mainly for the benefit of merchants and middlemen.

Condition of Manufacturers.

As far as the family or household system of manufacture was concerned, the Indian weaver, whether working on his own account or the moneylender's, certainly utilised the labour of the members of the family, just like the other artisans, *viz.*, the oil-presser, in whose case his wife managed the bullocks, like the tailor, in whose case his wife also sewed when there was hard work in the family. The boys sometimes arranged the thread by means of wooden handles and thus helped the father in weaving. Unless extremely necessary, outside labour was not employed. The wages paid varied according to the nature of the work. Those who prepared thread for the loom were paid 1½ to 2 annas per day and weavers of flowered muslins were paid 4 annas a day. They were fed by the employer at mid-day. When we consider the low state of the wages we must also remember that the purchasing power of money was much greater than to-day; provisions, etc., were cheap and there were not many articles of luxury to indulge in.

We have seen above that the usual type of industrial organisation during the Moghul Period was that of a large number of individual units working independently, producing articles for their own production and for a small neighbouring circle of patrons. On the widening of the markets, he was unable to cope with the situation

As a consequence, commercial middlemen sprang up who advanced money and acted as intermediaries between the actual makers in the workshop and final purchasers here and abroad. The *Karkhana* system of production obtained, as we have seen, under the protection of the court of the powerful nobles. This system was an interesting anticipation of a later stage of production, because under it the artisan worked on the materials supplied and had only the producer's interest of wages in the work.

We will now review the East India Company's foreign trade policy with relation to Indian manufactures in general and its effect on the cotton industry in particular.

CHAPTER IV.

East India Company's Trade Policy and its Effect on the Cotton Industry (up to 1757).

The merchants of Europe were lured by the trade and prosperity of India. The establishment of English factories in India is due to the discovery of the English merchants that the products of India, especially calicoes, silk and saltpetre, were very profitable articles of merchandise and to their strong desire to carry them to Europe.[1] The essentially commercial character of the English origin brought the English in touch with our indigenous industries. As the historian Murray puts it:—

> "Its fabrics, the most beautiful that human art had anywhere produced, were sought by merchants at the expense of the greatest toils and dangers."

The Company's voyages, which began in 1601 A.D., were fruitful, and the average rate of profit on the fifth voyage seems to have been 100%.[2]

The English merchants stepped into the breach caused by the decay of the Mogul power, and helped to maintain the continuity of industrial life by giving employment to artisans. They were also instrumental in bringing about a close correlation between the different parts of the country by maintaining subordinate factories, each of which had its local branches supervising production in the area round it.

The English established factories (these were not manufactories) in quick succession, and an Imperial Pharmaund (Firman) was obtained for factories in the Moghul dominion. The chief factories established by the Company were at the following places:—Cutch, Cambay, Ahmedabad, Broach, Surat, Calicut, Cochin, Masulipattam, Hughly, Agra, Dacca and at many other places. The

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1 The majority report of the Industrial Commission makes a grievous mistake when it says (Report para. 2) that the role of the E. I. Company was to exchange as far as possible the manufactured goods of England for the products of India. This is a perversion of fact against which Pandit Malaviya has objected in his Note. (*See* p. 297).

2 East India Trade in the Seventeenth Century, Dr. Khan, p. 3.

meaning of the word Factory calls for an explanation. In India, a factory was simply that which would be considered a house of agency for the sale and purchase of goods on commission.[3] Among the chief articles of export from India were calicoes, indigo, cotton, saltpetre, spices, raw silk, etc. The amount of calicoes exported in 1620 seems to have been 50,000 pieces rated at 7*s.* a piece and sold at 20*s.* a piece.[4] We exported highly diversified goods and as the nomenclature employed in the trade was extraordinarily large, it would be superfluous to enumerate them here. It would be enough to classify the goods as calicoes, muslins, and fancy goods. The distinction between calicoes and muslins is one of degrees only, the muslins being thinner in texture and lighter in weight than the calicoes.

The invoices of longcloth work out to somewhere about 2 rupees for the standard length; so that the English annual demand of over 100,000 pieces represents payments to our weavers of somewhere about 2 lakhs of rupees. If we add to this the value of the Dutch export (in 1639 it was 60,000 pieces), the value of the trade comes to 3 lakhs. The weavers' profits must needs have been substantial. The weaving industry within reach of the sea-board was organized, or it may be correct to say, had developed, observes Mr. Moreland,[5] to serve the specific purpose of providing cloth for particular Asiatic markets, and buyers of Europe had to adapt themselves to the existing practice of giving advances, to which we have referred previously.

At the beginning of the 17th century, raw cotton was in some demand in England and the neighbouring countries, partly for use in preparing candle-wicks and partly for manufacture of some cloths known as fustians. A regular trade in yarn developed. By 1622, factories were buying suitable weft for fustians. Gujarat exported nearly 500 bales in 1628. In 1630, when the purchases in Gujarat were at their maximum, local weavers feared that their industry would suffer through the export of the raw material and a regular boycott was organised in Broach, the English being called upon to choose between buying cloth and yarn. There was a depression in this demand for 30 years. It was in 1658 that the demand

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3 *See* Milburn's Oriental Commerce, x to xv, Introduction.

4 Saintsbury's Court Minutes, Vol. VI to X, Part I.

5 *See* Moreland's "From Akbar to Aurangzeb".

returned to its former limit of 500 bales. Valuing a bale of 160 lbs. at 50 rupees (as Mr. Moreland conjectures), this export may be valued about 25,000 rupees.

After 1675, the progress of the E. I. Company was unusually rapid. The policy was also encouraging. In a Dispatch dated March, 1768, the Directors, speaking of Bombay, say :—

> "Encourage the Natives and and invite them to come thither. We would also have you to put the Natives upon making of such calicoes as they are capable of, although they shall be coarse at first, that in time they may attain to the making of them better, and lest they want cotton for that purpose we would have you to procure the bringing of it, out of the country, or the conveying of it to them by sea."[6]

For encouraging the manufacture of sail-cloth and increasing the tonnage, the Directors sent two hemp-dressers, one or two spinners and weavers "that may put them into a way of making such hempen sail-cloth as this kingdom is supplied with from France."[7] Not content with sending patterns only, the Directors sent workmen from England. As early as 1668, the Directors had sent "Soldiers and their wives; also an Artificer as per list." What was of signal importance was the fact that some English weavers were dispatched to teach the Indians the mysteries of their craft,—a step bitterly resented by the weavers in and out of season and a capital case was made out of it against the continuance to the E. I. Company of the monopoly of trade.—The Company was in fact regarded as the betrayer of the Nation and a cause of "untold ruin". In 1677 the Directors wrote to say :—

> "We approve of the encouragement you have given to our dyers and weavers, and note your desire for sending out a throwster and a throwsting mill."

Dyers and throwsters were sent to Bengal. This deliberate fostering of Indian manufactures culminated in the inevitable result of arousing widespread opposition among the weavers, the manu-

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6 M. S. Letter Book-Note.

7 Records of Fort St. George, Dispatches from England, 1680—82, pp. 21—24.

facturers and the gentry in England. Our calicoes and silk competed with the English goods there, and the demands of the Directors were not confined to raw silk. The main cause responsible for the prohibition of Indian manufacturers was the Directors' keen desire for calicoes and wrought silk. They fostered the industry by every means within their power, and often went to lengths not justified according to the notions then prevalent among the people. The Company's gravest mistake consisted in dispatching throwsters and weavers to India which roused very bitter opposition. The lynx-eyed Directors availed themselves of every opportunity for pointing out the drawbacks in the system in the Indian factories and tried their utmost to remove them.

It was in 1668 that the Company made up its mind to develop the calico industry on a huge scale in Bombay which was then a fishing village, handed over by Charles II in the same year. There are several Dispatches referring to encouragement of the calico industry, as the commodity was in great request in England. The export of calicoes rose rapidly. In 1677, Papillon reckoned them at 150,000 pounds worth. Col. Berch described the increasing Indian import of calico, as follows:—

"One commodity more ruins us and that is calico. You encourage thereby trade with the Heathens, who work for a penny a day, and destroy Christians. As ill-weeds grow apace, so these manufactured goods from India met with such a kind reception that from the greatest gallants to the meanest cook-maids nothing was thought fit to adorn their persons as the Fabrick from India."[8]

This roused great opposition in England.

Development of the Outcry Against Indian Goods in England.

A loud outcry was made in England as early as 1675 by the clothiers against the admission of E. I. Company's commodities which, it was maintained, were ruining "our ancient woollen manufactures." The sending of bullion to make payment gave cause of

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8 From reasons humbly offered for the passing of the Bill, etc., by T. S. Brit, Museum, 1697, pp. 8—10.

opposition to the Company's opponents. To such an extreme did they go that it was asserted by a writer:—

> "The trade carried away large quantities of money, which is not only the sinews of war but the medium of trade! For money in a body politic is as blood in the Body Natural, giving life to every part."

The Company's importation of commodities which competed with those of England precipitated matters. The Company, to escape the criticism and attack, tried to increase the sale of its woollen goods in the East, but the prohibitively high price rendered it impossible for the poorer classes to use the broad-cloth exported from England.

As a factor remarked in 1605, the Indians could make three suits of clothes for the price of one yard of English cloth. There were few buyers. After 1680, the Indian trade grew with alarming rapidity, and again the Indian goods were brought to a high state of perfection by the eminently patronizing policy of the Company. This policy as observed before, aimed at the utilization of Indian talent for the purpose of developing the industries for which the Indian artisans were fitted. It was to this end that the Company gathered together workers from all parts of India, and encouraged them in their industry by all means in their power. As we have already noted, money was also lent to the workmen who were treated with indulgence. This benevolent policy was pursued till the end of the 17th century. But it was this policy that was responsible for the loud outcry in England and this led to the prohibition of our manufactures.

Treatment of Indian Manufactures in Europe.

The Indian goods were in great demand from 1690 onwards. The Directors were urging their factors to send as many Indian goods as possible[1] as everything of India was in great demand at that time. Calicoes maintained their ascendancy during the period preceding the prohibiton in 1700. It was the perfect workmanship of the Indian goods and their comparative cheapness that rendered them a formidable rival to the English goods. By 1699, the English weavers and

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1 Dr. Davenant's Accounts laid before the House of Commons, January, 1713.

the bullionists had organized a systematic opposition to the importation of Indian calicoes and silks. The demand also had gone very high. During the years 1697 to 1702, no less than £1,053,725-0-5¼ 5¼d. worth of calicoes was exported to England. Most of the other nations of Europe had put heavy duties on Indian goods. To this we will refer shortly.

Reasons for Prohibition of Indian Manufactures.

The development of a national industry was in their (English) opinion, a sufficient reason for prohibiting all manufactures and the notion that it should be unworthy of a Christian to enrich the heathen at the expense of the English was always prominent and glaring in the eyes of the bullionist. A writer asserted that:—

> "We have already and are now inciting the Indians and Chinese that are a numerous and Laborious People and can do and live without Fire or Clothing, and with a trivial expense for food."

and declared:—

> "It is impolitick and utterly destructive of our own manufactures."[2]

There are several other writers who donounced the East India trade on this ground.

The Benefit from the E. I. Company's Policy.

It is not very probable that the Indian cotton-manufacturers profited very much from the habit of the Directors[3] of sending artificers from England and the pattern of goods. Some of the artificers in fact had to be recalled to England because they did not work well and began to work on their own account. Whereas in the technique of spinning and weaving, the Indian artisans were far in advance of their brethren in England as well as the rest of the world. As for the patterns, this system was also discontinued and we find the Directors remarking that the Indian artisans should be allowed

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2 Quoted from Dr. Khan's "East India Trade in the Nineteenth Century".

3 *See* "English Winding Sheet for the East India Manufactures".

to work their own fancies, "which is preferable to the patterns we can send from here." In 1683, Directors wrote to Bombay :—

> "Let your weavers take out such flowers, most convenient and agreeable to their own fancies which will take better here than any strict imitation of which is made in Europe."

Still, the policy of the Company to foster industries in India gave its opponents a capital argument for attack. We have already enumerated some of the grounds on which the Company was attacked. There were others also, of importance, *viz.* :—

> "It was the English that first put the Indians on that great excess they now are, of throwing, dyeing and weaving, when both they and the Indians could not do less than laugh in their sleeves at the Act that prevents throwing, and dyeing. It was the English that sent over the artists of all these trades and patterns that might suit the European humour."

There are numerous pamphlets, broadsides and tracts that reiterate the same complaint with great vehemence. The wear of India-wrought silk stuffs and calicoes had become so universal in England at this time and the complaint thereof so loud that it was then thought proper to remedy the aggravating evil. The grievance was brought to the forefront by the rows kicked up by the weavers and, consequently, a statute was passed enacting that from Michaelmas 1701, all wrought silks, Bengals, and stuffs mixed with silk or herba, of the manufacture of Persia, China or the East Indies, and also all calicoes—printed, painted, dyed or stained there—should be locked up in warehouses appointed by the Commissioners of the Customs, till re-exported, so as none of the said goods should be worn or used, in either apparel, or furniture, in England on forfeiture thereof and also fine of £200 penalty on the person having, or selling any of them. In 1721, again, the use of printed Indian calicoes, both in apparel and household furniture, "was become so universal as to be a great detriment and obstruction to the woollen and silk manufacturers of the kingdom." An act of Parliament was in consequence passed, to preserve and encourage the woollen and silk manufacturers, etc., which absolutely prohibited the wear thereof,

(calicoes) under the penalty of £5 for each offence on the wearer and of £20 on the seller. The famous historian Lecky says:—

> "At the end of the seventeenth century great quantities of cheap and graceful Indian calicoes, muslins and chintzs were imported into England, and they found such favour that the woollen and silk manufacturers were seriously alarmed. Acts of Parliament were accordingly passed in 1700 and 1721 absolutely prohibiting with a very few specified exceptions, the employment of printed or dyed calicoes in England, either in dress or in furniture, and the use of any printed or dyed goods, of which cotton formed any part."[1]

In 1708, Daniel Defoe[2] wrote in his weekly Review:—

> "The general fansie of the people runs upon East India goods to that degree that the chintzs and painted calicoes before only made use of for carpets, quilts, etc., and to clothe children and ordinary people, *become now the dress of our ladies, and such is the power of mode as we saw persons of quality dressed in Indian carpets, which but a few years before their chambermaids would have thought too ordinary for them; the chintz was advanced from being upon their floors to their backs, from foot cloth to the petticoat, and even the Queen herself at this time was pleased to appear in China silks and calico. Nor was this all, it crept into our houses, our closets, and bed chambers, curtains, cushions, chairs and beds themselves were nothing but calicoes or Indian stuffs, and, in short, almost* everything that used to be made of wool or silk, relating either to the dress of our women or the furniture of our houses, was supplied by the Indian trade. Above half of the woollen manufactures were entirely lost, half of the people scattered and ruined, and all this by the intercourse of the East India Trade." (Italics ours).

Defoe's complaint was of a few years earlier than 1708, for, as is well known, the prohibition of Indian goods had taken place in

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1 Lecky's History of England in the Eighteenth Century.

2 Quoted by Baine's History of British Cotton Manufacture, p. 79.

1700 by Acts 11 and 12 of William III, Cap. 10. As even the penalty of £200 on the wearer or seller of Indian silks and painted calicoes could not prevent the use of India goods, other Acts were passed at a later date, *i.e.*, in 1721 and 1770. The "evil" of the consumption of Indian manufactures did not disappear by 1728, and other countries of Europe made similar efforts to penalise the import and use of Indian fabrics. Another writer in "A Plan of English Commerce" published in 1728 says:—

> "The calicoes are sent from the Indies, by land into Turkey, by land and inland seas into Muscovy and Tartary, and about by long sea into Europe and America, till in general they are become a grievance, and almost all the European nations but the Dutch restrain and prohibit them." (Quoted by Baines, p. 80).

Baines further says:—

> "Not more than a century ago, cotton fabrics of India were so beautiful and cheap that nearly all the Governments of Europe thought it necessary to prohibit or load them with heavy duties, to protect their own manufactures."

And he adds:—

> "What could not be achieved by Legislation in Europe, was brought about by the exercise of political power in India."

From after a few years after the passing of Aurangzeb, till the days of Warren Hastings and Madhoji Rao Scindia, there was great internal turmoil and many foreign invasions. The whole country was in a state of political ferment. The very foundations of Society were tottering, not so much in consequence of the dynamic evolution of new ideas but as a result of the rapid shifting of political power and the death-bed agonies of a moribund Empire. The history of the period after the death of Aurangzeb till the establishment of British power is a confused tangle of internal rebellions, civil wars and foreign invasions, in the midst of which the people dragged out their miserable existence in a state of suspended animation. The conditions during this period were such that no man having the energy to rob his neighbour thought it worth his while to turn to industrial occupations as a means of livelihood. Besides, it was

the very perfection of the Mogul Imperial organization which made its break, when it did come after the death of Aurangzeb, intolerable. Had the break-up of the Mogul Empire been immediately substituted by the Empire of the Rajputs, Marathas, or, for the matter of that, even the English, who were slowly coming into prominence then, the damage to the trade and industry would not have been so great as it did. As it was, while internally production had to be automatically and voluntarily restricted to the lowest possible limits because the producer had no guarantee of any surplus being of real benefit to himself, externally, the rivalries of the Arabs with the Europeans and of the Europeans *inter se,* made the entire trade of the country hoplessly demoralised.[1]

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1 *See* Prof. K. T. Shah's Trade, Tariffs and Transport in India, pp. 48-49.

CHAPTER V.

The State and Decline of the Cotton Industry under Early British Rule.

Transit duties, tolls, customs duties and such other taxes on trade formed a part of the revenue system of the eighteenth century The E. I. Company, however, gradually acquired various commercial privileges from the rulers of the different parts of India. The Company obtained a *firman* by the Great Charter of 1717 from the Emperor Farrukshyar by which its trade was exempted from duties The servants of the Company claimed as private traders the same exemption and began to indulge in the inland trade without the payment of customs, transit duties, etc., to which the Indian merchants were liable. The reason why the Moghul kings accorded to foreigners such favourable treatment appears to be their desire to encourage trade. But when they found that the interests of the country were sacrificed, they took prompt remedial measures. Aurangzeb's dealing with the Company is an instance in point. But later, after the break-up of the Moghul Empire, the commercial privileges, even if prejudicial to the country, were considered as inviolable and sacrosanct rights by the Company, and its servants tried to reserve them exclusively for themselves even against native merchants.[1] The evils of this have been fully described by Hastings and Verelest When this forcible assertion of the right became intolerable Mir Kasim, in a moment of noble indignation and high-minded patriotism, took the wise and the only possible step of abolishing the transit duties altogether and put the English and Indian merchants on a footing of equality. Eventually, he was deposed, and it was stipulated in the Treaty with the new Nawab that transit duties should be levied on all except the English merchants.

The inland customs of this period were vexatious because of their multiplicity, oppressive because of the frequency and uncertainty of the exactions, discouraging to commerce and depressing to industry. In spite of the revision of the Customs in 1771, complaint after complaint was still made against their opressive way of collection.[2] In 1783, the Directors advised the Government to frame

1 *Cf.* Trevelyan's Report, pp. 1—159; also Select Committee's (1773) 3rd Report, p. 314; also Select Committee's (1783) 9th Report, p. 24.

2 Bengal Customs Report, 1782, pp. 102—04.

a system not so much by the desire of increasing customs as of promoting the internal commerce. This shows that trade and manufactures were in a depressed state.

The whole inland trade of Bengal was disorganised. The methods by which they secured the manufactures were also very oppressive. J. H. Kelman has observed :—

> "In order to have large supplies from which to select, the control of entire markets was secured and artisans were forbidden to sell any part of their wares till the Company's officers had made their choice. Great injury was done to Indian industries and craftsmanship."[3]

In his "consideration of Indian affairs," William Bolts describes the trade oppression which Professor Muir pronounces as "substantially true."[4] He says :—

> "Inconceivable hardships.....have been practised towards the manufacturers.....who are monopolised as slaves. Various are the methods.....such as by fine and flogging. The number of weavers has decreased. The servants of the Company did not stop here to wipe out the industries..... They levied high taxes on the spinning wheels while the duty-free goods were forced upon the dealers to sell in the market." (Also see Dutt, Vol. I, p. 34).

Under such a system of monopoly and coercion, manufactures declined. Dutt observes :—

> "A deliberate endeavour was now made to use the political power obtained by the Company to discourage the manufactures of Bengal in order to promote those of England. Manufacture of raw articles was encouraged."

The Select Committee remarked :—

> "This letter contains a perfect plan of policy, both of compulsion and encouragement, which must in a very consi-

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3 "Labour in India", J. H. Kelman, 1920.

4 "The Making of British India", Muir, p. 89.

derable degree operate destructively to the manufactures. Its effect must be to change the whole face of the industrial country, in order to render it a field for the produce of crude materials subservient to the manufactures of Great Britain."

The Indian Industrial Commission observed truly :—

"The effects of this traditional policy continued for sometime after the Company had ceased to be a trading body, and even after....."

Mr. Dutt has correctly remarked :—

"This continued to be the settled policy of England towards India for fifty years and more; and it was openly avowed before the House of Commons and vigorously pursued till 1833 and later; and that it effectually stamped out many of the national industries of India for the benefit of English manufactures."

Sea Customs and Inland Customs.

The Inland customs system was revised in 1810. Regulation IX provided that articles of too small bulk should be exempt from taxation. But still 566 articles were liable to duties. The amount realised hardly compensated the expenses of collection and the inconvenience and obstruction to the industry. (*Cf.* Trevelyan's Report, p. 62). Many articles of home production paid double or treble duty, and they inevitably tended to restrict themselves to local needs. Trevelyan observes :—

"If it were desired to restrict the productive powers of Indian industry to the greatest possible exent, could any such scheme be devised more effectual than this?"[5]

In the pre-British period, a duty of 2½% was levied on all goods passing through the sea-ports of Bengal. It was from the debris of the Mogul system that the Company evolved and built up its tariff system. The same duty was kept by the Company when it assumed sovereignty. In 1802, certain foreign articles having paid the import

5 Trevelyan's Report, p. 5.

duty were declared free from any other duty. This encouraged imports; and while the Indian products were subject to town duty, transit duty, this change worked to their detriment. By Regulation III of 1811, British vessels were given prefence by imposing heavier duties on foreign vessels. Our trade was thus restricted.

Name of article.	Imports from U. K.		Imports from foreign Countries.	
	Duty if in British bottoms.	Duty if in foreign bottoms.	Duty if in british bottoms.	Duty if in foreign bottoms
XYZ.	2½% or free	Not possible.	5%	10%

(Due to Navigation laws).

By Regulation IV of 1815, certain articles of Great Britain like woollens, etc., were exempted from duty on importation, to the detriment of our manufactures. By Regulation XII of 1817, the inter-Provincial trade in British goods was made free while Indian goods had to pay duties.[6] Our manufactures being heavily taxed were placed in a clearly disadvantageous position with the free or lightly taxed machine-made foreign goods, and the effects of this on our industries were disastrous. It was in 1823 that the transit and sea-import duty for Indian goods was reduced from 7½% to 2½%. The relief, such as it was, came too late to do any service to the Indian industry which was already depressed. Besides, it was given when the English industry had become too strong to be hurt by a 5% or 10% difference.

The question of the inland duty was never paid any serious attention to, till 1825. The nature and operation of the inland duties became one of the subjects of close enquiry by the Select Committee from 1830 to 1832. By 1844, the inland duties had all been abolished and a uniform schedule of import and export duties introduced in all the Presidencies, and from 1844, India came to be regarded as a single economic country with a common external tariff.[7]

The period from 1794 to 1824 was one of high duties on imports from India in Great Britain. The English commercial policy of the period was characterised by protective and prohibitive measures

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6 *See* Bastable's Public Finance, p. 555. "To allow foreign goods duty free while native ones are heavily taxed would at once reduce and divert the normal course of industry."

7 The values, according to which *ad valorem* duty was levied were not equal and uniform till 1860 at all the ports.

against Indian goods. Besides, a new feature appeared in the fiscal policy. An increasing reliance was placed upon a policy of export bounties to stimulate foreign trade. Parliament, with a view to protect the home industries, prevented the export of machinery or sending abroad of skilled workmen.[8]

These measures greatly reduced the market for Indian goods. In 1793, the Court of Directors had put themselves under three obligations:—

(1) Increasing importation of raw materials.

(2) Increasing exportation of British goods to India.

(3) No interference with British manufacturers in their trade.

As is well known, every possible effort was made by the Company to push the sale of British goods here.

H. H. Wilson summarised the controversy over the question of renewing the Charter of the Company as follows:—

> "The exigencies of the commerce of Great Britain probably weighed more.....than the arguments.....of either party. Excluded from the Continent by the decrees of Napoleon, the merchants and manufacturers were labouring under alarming difficulties, the country was menaced by severe distress; unless some new vent for the issue of its products could be discovered, some new hopes could be held out to animate the drooping energies of manufacture and trade. To this great necessity the interests of a single corporation (company) were bound to yield."[9]

Consequently, the vitally important commercial interests of the country as a whole triumphed over the vested interests of the monopoly, which was abolished in 1813, with regard to India.[10]

It is true that the interested and monopolistic restrictions of the Company were removed. But this change was not of a philanthropic nature as it was claimed.

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8 *Cf.* Hamiton's Trade Relations between England and India, pp. 161—180.

9 Wilson's History of India, Vol. I; also Dutt's, Vol. I, p. 266.

10 Sec. 53, George III-C, 155.

With the abolition of the Company's monopoly, it ushered in a new era in English commercial activity. The Company's Charter was, however, renewed. With regard to the effects of this change, Clive Day very truly says:—

> "So long as the trade with this country (India) was controlled by the E. I. Company it remained small.....The nineteenth century opened with the Indian trade still but a small item in England's total. In 1813, however, the trade was at last thrown open and the effect was immediately manifest; in the first year of the new policy, private merchants exported more than did the Company, and soon they had developed the trade to an extent undreamt of by the monopolists. India proved to be just the country which English merchants were seeking as a market for the expansion of cotton manufactures. In the eighteenth century, protection was demanded in England against the competition of Indian textiles, but soon the tables were turned and manufacturers in India complained that they were being ruined by the importation of English cotton goods. About 1850, British India took more cotton manufactures than any other country, and nearly one-sixth of the total exports of this most important commodity of England." [11] & [12]

The cry for free trade with India never meant reciprocity of trade. The so-called Free Trade was only a misnomer. It was, in fact, a Preference Policy for the British goods. The inquiry at the time of the renewal of the Charter in 1813 is replete with questions as to the capacity of India to absorb British goods; there is not one question in which one can scent the desire of improving Indian manufactures.

Wilson (Vol. I, p. 538) thus summarises Mr. Tierney's speech in Parliament at the time of discussion of the renewal of the Company's Charter on 2nd June, 1813:—

> "Among the arguments in favour of the benefits that were to accrue to the people of India from a free trade, he had never heard it proposed to allow *one* manufacture of

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11 A History of Commerce—Clive Day, Ph. D.,—pp. 360-361.

12 *Cf.* The History of the European Commerce with India, Macpherson, p. 396, where he discusses the probable consequences of the East India Trade being thrown open.

> India to be freely imported into Great Britain..... They said to them 'Leave off weaving, supply us with raw materials, and we will weave for you.....' It was rather too much to talk of philanthropy of it..... Instead of calling themselves its friends.....they should profess themselves enemies. What more could they do than advise the endeavour to crush all Indian manufactures?"

Warren Hastings, Thomas Graham and other important witnesses examined by the Select Committee were against the policy of Free Trade in India.[13]

Sir Robert Brown, who appeared as a witness before the Lords' Committee, was examined as follows:

> "*Q.* Do you know what is the *ad valorem* duty imposed on piece-goods at the sales of the Company?"
>
> "*A.*—They are divided into three classes: the first is the article of the muslins, which pays on importation 10% and £27-6-8% for home consumption; the second is the article of calicoes, which pays £3-6-8% on importation and £68-6-8% for home consumption; the third comes under denomination of Prohibited Goods which pay merely a duty of £3-6-8 on importation and are not allowed to be used in this country."

Thus on the theories prevalent in the nineteenth century, the Indian cotton industry was "deliberately throttled," observes Sir William Digby. British manufactures were forced upon us and our manufactures were shut out. Thus the tariff policy actually practised prevented, by its preferential treatment to British industries, the growth and development of the Indian cotton industry for which numerous possibilities and natural and hereditary advantages existed, *viz.*, easy access and abundance of raw materials, cheap labour, an extensive market, hereditary skill, and the commercial aptitude of the people.

It might be argued that India benefited by the cheap goods of Britain. But this was a disadvantage in as much as it rendered the

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13 Even the Select Committee assumed that Free Trade was a philanthropic measure calculated to raise the natives of India in the scale of nations and to civilize them.—!! The idea !!

articles of domestic production still less able to compete with foreign articles in our own market and further depressed our industry.

In 1831, a petition signed by 117 natives of Calcutta for reduction of duty of 10% paid by Indian manufactured cottons in England (while the English manufactures paid only 2½% here), legitimate as it certainly was, was not granted. In this unequal contest, Indian industries lost ground. But it may be argued that England was not the only market for India, and that their own extensive land was a sufficient market. A glance at Trevelyan's Report (from which we have quoted elsewhere) will show the nature of the injustice done by inland duties, etc.

Lord Ellenborough in 1835 pointed out the evils of the system:—

> "While the cotton manufactures of England are imported into India on payment of a duty of 2½%, the cotton manufactures of India are subjected to a duty on the raw material of 5%, to a further duty on yarn of 7½%, and, finally, to another duty of 2½% if the cloth should be dyed after the Rowannah has been taken out for it as white cloth. Thus altogether the cotton goods of India may pay 17½%."

Even in the rules governing drawbacks, British goods were favoured when re-exported from India. Such goods paid ⅓rd duty leviable on Indian goods.

Hamilton puts forward the argument that in 1814-15 the British cotton goods competed successfully with the Indian produce in Java market, notwithstanding an import duty of 15% on the former. But Hamilton is altogether oblivious of the fact that Indian goods were handicapped by transit duties, amounting in all to 20% *ad valorem*.

Mr. Martin observed in his evidence before the Select Committee of 1840:—

> "We have, during the period of a quarter of a century, compelled the Indian territories to receive our manufactures; our woollens duty free, our cottons at 2½%, while we have continued to levy almost prohibitory duties or duties varying from 10 to 20, 30, 50, 500 and 1,000% upon articles, the produce of our territories. Therefore,

the cry that has taken place for free trade with India has been a free trade from this country, not a free trade between India and this country....."

The economic policy of these days was, frankly speaking, the policy of plantation.[14] No heed was paid to nurturing indigenous industries, but all attention was concentrated on pushing English manufactures, and on efforts for growing raw cotton in India for British looms. Nothing could have been more destructive to commerce than the arbitrary kind of legislation that the duty of Indian foreign trade was to be doubled when carried on British ships and quadrupled when on foreign ships.

The State of Industry during the Period of the Company.

The greatest harm which the system of taxing the trade of foreign nations with India did in those days was to restrict considerably the foreign market for Indian produce which, at this juncture, required a strong stimulus by an increasing market, as her home market was not available to her due to the policy of the English. In the words of Trevelyan the result has been that her trade in foreign ships with non-favoured countries had entirely ceased and India had been deprived of several valuable branches of commerce.

In 1848, the duties on goods imported or exported in British or foreign ships were equalised, and the inter-provincial or port-to-port trade was absolutely free (Act VI of 1848). In 1850, the last relic of the Navigation Laws was struck off and the coasting trade of India was thrown open to all nations. In 1847, cotton was exempted from export duty. The restriction of Navigation Laws and the system of charging a double duty on foreign ships were finally abandoned when they ceased to be necessary for the purposes which originally commended them. By 1840, India was reduced from a manufacturing to an agricultural country.

The vicissitudes through which the industry had passed as well as the manner in which handloom-weaving was conducted can best be learnt from the information supplied by the writers during the period.

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14 *Cf.* Ranade's Essays.

Dr. Francis Buchanan, a medical officer of the Company, who was deputed in 1800 to travel in Southern India and in 1807 in Northern India, to make enquiries into the condition of the people and their manufactures, has described the industry. He writes to say:—

> "In the district of Dinajpur in Bengal, cotton spinning and weaving prevailed throughout the provinces and occupied the leisure hours of all the women of higher rank and of the greater part of the farmers' wives..... The coarse yarns are spun on a small miserable wheel turned by the hand.....A capital of 11 rupees and 10 annas is required for the weavers' business, to which must be added a month's subsistence. The man and his wife warp, wind and weave two pieces, and he has seven rupees profit. A person hired to weave can make 3 pieces and he is allowed 2 annas in the rupee of their value, *i.e.*, $2\frac{1}{4}$ rupees (4*s*. 6*d*.) per month. The finest goods cost two rupees for a piece of weaving."

Sir Henry Cotton said in 1890:—

> "In 1787, the export of Dacca muslins to England amounted to 30 lacs of rupees; in 1817, it had ceased altogether. The arts of spinning and weaving have now become extinct."

We have already quoted Orme who says "much the greatest parts of the whole provinces are employed in this single manufacture."

The general observation of Dr. Buchanan on the condition of Indian industries during the early years of the 19th century is this:—

> "What threatened however the sources of the income of the people, was the *declining state* of their manufactures."

Mr. Dutt remarks truly:—

> "It will appear from the facts stated that large portions of our population were engaged in various industries down to the first decade of the 19th century and that weaving was still the national industry of the people. Millions of women eked out their family income by their earnings from spinning and weaving."

Export of Indian Cotton Manufactures during the 19th Century.

India had a large export trade in cottons from the 18th to the first 15 years of the nineteenth century. Milburn wrote (Oriental Commerce, 1813):—

> "India exports large quantities of cotton fabrics which are famous for great durability, permanence of the whiteness, delicacy of texture, purity and fastness of colours, grace of design, and, above all, for their cheapness. But this did not last long. In 1815, India after clothing her vast population, exported to England cottons worth £1,300,000."

But as a result of the commercial policy of England, our exports to England were fast decreasing after 1815 and imports from England were rapidly increasing, for reasons fully discussed above.

The following tables will fully illustrate the changes:—

Export from England mainly to India.			*Imports from India to U. K.*		
Yr.		£.	Yr.		Bales.
1794	...	156	1800	...	2,630
1801	...	212,000	1801	...	6,341
1810	...	74,695	1810	...	1,167
1813	...	108,824	1813	...	557
1827	...	296,177	1827	...	541
1849	...	2,222,089	1849	...	£690,584

(Compiled from R. C. Dutt's works).

Cotton piece-goods from Britain to India.			*Cotton piece-goods from India to Britain.*		
Yr.		Yds.	Yr.		Pieces.
1814	...	818,208	1814	...	1,266,608
1821	...	19,138,726	1821	...	534,495
1828	...	42,822,077	1828	...	422,504
1835	...	51,777,277	1835	...	306,086

(From the Evidence of G. G. De H. Larpent before the Select Committee, 1840).

Here is a statement showing the value of the imports of cotton manufactures from England to India in 1814 and 1828:—

	1814.	1828.	*Increase.*
British cotton manufactures ...	£109,480	£1,621,560	£1,512,080
British cotton twist ...	£7	£ 388,388	£ 388,381

There was a rapid fall in the exports of Indian cotton goods to the different countries of the world as a result of the sea-customs policy discussed before.

EXPORT TO FOREIGN COUNTRIES.

America.		*Demmark.*		*Portugal.*		*Arabian and Persian Gulfs.*	
Yr.	Bales.	Yr.	Bales.	Yr.	Bales.	Yr.	Bales.
1801 ...	13,633	1800 ...	1,457	1799 ...	9,714	1810—20 ...	between 4 & 7,000
1829 ...	258	1820 ...	150	1825 ...	1,000	1825 ...	2,000.

After 1813, the Company's trade passed in the hands of private traders. During 16 years the private trade was thrice as great as the Company's, which stood at £1,882,718. Under the new arrangement, the process of extinction of Indian industries went on. In 1813, Calcutta exported to London two million sterling of cotton goods and in 1830, Calcutta imported two million sterling cotton goods from England The British fiscal policy was so framed that it discouraged our manufactures, and India was faced in the early part of the 19th century with 'an industrial depression hardly to be paralleled in the history of commerce.'

When the duty of only 2½% was levied on British goods, let us see the duties which were imposed on our goods in England.

DUTIES ON INDIAN GOODS IN ENGLAND.

	1812.	1824.	1832.
	% *ad. val.*	% *ad. val.*	% *ad. val.*
Muslins	27·1/3	37½	10
Calicoes	71·2/3	67½	10
Other cotton manufactures	27·1/3	50	20

(For an account of the specific duty chargeable in England on cotton manufactures, showing the alterations of duty, which have taken place since the year till 1832. *See* Appendix V of "Affairs of the E. I. Company," Vol. II, Part 2, Commercial—printed on 16-8-1832, pp. 592—607.)

The figures quoted above will show that, by 1849 India's export trade in cotton goods had witnessed a most marked decrease. In the first four years of 19th century, 15,000 bales were annually shipped to the United Kingdom from Calcutta. The figure fell down rapidly in 1813. After 1820, we notice the manufacture and export of her cotton piece-goods declining steadily, and her import swelling to three times its export trade. The increase in imports coupled with the decrease in our exports was due to the advance of the power-loom and protection by a high tariff wall against our goods, while theirs were admitted with a small nominal duty.

Within less than 75 years (1757 to 1822) India was reduced from the position of a manufacturing country to that of a supplier of raw materials. Let us trace the causes of this decline.

Causes of the Decline of our Cotton Manufactures.

It is too complex to summarise in brief the way in which the decline of the Indian cotton industry was brought about, but the following causes, among others, may be assigned as the most responsible for the decay :—

(1) The invention of the power-loom and other mechanical appliances which led to the cheapening of English goods, was the primary cause of the restriction of the importation of our goods in England. The industrial revolution which brought about a transformation in the methods of production was first achieved by England and its adverse effects were felt by other countries. The handicraft industry was destroyed by the cheap English goods. Indian cotton fabrics were the cheapest in the European market before the introduction of machinery,[1] but after the inventions of Watt, Cartwright, Crompton, Hargreaves and others in the latter part of the 18th century, England produced cheaper articles and then came the invasion, slow but sure, of the home market by cheaper machine-made goods.

(2) In spite of the higher cost of production, Indian goods could be profitably sold in England at a price lower by 50 to 60% than English goods, but the restrictions which England as well as

1 India is the original seat of cotton manufactures, and so long as the industry depended on hand processes. Lancashire was quite unable to compete with the age-long traditional skill of the Indian hand-workers. .....Machinery changed all that, and England became an exporter of muslins, calicoes, etc., to India.— "Industrial Efficiency", by Dr. A. Shadwell, 1906, p. 63.

other European countries placed upon Indian goods by duties as heavy as 70% or 80%[2] and not content even with that, by absolute prohibitions, led to the immediate destruction of Indian manufactures whose only foreign market for surplus goods was England.

(3) The loss of the English market alone was not capable of bringing about such drastic results, but the loss of the local market due to the systematic policy of the British Government to extend the sale and consumption of British manufactured goods through every possible way, *e.g.*, reduction or remission of import duties, reduction or removal of export duty on Indian raw cotton with a view to ensure a cheap supply of the raw material and consequently cheap production of English cotton goods to compete with Indian goods, the manifold burden of inland duties on home manufactures in India (extracts from Trevelyan's Report[3] already quoted and also given below will bear testimony to the oppressive nature of the tax and the depression caused on the industry), the hostile attitude of the Government to our manufactures, and above all the system of bounties and other like measures for British manufactures to encourage their exportation,[4] brought about the decline completely. It is also truly

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2. Wilson observes in Vol. I, p. 385, footnote :—

"It was stated in evidence that Indian goods could be sold for a profit at a price from fifty to sixty per cent. lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 or 80 per cent. on their value, or by positive prohibition. Had not such prohibitory duties and decrees existed, the mills of Paisley and of Manchester would have been stopped at the outset and could scarcely have been set in motion, even by power of steam. They were created by the sacrifice of Indian manufacture Had India been independent, should have retaliated.....This act of self-defence was not permitted her. She was at the mercy of the stranger. British goods were forced upon her without paying any duty and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms."

3 In reality under the native system the goods were subject to duty in proportion as they were carried, which was paid by instalments as they proceeded..... The English took the whole duty at once and furnished the merchant with a Rowannah (free pass) after paying the standard which was fixed not on the average of the native system but "aggregate of all the tolls levied on all goods proceeding to the greatest distances"..... Thus the duty was immensely increased under the name of consolidation. Mr. Shore refers to the house-searches, and the right of search. The effect of this was to discourage all on a large scale..... "Only remove this incubus", observes Shore, "and the tables will be turned". The Indian industries were so much scripped as would not spring into birth again.—From Shore's Review of Trevelyan's Report.

4 In 1781, Parliament passed a law sanctioning bounties on the exportation of British printed cottons, *viz.*:—

Under value of 5*d.* per yard (before printing)	...	½*d.* per yd.
Value 5*d.* under 6*d.* ,, ,, ...	...	1*d.* ,,
Value 6*d.* under 8*d.* ,, ,, ...	...	1½*d.* ,, (T. O.)

claimed that the industrial revolution was made possibly by the capital obtained from India, but whatever it was, it must be admitted that the industrial revolution[5] was a patent cause of the industrial decline, accelerated by the causes mentioned above.

(4) The treatment given by the Company to the manufacturers[6] in India even surpassed the evil of the high tariff wall. The Company, by its charter was to send certain goods worth a certain amount fixed from time to time by the Directors. The Company's servants entered into willing or unwilling contracts with the weavers (*at prices fixed by the Company*). These contracts were made binding upon the family of the workman (we have referred to this before). Thus harassed, eventually many weavers abandoned their ancestral profession and took to cultivation of cotton.

(5) The tendency to agriculture was fostered by the policy of England, which regarded India as a colony to which England could send her manufacturers in return for her raw materials. Facilities were given for the cultivation and export of cotton of good quality. Mr. Dutt summarises this policy briefly but in a telling manner as follows :—

> "The production of raw material in India for British industries and the consumption of British manufactures in India were the two-fold objects of the early commercial policy of England during the eighteenth and the early years of the nineteenth century."

In 1860, this policy was advocated by the Cotton Supply Association of Manchester :—

> "The true policy of the Government is primarily to legislate so as to drain the raw cotton out of the country and

4 These bounties were continued for more than thirty years before they were replaced. Raw materials, like wool, which could be used as the basis of English industries, were kept in the country by duties or prohibitions on export. *Other measures now inconceivable were designed to stimulate certain industries. An Englishman could be buried only in a wooden shroud; a Scotchman only in Scotch linen. English ships must carry English sails.*

5 *See* Cunningham's "The Growth of English Industry and Commerce", Part II, p. 613; also Brook Adams's "The Law of Civilization and Decay", pp. 259-260, and also Digby's "Prosperous British India", pp. 30-33:—"England's industrial supremacy owes its origin to the vast hoards of Bengal and the Karnatic being made available for us (English)".

6 In the prosecution of the object of the Company of having a complete monopoly of the piece-goods trade at reduced or prescribed prices, punishment to weavers was carried to such a height as to induce several weavers to quit the profession. (From Mr. Ricard's reply to the query of the Board of Control of the E. I. Company).

create a demand for our manufactured goods in lieu of those now manufactured in India."

This policy of favouring cotton cultivation had the desired effect of turning the weavers into agriculturists cultivating cotton.

(6) The revolution in the means of transport made the carrying on of a large trade in these bulky goods over long distances possible and eliminated the item of the cost and risk of transport, and this was responsible for the inundation of foreign goods. Besides, the railways in India facilitated cheap export of raw cotton for their needs.

These, then, were some of the potent political and economic causes which combined to strangulate our centuries-old national industry from which millions eked out their living. In 1858, the exports of raw cotton went up to £4,301,768, and export of cotton goods fell to £809,813, while the imports of cotton goods rose to £5,626,618.

From 1849 to 1858.

The import duty in India in 1853 was between 3½ to 5% *ad valorem*, but was doubled in case of foreign goods. In England in 1852, our cotton goods had to pay 5% and cotton yarn 3½%.

The following table of our imports and exports is significant :—

	Imports of cotton goods from all countries.	Export of raw cotton.	Export of cotton goods twist & yarn.
	£	£	£
1849 ...	2,222,089	1,775,309	690,584
1855 ...	5,403,244	2,428,764	817,103
1858 ...	4,782,698	4,301,768	809,183

Our imports were more than doubled within a brief span of 6 years and export of raw cotton became nearly 2½ times as great. America sent little cotton during the Civil War, and eventually our export rose to the abnormal figure of 36 millions in 1864. England's poilcy of commercial colonization and capitalistic exploitation[7] (by the latter was meant the development of the resources of India by the

7 *See* Dr. N. J. Shah's "Tariff History of India". pp. 124—128. He has elaborately discussed this in these and following pages.

employment of European capital, skill, etc., with the assistance of Indian labour for the purpose of using them in the manufactures in the West)—the select Committee's commendation of the policy of improvement and cultivation of cotton in 1848 is an apt illustration of this—brought about extinction of home industries. Writing about the natural consequence of this policy pursued for over a century, Mr. Dutt observes:—"Long before 1858 when the E. I. Company's rule ended, India had ceased to be a great manufacturing country."

We will now turn to the cotton mill industry.

CHAPTER VI.

THE COTTON MILL INDUSTRY (Up to Pre-War Times.)

Several British merchants found out that they could save the freight of carrying raw cotton to England and bringing it transformed as goods to India, if they could set up power-looms on the spot. "Even after accounting for the higher cost of erection of machinery, which would have to be obtained from England, and for the 'inefficient' Indian labour, it could be shown by statistics that India can manufacture goods by machinery at a cost of 20 per cent. less than Great Britain can sell British manufactures in the Bombay market." (Mann, "The Cotton Trade of Great Britain," p. 74).

As early as 1818, the first cotton mill was established with English Capital at Fort Gloster near Calcutta. It was called the Bowreah Cotton Mills Company, Limited, and it got its charter as a cotton mill, a coffee plantation and a rum distillery. But the real development of the mill industry begins with the floating of the Bombay Spinning and Weaving Mill in 1851 which commenced its work in February, 1856, under the management of a Parsi, Mr. Cowasji Manabhoy Devar, who like the late Mr. J. N. Tata, was a bold enterpriser. About the same time, a cotton mill on a small scale was started at Broach by a European named Mr. Landen.[1] The foundation of the textile industry at Ahmedabad, which is exclusively Indian, was laid by the Ahmedabad Spinning and Weaving Mill in 1859, under the management of Mr. Ranchhodlal Chhotalal, C.I.E. The steady success, despite the difficulties of management and a supply of skilled labour of the poineering attempts, attracted more capital and more enterprises.[2] There were some other causes also which contributed greatly to the rise of this industry, *viz.*, the peace and security after 1858, the feeling of the people that there were no rival traders like the E. I. Company till 1833, the conciliation of the people by the proclaimed favourable attitude of the Government,

1 "Shells from the Sands of Bombay being My Recollections and Reminiscences", 1860—1875, by Sir D. E. Wacha. He further says, "It is the same which bears the name of Broach Cotton Mills which in years gone by was managed by Messrs. Greaves, Cotton & Co."

2 The early success of the industry can be realised from the fact that the Bombay Spinning and Weaving Company paid its first dividend of Rs. 600 per share, and the second half-yearly of Rs. 400; so that the shareholders received Rs. 1,000 as interest on a nominal share of Rs. 5,000. "Life of the Late R. B. Ranchhodlal Chhotalal, C.I.E.", by B. D. Badshah, "Times" Press, Bombay. Again the shares of the Bombay Spinning and Weaving Mills were at 58% premium in 1859. Mann's "History of British Cotton Trade", London, 1860, pp. 77.

viz.—"It is our earnest desire to stimulate the peaceful industry of India"—In the Proclamation from the Queen whose name was cherished with affection and esteem by the Indians. The progress in the cotton mills has been very rapid in recent years. By the year 1860, six more had opened, and attracted to the island (Bombay) a considerable population. So rapid was the extension of this and allied industries that Journalism was even moved to remark on July 7th in 1860; "Whatever may be the state of the other parts of India, it is manifest that Bombay feels neither anxiety nor apprehension regarding the future of the Empire."[3] The year 1855-56 marks a turning point in the Indian cotton industry, for it was in this year that the first cotton mill commenced working (it was established in 1851). A fuller idea of the growth of the mills, the spindles and looms employed, the employment to people, and the capital spent can be had from the following table:—

PROGRESS OF THE COTTON SPINNING AND WEAVING INDUSTRY OF INDIA SINCE 1851.

Yr.	No. of Mills.	Cap. (in Lakhs.)	Spindles (in thous.)	Looms (in thous.)	Employees (in thous.)	Consumption of cotton (in thous. cwts.)
1851 ...	1	5	29	Nil	·5	No record.
1866 ...	13	No record.	309	3·4	7·7	,,
1876 ...	47	,,	1,100	9·1	No record.	,,
1877 ...	51	,,	1,244	10·3	,,	,,
1880 ...	56	,,	1,461	13·5	44·4	1,076

(The above table is prepared mainly from the Reports of the Bombay Mill owners' Association).

The Indian cotton industry dates as far back as 1851, but complete statistics are available only after 1879-80. The following statement[4] shows quinquennial averages from the year 1879-80. The figures in bracket represent the variations for each period, taking the average of the quinquennium from 1879-80 to 1880-84 as 100.

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3. "The Rise of Bombay—A Retrospect", by S. M. Edwardes, I.C.S. Refer to this book for further description of the growth of mill industry in Bombay.

4 Compiled from the Financial and Commercial Statistics of British India.

Sterling capital has been converted into rupees at the average rate of exchange for the period.

Yrs.	No. of Mills at works.	Nominal Cap. (in lakhs of Rs.)	Persons employed.	Looms.	Spindles.
1879-80 to 1883-84 ...	63 (100)	657·6 (100)	51· (100)	14·5 (100)	1,610·6 (100)
1884-85 to 1888-89 ...	93 (148)	887·9 (135)	75·7 (148)	18·2 (126)	2,296·8 (143)
1889-90 to 1893-94 ...	127 (202)	1161·1 (177)	116·1 (228)	25·3 (175)	3,263·8 (203)
1894-95 to 1898-99 ...	156 (248)	1419·5 (216)	150· (294)	36·6 (253)	4,046·1 (251)
1899-00 to 1903-04 ...	195 (310)	1687·9 (257)	171·6 (336)	42· (290)	5,000·9 (310)
1904-05	203 (322)	1757·5 (267)	196·4 (385)	47·3 (327)	5,195·4 (322)
1905-06	204 (324)	1719·7 (262)	212·7 (417)	52·3 (361)	5,293·8 (328)

N.B.—Number of persons, looms and spindles is given in thousands. These figures include the mills in Native States.

There were at the end of 1905-6, in British India and Native States, 204 cotton mills containing 52,300 looms and 3,293,800 spindles, and giving employment on an average to 212,700 persons every day. If these 104 were exclusively spinning mills, 8 were exclusively weaving mills, and in the rest (92) both spinning and weaving were carried on.[5]

Location of the Mills.

The Bombay Presidency had 10 per cent. of the mills (Bombay City alone having 41 per cent. of the total), 61 per cent. of the spindles and 77 per cent. of the looms. In the Indian States and French Territories there were 19 mills, with 3,731 looms and 289,618 spindles. Bengal had 10 mills, all near Calcutta. The Industrial Commission Report observes:—

> "Though the first Indian cotton mill was opened in Calcutta and other attempts have been made to establish a cotton industry there, these, with few exceptions, have been far from successful. No doubt, Calcutta is more favourably situated than Bombay in respect of fuel, but this deficiency is to some extent supplemented by water-power. Bombay is certainly at an advantage in respect of the cotton tracts, although much of the cotton consumed by it reaches it from places as distant as those

5 Moral and Material Progress of India for 1905-06, p. 176.

from which Calcutta draws its supplies. The harbour of Bombay opens directly on the sea and affords greater advantages."

We have sketched the development of the mill industry in India up to the year 1905-06. We must admit that the industry has made giant strides. Our mills consumed over 18 lakhs of bales of raw cotton (of 392 lbs.), which amounts to nearly 60 per cent. of the total raw produce of India. We produced about 68 crores of lbs. of yarn (of which 53 crores lbs. are of Nos. 1 to 25, and 4 crores of Nos. above 25). The comparative figures of produce of yarn from 1896-97 we will give later. We produced woven goods weighing 16·3 crores of lbs., which comes to about 56 crores of yards. Below is a table showing the rapid progress of the mill industry from 1905-06 to 1913-14, the pre-war year, in which we produced 64 crores lbs. of yarn, and woven goods weighing 25·6 crores lbs.

THE COTTON MILL INDUSTRY FROM 1905-06 TO 1913-14.

	1905-6.	1909-10.	1912-13.	1913-14.
No. of Mills ...	207	223	241	239
Capital employed ...	Rs. 1,55,967	18,78,73	20,76,78	20,00,14
(So far as known) ...	£1,067,245	200,000	200,000	200,000
No. of Looms ...	52,281	74,757	85,676	90,268
No. of Spindles ...	5,293,834	5,780,124	6,100,632	6,208,758
No. of Persons employed	212,720	214,149	242,199	244,002

(Compiled from the Statistical Abstracts of British India, Nos. 48 and 54).

We will now review briefly the fiscal policy from 1860 to 1896, the year in which the "Cotton Duties Controversy" closed its bearings and effect upon the growth of the cotton industry, the several impediments like the closing of the Mint, the Exchange problem which retarded the growth of the industry, several movements like the Swadeshi movement, the cultivation of cotton which facilitated its progress, the Government's attitude towards the furtherance and the fostering of this native industry in India, the opposition and the row created by the English merchants in England and the degree to which it met with success, the imposition of the excise and how it affected the growth of the spinning and weaving mills, the factory legislation, the import and export of cotton and cotton goods, in

15262

short, the vicissitudes through which the industry passed during the 60 years from 1855 to the pre-war year 1913—14.

The first steam-power factory in Bombay was started in 1855. By 1873, the number of factories in Bombay alone increased to 28, and the value of the exported cotton piece-goods in 1875 rose from £1,883,094 to £2,126,806.[6] The importation of heavier and coarser kind of cotton goods practically stopped, while on the other hand Indian cotton products found a ready sale in Russia, America and China.

The value of our exports to Russia in 1874 was £92,006, and in 1875 it was £300,782.

While Bombay was taking such rapid strides in her manufacturing career, Bengal did not lag far behind. There were about 15 mills in Bengal during the same decade. The importation of machinery was fast increasing. In 1870, India imported from England machinery of the value of £300,000 while the value of the same imported in 1875 was £1,185,943.

Considerable apprehension was felt in England[7], which had so far the exclusive privilege of our market, when the Moral and Material Progress Report of India of 1872-73 announced the existence of 18 cotton factories in the midst of the cotton-growing regions of India (the Bombay Presidency), and added that the weekly consumption of cotton was 1,500 bales, or 6·5 per cent. of the average cotton crop of India, with probability of increasing. It was also remarked that dyeing was done in the vicinity of Bombay. The most important effect, however, of the reports on the growth of the cotton industry in India was the rise of the spirit or rivalry among Lancashire manufacturers who were afraid of losing their market in India where they exported about one-fourth of their total annual export. They therefore started a strong agitation. Their immediate object was twofold: first, they wanted to have the Indian market free from any import duty for their goods, whether the duty was for revenue or protection; secondly, they intended to apply the Factory

6 Statistical Abstract relating to British India from 1870—71 to 1879-80.

7 On August 7, 1874, an article appeared in the London *Times* from its own correspondent who gave a highly-coloured description of the rise of steam-power factories in India near Calcutta, and remarked that ghauts, wharves, jotties, warehouses and embankments were fast making the left bank of the Hooghly at Calcutta another Liverpool.

Law of Britain to India, in order to deprive their competitors, some of whom were English capitalists, (we have seen that the first mill in India in 1818 was started by English capitalists) of any 'undue' privilege or advantage over them. In October 1874, Alexander Redgrave, Inspector Factories, referring to the rapid growth of factories in India, concluded :—

> "It is clear therefore that this, a progressive industry.....may we not hope that the native workers of India may be spared the ordeal which our cotton operatives went through, and that they may be permitted to enjoy the blessings of moderate labour, of ample time for rest and meals, and of protection to children of tender age?"

The Tariffs.

In 1858, the import duties stood at 3½% *ad valorem* upon cotton twist and yarns, 5% on cotton piece-goods from Britain, and 10% on foreign articles. In 1859, all differential tariffs were abolished.[1] In 1860, there was a uniform duty of 10% *ad valorem.* In 1861, Mr. Samuel Laing, the Finance Member, reduced the duty on cotton twist and yarn to 5% as 10% was thought to give protection. In 1862, he further reduced it to 3½% and the duty on cotton and other manufactures to the pre-Mutiny rate of 5%. In 1864, a new Tariff Act was passed which placed the import duties generally at 7½% on manufactured goods and raw materials, at 5% on piece-goods and 3½% on twist. The alterations in 1871 were not material. The year 1861 marks the beginning of the policy of the Government of India by which they identified themselves with the interests of the English cotton industry as against Indian.[2] There was hardly any point in reducing the duty, save the following among others, which the Finance Member showed :—

> ....."(1) the duty injuriously affected the interests of British manufacturers and commerce.....(4) the determination of the fiscal policy of India depended upon England, thus a tax in India injurious in operation to British interests has not the slightest chance of being tolerated .....(7) and lastly, I confess that in the present state of

1 *See* "Our Fiscal Policy", Prof. C. N. Vakil, pp. 5.

2 Financial Statement, Mr. Laing, 1862-63.

things in Lancashire (trade depression owing to the Civil war), I should be very unwilling to postpone for a single day any benefit they may get from reduction."[3]

The Cotton Duties Controversy.

The period from 1874 to 1896 was a period of acute controversy on the cotton duties on imports. The Manchester Chamber of Commerce addressed a memorial to the Secretary of State in 1874 pointing out the injurious effects of the duties and urging their total and immediate repeal. The Government, in response, appointed a Tariff Committee. The Committee proved that there was no competition between the Indian and English cotton industries, the former produced coarse fabrics and the latter finer fabrics, and that the English trade did not suffer. They rejected the alternative proposals of removing the duty on excise goods only, and of an excise duty on the products of Indian mills. It will also be remembered that the proposal for an excise duty on cotton cloth manufactured in India was pronounced as unnecessary for various reasons by Laing (1861-62, Fin Stat.)[4]

The Government, after mature consideration, reduced the duty from 7½% to 5% and made no alteration in cotton duties which stood at 5% for goods and 3½% for yarn. The Government, apprehensive of any complaint against their action from Manchester as one of 'total disregard,' imposed a 5% duty on the import of long stapled cotton which the mills might be tempted to import from Egypt and America for making finer qualities of goods in competition with Manchester. This duty was imposed to prevent the Indian mills from competing at an advantage in the production of the finer goods. The measure was a sop to Manchester in order to silence any forthcoming agitation from them but Manchester was not so easily pacified.[5] Besides, the Government of India had repeatedly

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3 For fuller reference, *See* pp. 56 H. C. of 1876, pp. 38-39.

4 "Free trade does not mean that there shall be no taxes but that taxes shall be levied solely with a view to revenue and not partly for revenue and partly for protection. That every customs duty on an imported article should have a corresponding excise duty on similar articles produced at home, has therefore become an axiom, and it only admits of one exception, where the amount of import duty is so moderate, that it does not seriously affect trade, while it makes it obviously inexpedient to establish an excise machinery for the sake of levying a trifling duty." He was also convinced that cotton goods constituted such an honourable exception.

5 There was unanimous protest among both the European and Indian commercial instincts in India against the duty on raw produce saying it was a deliberate attempt to check our progress. *See* the pages of the *Times of India*, Bombay, 1875.

emphasised that the import duties in India had never been imposed with the object of protecting Indian manufactures but solely for revenue, and that the imports were of higher quality of goods, that in spite of the competition in the coarse goods and the cotton import duty, the import of Indian goods had immensely increased and was steadily growing (*see* table below) and also that the Indian cotton industry had not progressed because of the protection obtained.

Value of Cotton Goods imported into India.

	£		£		£
1856 ...	4,948,005	1859 ...	8,088,927	1864 ...	10,416,662
1868 ...	17,698,267	1870 ...	16,271,216	1874 ...	17,784,625

In 1874, Lord Salisbury was the Secretary of State. He dictated the policy of removing at as early a period as the state of finances permitted the subject of this dangerous contention. Salisbury had a long telegraphic communication with the Viceroy and notwithstanding Lord Northbrook's cabling to him that the Bill had already passed, the Secretary of State raised objection disapproving the new import duty on raw cotton and reiterated his demand for the abolition of duties on political grounds. He added:—"The abolition should be gradual. The entire removal of the duty should however not be adjourned for an indefinite period but provision should be made for it within a fixed term of years." The Viceroy pleaded:—

> "The import duties are in practice not protective, and the removal of the import duty upon cotton manufactures is not consistent with those (Indian) interests."

Eventually, the Secretary of State had his way, when Northbrook resigned the Viceroyalty of India. Lord Lytton filled his place, and as he was a freetrader favouring abolition of cotton duties, Lord Salisbury had a smooth sailing. He laid down the principle in a despatch to the Viceroy—a view from which three of the members[6] of his Council dissented. This is a convincing proof that the policy of the Government of India is decided and dictated

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6 They were Sir F. Halliday, Sir B. H. Ellis and Sir E. Perry. They maintained that in place of the total abolition of the cotton duties, the policy ought to be that "the duties should be withdrawn 'only as far as they are actually protective' and hereafter to such extent, and to such extent only, as they may become protective".

from Whitehall. The Government of India has been ever since a 'Government by Mandate.' The appointment in 1877 of Sir John Strachey with whom absolute free trade was a 'life-long conviction' made matters smoother still. It will be seen that the new Viceroy and the Finance Member, Strachey,[7] vied with one another in hastening the abolition of the cotton duties. Lord Lytton could not abolish the import duties in view of the bad state of finance in 1877. The House of Commons passed the following Resolution:—

> "That in the opinion of this House the duties now levied upon cotton manufactures imported into India, being protective in their nature, are contrary to sound commercial policy and ought to be repealed without delay as soon as the financial condition of India will permit."

Lord Salisbury insisted that, if it is not possible to give effect to this resolution in the coming year, they (Government of India), should at once proceed with the repeal of the duty of 5% on foreign raw cotton imported, and the exemption from the import duties of lower qualities of cotton manufactures upon which the present tax is incontestably protective.....[8] In 1878, effect was given to this direction and import duty on raw cotton abolished. The coarse goods exempted from duty were: (1) Grey cotton piece-goods including T-cloths under 18 reed, jeans, domestics, sheetings and drills which contained no yarn of a higher number than 30s; (2) yarns of the qualities known as Mule No. 32, Water No. 20, and lower numbers.

This was only the thin end of the wedge. This concession did not satisfy the Manchester interests, it only whetted their desire. They demanded that all goods made from yarns finer than 30s and all yarns upto 26s Water and 42s Mule must be exempted. A tariff Commission was appointed to investigate the bearing of the objection and make recommendations. In accordance with their recommendations all cotton goods containing no yarn finer than 30s were

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7 Sir John Strachey in his Financial Statement, 1877-78, observed among other things. "The interests of Manchester at which foolish people sneer are the interests not only of the great and intelligent population engaged directly in the trade of cotton but millions of Englishmen." I am not ashamed to say that while I hope that I feel as strongly as any man the duties which lower to India, there is no higher duty in my estimation than that which I owe to my country (England).

8 H. of C. P. 241, 1876, pp. 5—7.

exempted, the original limits for yarn retained by a *Gazette* Notification on March 15th, 1879.[9] There was still some doubt that our coarse goods had some shadow of protection. The total abolition of duties was impossible just now because the estimated loss of revenue was £200,000.[10] Lord Lytton overruled his council and passed this measure.[11] Gladstone's observation in the House of Commons with regard to the circumstances of 1879 is both interesting and instructive.[12] It was abundantly clear that whenever the interests of India clashed with those of England, the former were of course to be sacrified and that the Viceroy was helpless to protect them. Sir John Strachey had written down the principle dictated by the Secretary of State in his Financial Statement (1878-79):—

> "That no duty should exist which affords protection to Native industry, and as a corollary, that no duty should be applied to any article which can be produced at Home, without an equivalent duty of excise on the Home production.....that the policy desired by Her Majesty's Government was to abolish all import duties instead of countervailing them by excise duties, because it would be impossible to excise the product of handlooms and the production in the Native States....."

By the exemption of 1879, the trade in the exempted goods increased, in the taxed goods, it decreased and resulted in a loss of revenue to the tune of £200,000. Sir John Strachey said truly, "Cotton duties are, in my opinion, virtually dead." All considerations of the

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9 P. 241, H. of C. 1879, pp. 15—29.

10 The Government of India accepted the loss notwithstanding a deficit, the Afghan War, the Diversion of the Famine Insurance Fund for other purposes, fall in exchange, and the aftermath of the terrible famine of 1877, and a probable war with the King of Burma.

11 Hon. W. Stokes, A. R. Thompson, Sir J. Arbuthnot, and W. Stokes recorded their minute of dissent. The last said, *inter alia*, in his minute.....The Indian newspapers proclaim in every bazaar that the repeal was made solely in the interest of Manchester, and for the benefit of the Conservative party who are, it is alleged, anxious to obtain the Lancashire vote at the coming election. Of course, the people of Indian will be wrong; they always must be wrong when they impute selfish motives to the ruling race." Dutt says: "The keen satire of the last sentence is not excelled by anything I have ever read in official literature." R. C. Dutt, Vol. I, p. 413.

12 "With regard to the remission of the import duties, there seems to be something directly repugnant in the way it has been done in the time of India's distress by the Government of a party which has done all in its power to retain every prospective duty in this country..... What an invidious, almost odious, picture of inequality to exhibit to the millions of India!" Hansard, Vol. 246, June 12, 1879.

exigencies of Indian finances were scattered to the winds, and the partial remission of cotton duties was given away as a sop to Lancashire. Encouraged by this victory, the Lancashire agitation gathered strength and they clamoured for total abolition of duties. A debate took place in the Commons on 4th April, 1879, and the following resolution was passed:—

> "That the Indian import duties on cotton goods, being unjust alike to the Indian consumer and the English producer, ought to be abolished and the House accepts the recent reduction in these duties as a step towards their total abolition to which His Majesty's Government are pledged."

The year 1882 was calculated to yield a surplus of 3 million pounds. The Government pounced upon this long-awaited opportunity as it occurred for the thorough-going Reform to which they were pledged and as a result the import duties on cotton goods and also import duties were abolished.

The Hon. Mr. Inglis during the Council discussion said:—

> "The effect would be much the same as that produced in a child unable to swim, who was thrown suddenly into water and left to sink or swim as best he might. It was hoped these children might learn to swim, but the fear was many of these would sink in the process. (P. 181, H. of C. 1882, p. 105).

Free trade completely triumphed. Manchester alleged that the duties were protective, but no one, including Lord Salisbury, had been able to prove a large extent of direct and actual competition between these goods.[13] The Indian cotton industry developed not because of protection, but in spite of it.

From 1882 to 1894 India was a complete free-trading country. It will be seen that after the abolition of the cotton duties, the import

13 Manchester alleged that the British trade in coarse goods was displaced because of the protection. Lord Northbrooke had challenged this and pointed out that the growth of manufactures in India was largely due to natural advantages. Dislodged from one branch, Manchester flew to another and raised a cry of indirect protection and the prospective development of the industry in the branch of fine goods, due to the protective duties. It was, however, clear to every unbaissed and fair-minded person that the imported cottou goods were not of the same kind as locally produced. They both catered for different markets. The whole agitation of Lancashire was from selfish motives.

trade in cotton goods did not increase as it ought to have more rapidly than it did before.

IMPORTS OF COTTON MANUFACTURES (in millions of pounds.)

Years in which duties were levied.	£	Free Trade Period.	£
1871-72 ...	19·04	1883-84 ...	25·11
1877-78 ...	21·70	1888-89 ...	31·50
1882-83 ...	24·80	1893-94 ...	32·36
Rise in first decade 41%.		Rise in second decade 33%.	
„ „	£7 millions.	„ „	£7 millions.

This is a positive proof of the fact that our cotton industry progressed (*see* Table below) because of some natural advantages, like proximity of market, saving of freight, good supply of labour, etc., and not due to the protection which the 5% duty was supposed to have given to it.

GROWTH IN THE MILL INDUSTRY, FROM 1877-78 TO 1892-93.

Year.	No. of Mills.	No. of Spindles at work.	No. of looms at work.	Export of cotton cloth.	Export of Yarns, etc.
				Rs.	Rs.
1877-78 ...	58	1,289,706	10,533	4,42,351	70,038
1882-83 ...	62	1,654,108	15,116	7,30,730	18,47,633
1887-88 ...	97	2,375,739	18,840	11,15,928	41,12,001
1892-93 ...	130	3,378,303	26,317	12,74,569	68,26,008

The following table will show the comparative growth of imports and exports in cotton goods from 188-81 to 1891-92.[15]

Cotton Goods.	Imports.			Exports.		
	1880-81.	1885-86.	1891-92.	1880-81.	1885-86.	1891-92.
Twist and Yarn (in thousands of pounds)	45,877	45,915	50,404	26,901	78,242	161,253
Piece-goods (in thousands of yards) ...	1,776,507	1,743,378	1,882,385	30,385	51,528	73,351

As a result of Free Trade, the imports of twist and yarn during this decade increased only by 1%, the imports of piece-goods by about 6%, while the exports in twist and yarn increased to nearly 600% and piece-goods to 241%.

The Tariffs from 1894.

In 1894, when the fall in the sterling value of the rupee rendered fresh taxation necessary the idea of a general import duty was revived, the rate being, until 1916, 5% *ad valorem*. The Secretary of State arrived at the decision of exemption of cotton duties[1] but the Government of India were by no means out of the wood as far as finances were concerned. In his dispatch of 31st May, 1894, the Secretary of State had laid down instructions to the effect that if duty on cotton manufactures be necessary, they ought to be so imposed as to deprive them of their protective character. Sir James Westland, the Finance Member, after a detailed investigation came to the following conclusion :—

(1) Of the manufactures of India 94% is outside the range of competition with Manchester, being the coarse quality of goods (24s and under) which Manchester cannot pretent to supply as cheaply as India.

(2) Bulk of Manchester's trade consists of piece-goods of about 30s and in yarns somewhat finer.

(3) Of goods of count 26 and over, India cannot produce under difficulties and small quantities and to the extent to which it does, it is in direct but obviously somewhat unequal competition with Manchester.

Imports from United Kingdom to India.

	Million Rs.
Yarns ...	2·6
Piecegoods ...	22·0
Million Rs.	24·6

Mill Manufactures in India.

	Million Rs.
Piecegoods Exported ...	·6
Consumed in India ...	3·4
Yarns excluding those woven into piecegoods ...	6·0
Consumed mostly by hand-looms	4·6
Million Rs.	14·6

If by 5% duty, India's trade would have been trebled (just now its competing trade was worth 8·6 lacs rupees).....besides this was an extravagant imagination... it would have taken from Manchester

1 The decision was arrived at in opposition to both the Governor-General-in-Council and the unanimous vote of his own (Secretary of State) Council. Deep and universal feelings of regret were expressed throughout the country and the impression was gaining ground that India was being sacrificed to the exigencies of party politics.

no more than 17 lacs rupees worth of trade out of its present total of 24 crores rupees.

The Secretary of State was not convinced that there was not even a shadow of protection in the duties[2] proposed by the Finance Member. In December, 1894, a 5% *ad valorem* duty was imposed upon imported cotton goods and yarn, while an excise duty of 5% was imposed upon all yarns of 20s, and above, spun in power mills in British India.

Sir Pherozeshah Mehta remarked on the passing of the Bill:—

> "The principle and policy underlying the Bill are that the infant industries of India shall be strangled in their birth, if there is the remotest suspicion of their competing with English Manufactures."

This excise was an unjustifiable burden. 20% of the mill products were made subject to taxation. Hamilton[3] has observed:—

"The excise duty was rather in the nature of a sacrifice to principle than a measure demanded for the purpose of removing a practical evil."

It was mischievous and suicidal since it burdened our import and industry deserving encouragement, at the instigation and for the benefit of the rival.

Two influential deputations waited upon the Secretary of State in 1895, on 25th February and 27th May[4], for the reduction in the

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2 The Finance Member proposed a duty of 5% on cotton goods, 3½% on all cotton yarns above 24, and an excise duty of 3½% on all machine-made yarns by local mills of count above 24. In spite of the Finance Member's convincing evidence, the Secretary of State was not convinced and suggested the excise and duty on goods to be both 5%, as then there would be no protection to local manufactures. He was also not satisfied as to whether 24 counts was the right line at which duty should begin. He fixed the limit at 20s in place of 24s. The Finance Member issued a Bill accordingly, but he cleared his position on the subject thus:— "I would not be dealing straightforwardly if I pretended that the measure was recommended by the Government of India.....No Government would impose a duty upon an industry so deserving of any fostering care which it can bestow".

3 "Trade Relations between England and India," p. 251.

4 The two deputations complained chiefly against the probable elements of indirect protection due to the tendency of coarser goods of India which, being low-priced would divert the course of consumption from the finer to the coarser, and they alleged that the tax levied on yarn afterwards woven into cloth was lighter than that levied upon the finished article (this latter had some foundation but not such as to create any alarm). Certain Scotch merchants complained that they had to pay 5% duty on yarn of low counts exported to Burmah, while the same from Bombay were free of duty.

duties. The Government passed a Bill in 1896, by an official majority in the teeth of non-official opposition.[5] The provisions were :—

(1) Imposition of direct countervailing excise duty upon the cotton piece-goods woven in the mills in India at the same rate as the import duty on piece-goods, *i.e.*, $3\frac{1}{2}\%$.

(2) All yarns either imported or manufactured in India were made free.

(3) The rate of the cotton import duty was lowered from $5\frac{1}{2}$ to $3\frac{1}{2}\%$. One of the effects of this legislation was to remit a taxation of $51\frac{1}{2}$ lacs of Rs. (or 37%) to Manchester goods, and an increase of 11 lakhs to our goods (or 300%) which were consumed mainly by the poor classes, for letting Manchester experiment to cater for our market.

It can easily be seen that the legislation of 1896 stands unapproached by any of its predecessors of 1879, 1882, 1894, in its subordination, disregard, and relegation to the background of Indian interests.

Mr. R. C. Dutt has remarked :—

> "The Act of 1896, imposed an excise duty on all cotton goods. It taxed the coarse Indian fabrics with which Manchester never competed.[6] It raised the price of the poor man's clothing in India without the pretext of relieving the poor man of Lancashire."

As an instance of fiscal injustice, the Act of 1896 stands unparalleled in any civilized country of modern times.

Apart from the question as to whether the excise duty checked the Indian cotton industry it certainly established at once a wrong principle and a bad precedent, for it was solely in the interests of British manufactures. It has been made quite clear that the tariff

5 The Millowners' Association, various European chambers of commerce and other public bodies had suggested an alternative plan of exempting yarns of 20s and under as well as goods made from such yarns, and levying excise on value of finished goods made from yarns, above 20s. Even this was more than Lancashire could claim, especially as we had to pay tax on mill-stores also. The Viceroy regretfully said, "It is not in our hands to accept the suggestion."

6 If Lancashire could pretend to produce coarse goods as cheaply as India, the abolition of cotton duties from 1882 to 1894 had afforded at opportunity to her, which was not utilised. *See* "Factory Legislation in India" by Dr. Rajani Kant Das, Ph. D. He has elaborately discussed this in his book.

measures were passed often against the reasons and convictions of the Government of India and invariably always against the strong and indignant protest of the enlightened Indian and European public in India. The Government of India had to accept such decision, owing to their constitutional subordination to the Parliament.

There was no other appreciable change in tariffs except the silver tax in 1910-11, affecting the cotton industry till 1916.

Labour Legislation.

Not content with the favourable tariff legislation, the English manufacturers wanted to extend the British Factory Law to India, on grounds of humanity. Pointing out the necessity of regulating labour Lord Shaftesbury observed in 1875 :—

> "There is also a commercial view to this question. We must bear in mind that India has raw material and cheap labour; if we allow the manufacturers there to work their operatives to work for 16 or 17 hours and put them under no restrictions, we are giving them a very unfair advantage over the manufactures of our own country, and we might be undersold in Manchester itself by manufactured goods imported from the East." Great Britain Parlia. Debates, 1875,226 : 2111.

In 1889, a deputation waited upon the Secretary of State for India. The arguments were that the British had a real grievance against Indian mill operatives working 80 hours a week, that mills were being built on a colossal scale in India, that the export of raw cotton yarn was increasing, etc.

We must admit that the Legislations of 1881, 1891 and 1911, must certainly have ameliorated the condition of the mill operatives, by regulating child labour, female labour, and reducing the number of hours of work, etc., but still the fact is prominent that this was brought out by motives of jealousy and fear of competition.

There was a strong feeling and agitation in India[7] against the proposed legislation in 1881 and 1891 which was a device of the

7 This is quite clear from the protests of the various commercial bodies, like the Bombay Millowners' Association, the Madras Chamber of Commerce, and of members who made strong speeches in the Indian Legislative Council, to show that this was a measure prompted by jealousy of the British manufacture, etc.

British manufacturers against the Indian millowners to retard the growth of the cotton industry in which millions of rupees were invested. After a great deal of controversy, the Acts of 1881, 1891 and 1911 were passed. The Factory Acts of 1881 and 1891 did, of necessity, bring about some depression to the industry.

Other Influences.

The history of the cotton industry from 1892 to 1900 is an eventful one.

The high price of raw cotton from 1892 onward seriously reduced the profits of the manufacturers and there were no two consecutive years in which they were working under normal conditions.

The Indian Industrial Commission (page 73) has truly observed :—

> "The closing of the Indian mints in 1893 to the free coinage of silver, together with the industrial development in recent years of Japan, which now not only supplies its own needs but is a keen competitor with India in the China yarn market have to some extent retarded the rapidity with which the Bombay yarn industry was previously expanding."

In 1896, the shadow of the famine fell over the industry and the outbreak of plague in the Bombay City caused an exodus of the inhabitants which for the time almost stopped the working of the mills. Since then the industry suffered an acute crisis, the culmination of which may be seen in the reduction of the output of yarn from 514 million lbs. in 1899-00 to 353 million lbs. in 1900-01.

Mr. O'Conor's Review of the Trade of India in 1899-00 describes in detail the causes :—

> "The truth is many.....mills were established in the interests of those who financed them, their remuneration being a commission on each pound of yarn spun, without reference to its sale at a profit. The inducement to excessive production is manifest. A second reason..... lay in the exclusive attention given to China..... market. The Agents had no interest to seek out a

market locally. It was easy to ship yarn and have done with it; if the yarn did not sell with a profit, so much the worse for shareholders. With Japanese competition and a constantly increasing supply from India, the prices of yarn fell, while stocks accumulated, and prices could not rise till stocks had been materially reduced. At the same time the rise in the price of raw cotton in India has seriously affected the spinner, who had made no arrangement for purchasing before the rise began. A further reason lay in the attention given to the depreciation of the rupee as a source of profit."

Let us now observe the circumstances which brought about the crisis in 1905.

There was a great boom in cloth prices which led the producers to entertain great expectations and hopes about the weaving industry. The rage for extension of weaving began fast and furious.

A glance at the tables on page 54 and 55 will show that there was an increase of over 55% in loom-power, and an increase of only 15% in product of cloth. Export was stationary (*see* table below) and consumption inadequate due to heavy imports from Lancashire.

Output of cloth (in millions of lbs.)			*Exports (in millions of yards.)*		
				Grey Cloth.	*Coloured.*
Year.	1905-6	163	*Year.* 1907	42·2	34·2
	1906-7	159	1908	39·4	34·3
	1908-9	184·1	1909	43·5	34·1

Thus, there was a virtual overproduction[8] accompanied by crisis and depression, its concomitants. The contraction of our yarn market in China and the Straits were responsible for the depression of the spinning industry. In the following years, there was a shrinkage partly due to the unprecedented rise of the raw material. In 1911-12, the imports of raw cotton from America and Egypt increased greatly, (exceeding 8% of the total mill consump-

8 We do not mean to say by 'overproduction' that we supplied cloth more than necessary for the Indian consumers. Far from it. Such an implication, especially in view of the fact that 26 crores rupees worth of goods were annually imported, would be absurd. The only meaning is that we produced more than what we could sell with profit at the prevailing prices. There would have been no overproduction if we could cut down the prices but this was impossble in view of the high price of raw cotton which had also its share in the depression.

tion), due to the vast abundance and relatively cheap supplies. This indicated the improved spinning efficiency and a demand for finer staples.

The year 1911-12 which witnessed the fall in the price of raw cotton was of bad omen for our spinners. Later on, the fall in the price of the raw material synchronised with improved conditions in China, and evoked an exceptional demand but almost immediately after heavy contracts had been made for shipment, the revolution in China created a situation which was only saved by the development of an internal demand. The output was estimated to be about 75% of the maximum of which the industry was capable.

A glance at any statistics showing progress of production and export of yarn will clearly show that there is a steady increase. Till 1905 there was a steady decrease in imports of yarn for hand-looms. We produced higher counts of yarn here. The increase in imported yarn in 1905 was due to the increasing demand of finer counts and decrease of import in long-stapled cotton. The table shows the quality of yarn produced.

They will also show that during the 14 years from 1900, we have made a fairly rapid advance in production of grey goods. (In 1897-8, about 91% of goods were unbleached and grey, and in 1913-14, only 40% were such—this points to an improving situation) in spite of several difficulties, referred to above, like plague, famine, the 1905 overproduction crisis, the high price of raw cotton after 1907, the effects of the excise, and the silver tax, (which we will consider shortly). We have already noted the prominent causes of depression, *viz.*, overproduction due to the mill agents' remuneration being a commission on each pound of yarn produced irrespective as to whether the outturn was sold at a profit or otherwise, and the exclusive attention to the foreign market. Referring to the system in most of the Bombay mills of remunerating agents not on profit but by commission upon outturn, the Cyclopœdia of India writes :—

> "The internal management demands a radical reform and needs to be purged of the many corrupt practices which are a reproach to their morality. Simultaneously, the burdens and system of commission on the production, at the rate of one quarter anna per lb. urgently demands

replacement by a fair and reasonable rate of remuneration.[9]

The export of piece-goods was comparatively insignificant and shows no rise. The imports are steadily rising which points to the fact that Indian mills could not supplant Lancashire ones, that the coarser quality of goods formed only a part of the demand of the population.

It was thus clear that in order to oust the foreign manufactures, the mills had to go on producing finer goods, if necessary, by importing long-stapled cotton and by improving their old-fashioned methods of dying, bleaching, mercerising, finishing and making them up-to-date.

The foreign demand, *e.g.*, of China, of our goods is always precarious and unstable. Therefore in our interest, we ought to develop the home-market. The action of the excise duty which leaves the yarn untaxed but affects the weaving industry, may have been partly responsible for this neglect of developing the home market.

The Hon'ble Mr. Manmohandas Ramji[10] dispelled the belief that the development of home-market was impossible in view of foreign imports, thus:—

> ....."The development of the home-market should ever be an ideal placed before us. Because the country does not manufacture variety of goods at present, it does not follow that it will not be able in time to come to manufacture them. The working of the mill industry in this country shows how the production of certain goods considered impossible before, is now going on apace. Similarly, the mills, if afforded proper scope for development, will be producing finer varieties of piece-goods."

The Silver Tax in 1910-11.

The Chairman of the Bombay Millowners' Association said that the silver tax had transferred the yarn trade from Bombay to Japan. If it be true, it corroborates the anticipation of the Hon'ble

9 The Cyclopædia of India, II, p. 27 ; pp. 264-272 give a good account of the industry.

10 *See* his speech in the Annual Report of the Bombay Millowners' Association.

Sir Vithaldas Thackersey who made the following observation on the probable effect of the tax on the cotton mill industry in the supreme Legislative Council :—

> ....."The new duty amounts to 17% as against 5% *ad valorem*, under the old Act. The Indian exporters to China receive the prices of their goods in silver which has afterwards to be converted into Gold Standard rupees. We export between 5 to 6 lakhs bales of yarn every year and the value is about 10 crores of rupees (see appendix I). The duty now imposed will reduce the number of rupees which the Indian spinner will get owing to the depreciation of silver. The Chinese manufacturer will benefit to that extent as their manufacturing charges will not be appreciably affected and in this unequal competition our export trade to that country will be adversely affected."

We have also seen that the depression in our industry was due to overproduction here and contraction of our markets in China due to Japanese competition.[11]

A relative position of our industry in the world is given in footnote.[12]

Besides this, there were other difficulties to the Indian mill-owners. Let us take up the Excise Duty, on which we will make a few observations here.

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11 Formerely Japan was amongst one of our best customers, and in 1888-89 she took from us more than 23 million lbs. of yarn. Now she takes none ; but on the contrary, she has been taking large quantities of raw cotton (in 1911-12, half of our export of raw cotton went to Japan), thereby raising the price of our raw material, while lowering the price of our finished products in Chinese market. We shipped to Japan over 25 lacs cwts. of raw cotton in 1901-02 and 36 lacs cwts. in 1911-12. The value of raw cotton shipped there in 1903-04 was over 34 lacs and 96 lacs in 1912-13. Besides the Japanese had a protected home-market which made dumping for her easy, and her goods were carried at a ridiculously low freight by the subsidised companies.

It is very remarkable indeed that in 1913-14 India with over 64 lacs spindles employing 2½ lacs of persons turned out only 62 crores lbs. of yarn while Japan with 21 lacs spindles, 9,200 hands turned out 50 crores lbs. of yarn. *See* the Textile number of *The Times*, London, p. 24.

12 Japan's Cotton Industry has a dramatic rise. It can be said to have begun in 1891. During 1889, they imported from us 62,000 bales of yarn, and in 1899, only 250. By 1913, they were competing with ominous success with us, in the Chinese market. In 1904, India had 204 mills which looking to its length and breadth, is nothing in comparison with 2,077 mills in Great Britain and 1,201 in U. S. A. In 1914 we had 54 lacs spindles, U. K. had 5½ crores, and the world's total was 14½ crores of spindles.

The Excise Duty (upto 1913-14).

The duty of 3½% to be paid by 'every mill in British India, upon all goods produced in such mill' has undoubtedly served as a check on the growth of the cotton industry. An ordinary mill with a capital of a few lakhs of rupees pays excise on production, irrespective of whether it makes a large profit, or small, or even works at a loss. The amount of the excise duty realised from the cotton mills is given below in lakhs of rupees.

1896-7	11·23	1905-6	27·06	1910-11	42·26	1912-13	56·17
1900-1	12·16	1909-10	40·06	1911-12	48·79	1913-14	54·39

Some persons argue that there has been a fairly good increase in mills all along and that the Excise has not hindered their progress. It is not true to say so. It is quite certain that the progress would have been more rapid, without this duty. Mr. M. P. DeWebb has said truly :—

> "Nobody in India, be he European or Indian, regards it (the Excise) otherwise than an altogether unnecessary and indefensible sop to Lancashire. Apart from political considerations, these Indian excise duties form one of the most extraordinary monuments to British Eçonomic ECCENTRICITY (capitals ours) that the whole of the tariff controversy affords. Whilst on the one hand, the free traders of England are never tired of asserting that the protectionist policy of foreign nations can only handicap those nations and that Great Britain with the healthy free trade principles is absolutely unassailable by such devices, the free trade cotton spinners and weavers of Lancashire take very good care that India does not impose even 3½% for revenue purposes on their products without an accompanying excise duty."[13]

From the standpoint of the consumer, very severe criticism was directed against the reduction in favour of cotton duties from 5% to 3½% in 1896, on the ground that the effect of the legislation would be to relieve the richer classes who were consumers of the finer fabrics and impose new taxation on the poorer classes whose requirements

13 Quoted in the Bombay Millowners' Association Report for 1907.

were met by the Indian mills. Of late years, there has been one more legitimate grievance for opposition due to the severe competition which Indian mills have to face in China as well as in India from the Japanese industry. We have also shown that it is claimed that the enhancement of the silver duty has materially affected the position of the Indian spinner in the Chinese market.

In addition to the handicap due to excise duty, the like of which is levied no where in the world, the Indian millowners labour under certain disadvantages. The cotton industry can neither be helped by State, by Tariffs, by Subsidies, as the free trade Government of England has done to stimulate the production of cotton in Sudan for Lancashire. But even if it could do, it is not certain that the Indian industrialists would be able to benefit therefrom. The late Mr. Gokhale truly said :—

> "If the Government of India or the Secretary of State had the power to grant protection in the present circumstances, I am not sure that it would be employed in the best interests of the country."

For even if we exclude British manufactures, we cannot exclude British manufacturers from taking advantage of the protection.

Disadvantage of Labour, etc.

The cost of initial equipment in the case of an Indian mill which has to import its machinery from outside is about $2\frac{1}{2}$ times[14] as great as in England, and the working expenses consequent on the scarcity of skilled labour and on the necessity of importing stores required in the production of cloth, were certainly higher here. Coal is being produced at home of recent years but the high freight from the colliery to the mills makes the coal supply also dear.* Besides the Indian labourer, though reputed to be cheap, is not efficient. Mr. S. M. Johnson went to the length of saying that the efficiency of the mill-hand in India and in England is in the ratio of 1·6 and proves his statement by comparing an example of a Lancashire mill-hand who can turn out 460 lbs. of coarse cloth per week, when an

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14 *Cf.* G. M. Broughton's "Labour in Indian Industries," 1924, p. 23.

*Reduction of freights on coal is being urged by various Chambers of Commerce on Government repeatedly but nothing has been done in that direction by Government up to January 1930.

Indian can turn out 70 lbs. and a handloom weaver 50.[15] S. J. Chapman has similar observations:—

> "The labour cost of production in Indian mills.....was in 1888 far higher even for the coarser counts than the labour cost in Lancashire.....The Indian operative possesses less endurance, less persistency, and less power of continuous application—all classes of labour are constantly changing in Indian mills. The number of operatives required to manage a given quantity of machinery is.....now at least 3 times greater. It is the advantage of position[16] alone which has enabled the native industry to oust foreign yarn except a few, the bulk of which are coloured."[17]

It has been an axiom with our millowners that the Indian labourer prefers long hours with less discipline, to shorter hours with strict discipline. Besides, some employers complain of scarcity of labour, but this is only apparent and the potential supply of labour is almost unlimited.[18] It is not intended here to find out the cause of the inefficiency, migratory character, etc., of the labour. Suffice it to say that the want of cheap and skilled labour as well as cheap capital have given a set-back to our industry.

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15 *See* his paper read before the Industrial Conference, 1905.

16 "If only our raw material were taken away from us, our industry would also go away in a twinkling" (S. M. Johnson).

17 Work and Wages—S. J. Chapman, Part I, p. 151.

18 Indian Economics—Prof. V. G. Kale, pp. 80-84.

CHAPTER VII.

CULTIVATION OF COTTON IN INDIA.

Early Experiments.

It is a curious anomaly that the cultivation of cotton is in a backward state, inspite of the fact that cotton is the chief article by which India clothes her teeming millions and that India is the birth-place of cotton-growing and the nursing ground of cotton manufactures. Between the years 1788 and 1850, numerous attempts were made by the E. I. Company to improve the cultivation and to increase the supply of cotton in India and botanists and American planters were engaged for the purpose. The principal object of the experiment was to introduce and acclimatise exotic cottons Bourbons, New Orleans, Egyptian varieties, etc., were tried but with little permanent success. In their laudable endeavours to develop the raw material resources of the country, the Government have made, persistent and earnest efforts undergone and heavy expenditure of money to extend and improve cultivation of cotton in India. The experimental cultivation with American seeds was made as early as 1828, model farms were established in numerous places, attention was paid to indigenous varieties, cultivators encouraged to adopt foreign crops, etc. Mr. Mercer, the head of the American planters, after trying a series of experiments in different parts, different climates, different soils, different methods, pronounced the following verdict :—

> "The experimental farms were only a useless expense to Government; the American system was not adopted to India, the natives of India were, from their knowledge of the climate, and the capabilities of the soil, able to cultivate better and much more economically than any European."

Export of Cotton.

The Government dissatisfied with these results appointed a Select Committee in 1848, which also held out no better hopes. The export of Indian cotton received an immense stimulus during the American Civil War when the close blockade produced a cotton famine in Lancashire, and threw the spinners back on India for their supply of the raw material. The early "sixties of the nineteenth century" came as a providential help to the endeavour of England to extend and improve the cotton-cultivation of India, so that England might rely on her. The Indian export trade of cotton experienced great vicissitudes. The extraordinary variation for export from 1859 to 1877 is instructive. It proved that the apprehensions of the Select Committee of 1848 regarding India's disability of largely adding to her supply to Lancashire turned out true. England had to obtain her raw material from the country which supplied cheapest and best, and America produced the best for Lancashire. American cotton replaced the Indian cotton. During the years 1890 to 1900, there was a great decrease in the exports to the United Kingdom. There was however a greater increase in the exports to Japan. The export of raw cotton shows an upward tendency, during the first decade of the 20th century. The quantity of cotton exported after 1911-12, to 1922-23 again shows a fluctuating tendency. In the year 1921-22 we exported over 1 crore cwts. or 29 lacs bales, of the value of 54 crores of rupees. The reason of the sudden fall of exports in 1918-19 to 36 lacs cwts. from 73 lacs cwts. in quantity in 1917-18 and 28 millions to 20 millions in value, is ascribed to the unprecedentedly high prices which prevailed during a greater part of the year and to a small crop. In 1922-23, India exported over 1 crore cwts. or 3,362,000 bales of raw cotton of the value of over 70 crores of rupees. The percentage of total cotton crop exported to Japan represented about 50 per cent. till 1922-23.

The value of the Indian cotton crop was estimated in the year 1913-14 at £49½ millions of 15 per cent. of the world's total crop. In 1922-23, it was estimated at £88 millions.

The figures of the Cotton crop of India up to the season ending 31st August 1929, together with the approximate money value and figures of acreage are given in the table below. The bales are of 400 lbs. each. The average yield per acre was estimated at 85 lbs.

in 1929,[1] the area planted to raise this crop of 5,638,000 bales being 26,484,000 acres:—

Year.	Value in Rs.	Bales.	Acreage	Average yield in lbs.
1922-23 ...	1,12,66,00,000	5,075,000	21,792,000	93
1923-24 ...	1,31,89,00,000	5,162,000	23,636,000	87
1924-25 ...	1,25,11,00,000	6,088,000	26,801,000	91
1925-26 ...	98,75,00,000	6,250,000	28,491,000	88
1926-27 ...	61,81,00,000	5,025,000	24,822,000	81
1927-28 ...	97,49,00,000	5,963,000	24,761,000	96
1928-29 ...	85,98,00,000	5,638,000	26,484,000	85

The world production of all cotton in 1928-29 is estimated at 25,600,000 bales of 478 lbs. as compared with 23,800,000 bales in 1927-28, in which United States of America contributed 14,478,000 bales, *i.e.*, about 3/5 lbs., India 4,718,000 bales *i.e.*, about lbs., China 1,500,000 bales and Egypt 1,491,000 bales, the balance being supplied by the other countries of the world.

The figures of the consumption of cotton in India and exports to foreign countries since 1925-26 are also given in tables:—

	1925-26.	1926-27.	1927-28.	1928-29.
Domestic Consumption (Bales) ...	2,733,000	2,751,000	2,463,000	2,645,000
Exports to foreign countries (Bales)...	3,775,000	2,857,000	3,195,000	3,940,000

The domestic consumption of cotton in India does not show a decrease inspite of the continued Bombay Mill Strike during 1928 and 1929. This is due to the increased consumption of cotton by the mills situated in the interior.

1 The average yield of cotton per acre in India is between 75 and 100 lbs. of lint cotton only as compared with 200 lbs. in the United States of America and 360 to 400 lbs. in Egypt.

Recent Experiments for Cultivation of Long-stapled Cotton.

The exportable margin of Indian cotton is almost all of the shortest staple, unsuitable to the requirements of the English spinner, but large mills specially fitted to work the short-stapled crop, are set up in India, Germany, Japan and consume about $\frac{1}{2}$ of the total crop.[1]

It is hardy necessary for our purpose to enter into any details of cotton-growing, *e.g.*, the nature of the soil, area, climate most suitable for it, the adaptability of exotic varieties, the reasons why the Indian cultivator is unwilling to take any risks and does not take kindly to exotics, etc. Suffice it to say that the Indian cotton industry requires long-stapled[2] cotton for her use and she is therefore interested in the question of obtaining large supplies of long-stapled cotton at home. Great Britain is also interested.[3]

Of recent years, the Government have been active in improving the class of cotton produced, by seed selection (in the judicious selection of which too much care cannot be exercised), hybridization, and the importation of exotic varieties. Egyptian and American cotton have been successfully grown in Sind.[4]

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1 The Standard Cyclopædia of Modern Agriculture, Vol. 4, edited by Prof. Sir Robert Patric Wright. The Greham Publishing Co., London. Also see Draft Note on the Industrial Aspect of Cotton Growing in India, in Appendices to the Report of the Indian Industrial Commission, Appendix B, p. 19.

2 The Indian Cotton Committee explains that cotton of which the staple is three-quarters of an inch or over is regarded as long stapled cotton for the purposes of Bombay, while for the purposes of the Lancashire mills, it must be a "commercial inch" in length, the actual measurement being somewhat less, and rather over seven-eighths of an inch.

3 Lord Stanley, in a press interview at Madras on December 31st, 1929, also said that he was anxious to encourage the growing of Cotton within the Empire so that Lancashire may become independent of the American supply.

Mr. Arno S. Pearse, General Secretary of the International Federation of Master Cotton Spinners' and Manufacturers' Associations, Manchester, came to this country in 1930, one of his objects being to discuss with the Directors of Agriculture in India, the possibility of growing cotton suitable for consumption in Lancashire Mills.

4 It was in the year 1921 that the Government of India set up a Committee representing all cotton interests in India to co-ordinate the work of the Agricultural Departments and to co-operate more closely with the trade. In 1923 the Government of India passed the Cotton Cess Act which incorporated the Indian Central Cotton Committee and provided it with funds to enable research work on cotton to be carried out. This Committee has done much valuable work in pressing for some very important pieces of legislation for the better marketing of cotton. A big research programme is being carried out and it is only a question of time till results became available. All the scheme aim at an increase in yield and an improvement in quality of the commercial cottons grown. This Committee has already done useful work in improving the staple of Indian Cotton and the increase

Stapled cotton of almost equal to middling American and in some case, superior, is being grown in India in Madras, Sind, Punjab, C.P., Gujerat and Dharwar, and in the first five provinces the prospects of long stapled cotton are decidedly favourable.

It is now recognised by the Government experts and others that the cultivation in India of exotic types of long stapled cotton must be confined to the irrigated districts.[1] Whilst long staple cotton can also be produced in a few non-irrigated districts, it has been proved that with the exception of Tinnevelly cotton in Madras and Broach cotton in Gujerat, it is economically unsound. India has some peculiar advantages over other cotton-growing regions—due to her fertile soil, excellent climate, a large agricultural population not devoid of intelligence as is sometimes assumed, and a great net-work of railways. The imperial cotton specialist of India has opined that the yield per acre is gradually improving and hence the supply can easily be doubled. It must be noted that India consumes in her own mills here nearly half of the average commercial crop. Besides, India has been importing raw cotton from abroad. In 1927-28 she imported raw cotton worth 5 crores of Rs. and 45,700 tons in quantity due to the Indian prices of cotton being out of parity with American prices and due to shortage of crop of Indian stapled cotton at certain periods. It has repeatedly been urged by the manufacturers in India that sufficient cotton of long staple should be forthcoming in this country and that the future prosperity of the industry will turn very largely on whether or not the supply of improved cotton is forthcoming. Indian mills, especially after the War, are spinning higher counts than 30*s*. and require for this purpose long-stapled cotton and Bombay's salvation lies in taking to finer spinning. With better grade cotton, we can in all fairness observe that it will only be a question of time when Indian Mills will claim a steadily increasing proportion of the Indian demand for manufactured goods. In the words of Sir Vithaldas Thackersey, the

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in the outturn of long-stapled cotton must be attributed in a large measure to its activities. In 1925-26, this amounted to 2·14 million bales against an average of 1·16 million bales for 1915-18, an increase of 84·8 per cent. against an increase of only 29·8 per cent. for short staple cotton.

1 The Indian Cotton Committee appointed in 1917, have similar observations with respect to Sind. They said:—"Unless the Sukkur Barrage Project is carried out in the near future, we see no hope for long staple cotton in Sind, and should the ultimate decision be to abandon the Project, we are of opinion that all attempts to promote the cultivation of long staple variety in the province should be given up". The Sukkur Barrage Project is taken in hand since. *See* Report 1819, p 57.

long-stapled cotton plentifully and successfully grown will revolutionise the whole cotton industry. It may be said that Europe may out bid for this cotton but who would doubt the capability of a country growing its own long-stapled cotton[1] and having a home-consuming market at its doors to hold its own against any outside competition?

It is therefore clearly in the interest of the manufacturer to induce the cotton-grower[2] to grow long-stapled cotton, by paying him a fair remuneration, as by the mere fact of proximity the manufacturer stands most to gain by an improvement in the long stapled cotton.

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1 Indian Cotton Committee observed:—"All the evidence submitted to us by the representatives of the manufacturing interests in India emphasized the importance which the Indian Cotton Industry attaches to the development of long stapled cotton in this industry". Report p. 4.

2 The proposal for an export duty on cotton to give protection to the mill industry is to be deprecated if only on the ground that the imports of Indian cotton into Japan and other countries are determined to a large extent by considerations of comparative cost of American and Indian cotton, as a result of which the burden of an export duty must fall on the poor producer. This in its turn would affect adversely the cultivation of all types of cotton, especially the longstapled one upon which Bombay mills must depend in an increasing degree, for embarking on a programme of diversity of production of their goods to eliminate the severe competition of the up-country mills with which it is faced in the coarse goods. The export duty therefore on cotton will not help even the Bombay mill industry for whose benefit presumably it may be proposed.

CHAPTER VIII.

The Hand-Loom Weaving Industry.

EARLY HISTORY.

The history of the manufacture of cotton before the first half of the 19th Century is the history exclusively of hand-weaving, there being no power-looms then. In the preceding pages we have noted the decline of the industry due to the introduction of machine-made goods and various other causes outside our control. It must be observed here however that next to agriculture, hand-weaving is still the largest and most widespread industry throughout the whole of India. Besides these who are primarily agriculturists and who weave at certain times of the year when they are free and have no work on the fields, (of these there is a very very large number) there are in all India about 28 lacs of hand-loom workers, who derive subsistence mainly from hand-loom weaving. Since the introduction of the notorious cotton excise duty in 1896-97, a wrong impression appears to exist in the mind of the people that this industry which had a glorious past is of no importance to-day and is a moribund industry which is doomed to be entirely crushed out by the power-loom. This is doubtless a mistaken idea.[1] Prof. C. N. Vakil has also made a similar mistake in his carefully narrated account of the fiscal policy of this country in "Our fiscal Policy" when in regard to the fiscal position of the country in 1882 he observes "It is well known that by this time this (hand-loom) industry had ceased to be of any importance."

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1 There are periods in the cultivator's year when all the members of the family are idle, *e.g.*, when field work is unnecessary, or also when, due to frequently occurring famines, droughts, etc., agricultural operations are not possible. At such times there is much labour running to waste and there is ample scope for some form of secondary occupation. Besides, the initial outlay of a loom is small (say, Rs. 20). Also *see* Mr. Tallent's and Edye's statement in the Census Report, Vol. I., 1921, pp. 270—272. Mr. Tallents at the end of his statement, says:—"Hand-weaving conducted on these lines would be as sound economically as it would be acceptable to the sentiments of the people." He says that hand-weaving industry in Bihar and Orissa is holding its own.

STATISTICS OF PRODUCTION.

Even the Industrial Commission is not immune from a similar mistake when it observes "Cotton spinning is almost entirely done by machinery and hand-spinning has entirely died out." Even to-day hand-spinning is carried on in many places. Though statistics for 1882 are not available to prove the extent of the hand-loom industry in that year, necessary information is available for years after 1896. During the five years from 1896-97 to 1900-01, the Indian mills used in the production of cloth 421 million lbs. of yarn, when the hand-looms consumed 1,058 million lbs. or roughly two and a half times as much as the mill consumption. This statement should be an eye-opener to those who talk disaparagingly of the hand-loom industry from hearsay evidence. The production of the mills since 1900 is on the increase steadily and in the quinquennium 1911-12 to 1915-16 the quantity of yarn consumed in mills was 1,297 million lbs. while the yarn available to the hand-loom, was 1,356 million lbs. Since 1915-16, the consumption of yarn by the hand-looms has decreased and the average for the years 1916-17 to 1920-21 has been only 1,097 millions lbs., while the average consumption of yarn by mills went up to 1,644 million lbs. During the post-war period, the hand-loom industry has again recovered the lost ground. During 1920-21 to 1924-25 the annual average of yarn consumption by the hand-looms was 297 million lbs. as compared with 271 million lbs. per annum during the quinquennium 1911-12 to 1915-16 and 219 million lbs. per annum during 1916-17 to 1920-21. During the quinquennium 1920-21 to 1924-25, the consumption of yarn by mills went up to 1,819 million lbs. in place of the 1,644 million lbs. in the period from 1916-17 to 1920-21. In the years between 1924-25 and 1928-29, the statistics show that the hand-loom industry has not lost ground and that the quantity of cloth manufactured on the hand-loom is on the increase. Out of a total consumption of cloth in India of about 5,000 million yards, nearly 25% is still supplied by hand-looms, 40% by the mills, and about 35% by foreign countries.

CONSUMPTION OF CLOTH & YARN IN INDIA.

The following table gives the figures of the net consumption of foreign piece-goods and of the net consumption of Indian piece-goods both mill-made and hand-woven in India since the year 1896-97.

YEAR.	Foreign piece-goods (Imports minus exports) = Net consumption in India. Figures in millions of yds.	Indian piece-goods (Production minus Exports) = Net consumption in India. Figures in millions of yds.	Total consumption of cloth in India both mill-made and hand-woven (Addition of columns 2 and 3). Figures in millions of yds.	Cloth manufactured in hand-looms. Figures in millions of yds.	Mill consumption of yarn in India. Figures in millions of lbs.	Hand-loom consumption of yarn. Figures in millions of lbs.
1896-97 ...	1,932	1,031	2,963	784	74	196
1897-98 ...	1,800	1,216	3,016	924	81	231
1898-99 ...	2,000	1,294	3,294	948	91	237
1899-1900 ...	2,054	1,191	3,245	884	87	221
1900-01 ...	1,875	1,003	2,878	692	88	173
1901-02 ...	2,042	1,271	3,313	880	106	220
1902-03 ...	1,986	1,375	3,361	960	109	240
1903-04 ...	1,903	1,336	3,239	872	123	218
1904-05 ...	2,152	1,371	3,523	828	141	207
1905-06 ...	2,335	1,655	3,990	1,084	146	271
1906-07 ...	2,193	1,741	3,934	1,148	148	287
1907-08 ...	2,402	1,804	4,206	1,108	168	277
1908-09 ...	1,871	1,827	3,698	1,116	171	279
1909-10 ...	2,070	1,633	3,703	896	204	224
1910-11 ...	2,162	1,817	3,979	908	219	227
1911-12 ...	2,262	2,062	4,324	1,044	238	261
1912-13 ...	2,848	2,135	4,983	1,040	254	260
1913-14 ...	3,042	2,102	5,144	1,068	244	267
1914-15 ...	2,328	2,210	4,538	1,184	247	296
1915-16 ...	2,019	2,328	4,347	1,048	314	272
1916-17 ...	1,772	2,085	3,857	916	322	204

CONSUMPTION OF CLOTH & YARN IN INDIA—*contd.*

Year.	Foreign piece-goods (Imports minus Exports) = Net consumption in India. Figures in millions of yds.	Indian piece-goods (Production minus Exports) = Net consumption in India. Figures in millions of yds.	Total consumption of cloth in India both mill-made and hand-woven (Addition of columns 2 and 3). Figures in millions of yds.	Cloth manufactured in hand-looms. Figures in millions of yds.	Mill consumption of yarn in India. Figures in millions of lbs.	Hand-loom consumption of yarn. Figures in millions of lbs.
1917-18 ...	1,406	2,192	3,598	812	340	203
1918-19 ...	1,045	2,312	3,357	1,048	312	262
1919-20 ...	936	1,965	2,901	564	342	141
1920-21 ...	1,405	2,558	3,964	1,148	328	287
1921-22 ...	980	2,735	3,715	1,190	360	297·5
1922-23 ...	1,467	2,880	4,347	1,341	362	335·3
1923-24 ...	1,374	2,596	3,970	1,005	359	251·2
1924-25 ...	1,710	2,996	4,706	1,256	410	313·9
1925-26 ...	1,528	3,086	4,614	1,132	415	283
1926-27 ...	1,758	3,554	5,312	1,296	481	324
1927-28 ...	1,935	3,648	5,583	1,292	507	323
1928-29 ...	1,912	3,009	4,923	1,116	384	279

N. B.—The figures of balance of yarn available for hand-loom industry for each of these years have been multiplied by 4 to arrive at the production of hand-looms in yards on the calculation of 1 lb. of yarn = 4 yards of cloth (coarse kind). The balance of yarn thus left is not all consumed by hand-looms. A small proportion is used in making rope, twine, etc. This has been estimated at about 10%. As against this, however, there will be available to the hand-looms, hand-spun yarn which may be estimated at about 10 per cent. of the total supply. To arrive at the actual figures of the mill-made cotton cloth available for local consumption, deduct the quantity produced by hand-looms (column 5 from column 2). It has also been assumed here that the exports of Indian manufactured cloth from India are all of mill-made goods.

It will be quite clear from the table given above that the hand-loom industry has not gone out of existence as it is erroneously supposed in many quarters through ignorance or prejudice or want of enquiry, that it supplies nearly 25% of the total requirements of the cloth in the country and that it is responsible for about 40 per cent. of the total cloth produced in India.

Considering the present proportion of its supply, and the expected increase due to the spread of the Khaddar Movement under the guidance of Mahatma Gandhi who by his indefatigable zeal and ardent devotion is striving to impress upon the minds of the general populace the importance of the Charkha and the Hand-loom, with a view to provide occupation to the poor teeming millions of people of this land during the periods when they are free, and have nothing to engage themselves on, and to making them self-sufficient in supply of cloth, everyone will concede that the hand-loom weaving industry is of great importance in the National economy of India.

Hand-loom vs. Power-loom.—I shall presently point out that the belief that hand-loom weaving is a small moribund industry inevitably doomed to be entirely crushed by the power-loom is absolutely erroneous and has no foundation in fact. The hand-loom weaving industry has certain advantages over the power-loom factories, *viz.*, smallness of capital for the outlay, cheapness of labour, its suitability to village-life, proximity of market, the facility of working in one's cottage and for one's self, the facility of taking up and leaving off the work at any time, the help from the family (not in the limited sense of the English usage) *i.e.*, from the householders, the absence of manifold disadvantages of working in mills under factory conditions being exposed to risks, accidents, vices, etc., and other evils of industrialism, the absence of the disintegrating influence of the family life, the patronage of noblemen for fancy products in which the individual artist's skill can be appreciated etc., etc.

There are several others also which have kept the industry surviving till to-day. Sir Alfred Chatterton observes:—

> "That the Indian hand-loom weaver though hardpressed still survives the competition of the power-loom indicates a surprising degree of tenacity on the part of the people of the country (India) to maintain their

primitive methods and hereditary occupations in the face of militant Western commercialism" (Industrial Evolution in India, p. 105).

The hand-looms are capable of producing goods of remarkable fineness and feel.

The hand-woven cloth should not, as it does not at present, try to compete with mill-made cloth. As Sir George Watts appropriately points out "The safety of the hand-loom weaver lies in the goods of the manufacture being of a fancy or special nature meeting local markets known to him rather than in regular commercial Articles intended for large markets."

The hand-loom weaver ought to produce goods which cannot be made by the power-loom such as those compounded in an intricate fashion or made in a very complicated pattern or the demand of which is irregular and unsuitable, *e.g.*, special Saries and Lungis of a particular size, shape, colour, etc., so that the mill-owner will not think it worth his while to enter into competition with him.

In regard to the supposed competition of the hand-loom with the mills, I must point out here that we have it on the testimony of the Bombay Mill-owners' Association that the products of the hand-loom of India do not compete with the products of power-looms. It is further reassuring to be told by the Bombay Mill-owners' Association that far from the mill-owners of India being antagonostic to the development of the hand-loom industry, they are unreservedly in favour of its encouragement and improvement, providing as it does, now that the China market has been lost, practically the only market left to the Indian Mills in which they can dispose of the yarn not required for the manufacture of power-loom fabrics.

The mill-owners further aver that it would be suicidal on their part to indentify themselves with a policy which would be likely to harm or hamper in any way the progress of an industry which purchases from them annually about 300 million pounds of yarn. On the direct question as to whether there is any competition between the mill products and hand-loom products, the views of

Mr. R. D. Bell, ex-Director of Industries, Bombay, will be read with approbation and interest:—

> "The mill industry and the hand-loom industry are not really antagonistic to one another. A great part of the output of the hand-loom is composed of specialised types of cloth which are not suitable as regards quantity or quality, for mass production. The amount of direct competition between the mills and the hand-looms is at present very restricted.
>
> "The hand-looms provide an enormous market for mill-spun yarns. Probably the greatest improvement in the hand-loom industry has been the provision of ample quantities of mill-spun yarns of all counts and of regular twist and strength in substitution for the irregular and usually coarse hand-spun yarns of former days."

In this connection I will also quote the views of Dr. Radha Kamal Mookerjee from the "Foundations of Indian Economics" wherein he observes that the notion of the competition between hand-loom and hand-weaving is wrong for the following reasons:—

> "The handloom does not compete with the mill, it supplements it in the following ways:— (1) It produces special kinds of goods which cannot be woven in the mills. (2) It utilizes yarn which cannot at present be used on the power loom. (3) It will consume the surplus stock of Indian Spinning Mills which need not be sent out of the country. (4) Being mainly a village industy, it supplies the local demand and at the same time gives employment to capitalists, weavers and other workmen. (5) Lastly, it will supply the long-felt want of an honest field for work and livelihood for educated Indians."

Having established that the handloom does not compete with our mill industry which is in favour of giving it all support by provision of cheap credit facilities, etc., etc., we will review the attempts made in the direction of making improvements in the handlooms.

The fly-shuttle loom is from 50 to 100 per cent. more effective than the ordinary hand-loom. But our weavers are averse to taking kindly to the fly-shuttle loom. That only coarse yarn which will not snap readily can be used for the warp on the fly-shutte loom is an old exploded belief and Mr. Chatterton says that fine counts can be worked easily. The great bulk in the Salem factory is between 60s and 100s and work in higher counts can be done. Even if the fly-shuttle increased the rate of picking in the looms of southern India, it was not economical because increased time had to be spent in mending broken threads. Mr. Chatterton says:—

> "If the fly-shuttle hand-loom is to be largely used in making the finer classes of native goods, the improvement that should be sought for is not so much increasing the rate of picking, which is already quite fast enough, but in improving the details of holding and the working of the slay, so that the operation of weaving subjects the comparative delicate threads to the minimum amount of strain."[1]

A power-loom will make from 200 to 250 picks a minute. Mr. Chatterton found that the daily average of outturn of hand-looms has only in one instance exceeded 30 picks per minute, and when weaving fine cloth, 20 to 25 picks per minute may be considered very good work. Mr. Churchill at Ahmednagar was able to make 60 picks a minute and it is an extraordinary good result. The experiments of Mr. Havell and Chatterton have so convinced the Government that some hand-loom factories have been established by different local Governments in the great weaving centres of the country. The fly-shuttle is largely used in the Tamil districts. In the Hydreabad district, the number of fly-shuttle looms is 84,392 while there are only 31,042 other looms. About one-third of the hand-looms in Bengal are with fly-shuttle. There has been an increased production of between 25 to 40 per cent., as a result of the introduction of improved fly-shuttle looms.[1]

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1 "Industrial evolution in India", by Alfred Chatterton, p. 238.

1 Efforts are also being made by the Department of Industries in Bengal for the regeneration of the handlooms by the introduction of improved looms and equipment, instruction in regular schools, and by peripatetic and other demonstration parties, *vide* Annual Reports of the Department of Industries, Bengal.

The Importance and Magnitude of the Industry.— Before the war, on an average for the five years ending 1914, we imported 2,557 million yds. of cloth, 1,015 million yds. were woven in our mills, 1,186 million yds. on hand-loom. Thus our yearly consumption may normally be estimated at 5,000 million yds. worth about 220 crores of rupees. India's purchasing power has been crippled during the recent years for various causes. On an average of five years ending 1919-20, we imported 1,462 million yds. and produced 1,363 million yds. from the mills and 979 million yds. for the hand-looms, a total of 3,803 million yds. of cloth in all. Since 1920, our annual average total requirements of cloth have been about 4,400 million yards of which about 100 million yards have been supplied by the hand-looms.

Difficulties and suggestions for Improvements for handloom products.—The want of organisation and the hosts of middlemen who in the retailing of yarn and sale of cloth make huge profits make the hand-loom cloth dearer than the mill made. Besides, the primitive method of the hand-weaver is also responsible for this. The general introduction of the fly-shuttle alone should increase the profit by at least 30%. The individual weaver suffers because he is carrying on a complex series of operations without recognition of the advantages of sub-division of labour. To improve the lot of the weavers, they ought to be induced to accept outside assistance, which can be effectively rendered by the establishment of hand-loom-weaving factories, co-operative societies, and kindered means, whereby they would be freed from the clutches of the money-lenders, and better marketing arrangements.

The following directions of improvements in the industry may be suggested:—

(*a*) Active encouragement of the starting of large hand-loom factories, by the Government who have so far kept an attitude of Laiseez Faire.

(*b*) Establishment of Technical Institutions.

(*c*) Demonstration Stations, etc., etc.

(*d*) Propaganda, Central buying Agency, Sale rooms, etc.

Number of hand-looms and hand-loom weavers.— The Industrial Commission says:—

> "That in the last forty years the number of hand-loom weavers has remained practically stationary but that owing to the stress of competition they now turn out a large amount of finished goods than was formerly the case. It is believed that between two and three million are at work in India."

With respect to the census of hand-llooms, in 1921, the Census Report says:—

> "It was not considered possible to take a Census of hand-looms throughout India; nor is it possible, to assess the number of hand-loom weavers in the country or various provinces.....
>
> "A large part of the weaving is done, not for profit but for home use by the families of persons who have other wholetime occupation. In Assam weaving is an established custom of the housewife and cloth is always made for home use. A large number of hand-looms in existence is returned of Burma, which has 479,637 looms, Assam 421,367, Punjab 270,507, Bengal 213,886, and Bihar and Orissa 164,592. No census of looms was taken in the Bombay Presidency."

It appears that the number of persons returned as weavers, though this is inconclusive as to the estimate of the tendency of the home weaving industry, is on the increase. It is noteworthy that in Bihar and Orissa 40 per cent. of the requirements of the Province are provided by hand-looms.

That the consumption of yarn is increasing can be seen from the statement prepared by the Industrial Commission, (See Appendices to the Report, p. 95), and the table in this Chapter. The mill-made and foreign yarn available for hand-loom weavers averaged in the quinquinnium 1908-09 to 1913-14 over 250 million lbs., annually (after allowance has been made for manufacturing of

rope and twine at the proportion of 10% of the balance left for hand-loom weavers, as estimated by Sir Vithaldas Thakersey in 1905) against an estimated intra-mill consumption of 222 million lbs, whereas it averaged in the quinquennium from 1896-1901, over 212 million lbs.

From 1899 to 1913-14, the quinquennial averages show that while the imports of coloured yarn are steadily decreasing in respect of the lower counts there has been a very marked rise in the imports of grey yarn of counts over 40s. From 41 to 50s the average increase is 119% and over 50s it is 95%. Thus there is definite evidence to show that up to the outbreak of war, weavers of India were not only using more yarn but that, as far as imports were concerned, there was a very marked increase in the consumption of finer counts. The Industiral Commission concluded in 1918 :—

> "The hand-loom industry is at present holding its own and that there is good reason to suppose that the universal adoption of technical improvements, such as warping mills, fly-shuttle slays and jacquard harness would greatly enhance the material prosperity of the largest group of artisans in the country." (See Appendix 1 of their Report, p. 95).

Since then, hand-loom weaving has received a great stimulus due to the exhortation to the people to spin and weave for themselves by Mahatma Gandhi, who is carrying on a vigorous propaganda to popularise Khaddar among the people. The balance of yarn left for the hand-loom weaving industry during the pre-war years and during the post-war years up to 1928-29 as shown in a previous table in this chapter points to a greater use of yarn by hand-looms. It must also be remembered in this connection that there must be a considerable quantity of hand-spun yarn available to the hand-looms of which no statistics are available but which is assuredly on the increase steadily since 1919.

Statistics in the table given in this chapter indicate that there is a tendency to an increased rather than to a diminished consumption of yarn and that the medium and fine weavers are chiefly responsible for the increase. Thus the prospects of the growth of hand-loom

weaving are encouraging and will continue to be so with the spread of the Swadeshi Movement in India. In the interests of the poor masses, the hand-loom industry deserves every encouragement and aid from the people, as several other small industries, for instance, the village dying industry, also flourish when this industry is flourishing. Besides, the fact cannot be ignored that it would not be possible for the agriculturist except when he is in the last extremity to go in search for work outside, and the only amelioration, in the words of Mr. Thompson, the Bengal Census Officer, that seems possible is "by bringing work within the reach of the cultivator near his own village." Any addition to the poor, indeed very poor average national income of an Indian which has been variously estimated by different writers at different periods and which we may accept at about Rs 50/- per year,[1] would be very welcome as it will keep him from starvation and penury, will provide work to him in leisure moments and will give him a little better standard of living. As the cultivators are engaged on the land for about half the period, the remedy lies in developing suitable rural seasonal industries for them on which they can turn their attention in their moments of leisure. Hand-spinning and hand-weaving are admittedly fitted to be such industries which can provide a supplemental occupation and income. It should, indeed, not be forgotten that in the prosperity of the peasant (and in this country about 70 per cent. of the people depend on agriculture for their living) lies our strength and amelioration. No pains should, therefore, be spared to bring to his door any occupation which promises to solve the problem of his unemployment and to bring a substantial additional income to him. Hand-loom weaving industry is a typical industry which would

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1 The gross *per capita* income of India was estimated by Dadabhai Naoroji at Rs. 20/- in 1871, by Lord Curzon at Rs. 30/- in 1901, by Sir B. N. Sarma in the Council of State at Rs. 86/- for 1921, by Prof. K. T. Shah at Rs. 46/- for 1921, by Sir M. Viswesarayya at Rs. 45/- for 1919 and by Messrs. Shan and Khambata at Rs. 74/- for 1921-22. The gross *per capita* income of an Indian calculated as an average for the years 1900-1922 works out to Rs. 44½ (*Vide* Wealth & Taxable capacity of India by Messrs. Shah & Khambata). Compare with this the income of other countries in the pre-war period :—

	£	Rs.
United Kingdom	50	750
United States	72	1,080
Germany	30	450
Australia	54	810
Canada	40	600
Japan	6	90
India	2·4	36

answer this need and on that account deserves to be willingly encouraged by all.[2]

We will now review the Cotton-Mill Industry during the period after the Great War of 1913-14.

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2 *Vide* Moral and Material Progress Report of India by Rushbrook Williams 1922-23, pp. 121-122, and "India" for later years.

Also see Mr. R. D. Bell's Note on the Indian Textile Industry with special reference to Hand-weaving 1926 and the Speeches in the Legislative Assembly March, 1924.

Also see pp. 99 and 202 of the Book on "Indian Cotton Excise Duty" published by the Mill-owners Association in February 1925.

Review of the Trade of India—1926-27, 1927-28, 1928-29.

Also see Hand-spinning and Hand-weaving—Published by All India Spinners' Association, Ahmedabad, 1926.

CHAPTER IX.

The Post-War Cotton-Mill Industry.

The Cotton-mill Industry in India is more than 75 years old, the working of first mill having been started in 1856. Up to the beginning of the pre-war year, the industry may be said to have made a fairly rapid progress. The progress of the industry after the war will be indicated in the following table:—

Year ended August.	No. of Mills.	No. of spindles in thousands.	No. of looms in thousands.	Average No. of hands employed in thousands.	Approx. quantity of cotton consumed in bales of 392 lbs. in thousands.
1914 ...	271	67,78	1,04	2,60	21,43
1916 ...	266	68,39	1,10	2,74	21,97
1918 ...	262	66,53	1,16	2,82	20,85
1920 ...	253	67,63	1,19	3,11	19,52
1922 ...	298	73,31	1,34	3,43	22,03
1924 ...	336*	83,13	1,51	3,56	19,17
1926 ...	334*	87,14	1,59	3,73	21,13
1928 ...	335*	87,04	1,66	3,62	20,09

*During the years, out of these mills, only 280 were working, 35 mills were completely closed, and 20 were in course of erection. It is also noteworthy that of these mills 82 are situated in Bombay island with 34,51,176 spindles and 74,825 looms, while Bombay Presidency claims another 118, with 24,29,824 spindles and 51,399 looms. The remaining mills are situated in different parts of the country, United Provinces and Madras having 25 each, Bengal Presidency and Assam 18, and Central India 14.

It will be easily intelligible that the industry has made no substantial advance in recent years. There are many reasons for this result which we will discuss in this chapter.

The noteworthy features of the industry, and the trade in Cotton and Cotton manufactures from year to year are summarised below for the sake of convenience to the readers who will be in a position to gather therefrom a linked account of the vicissitudes of the industry

and the trade in yarn, cotton and piecegoods with foreign countries.

1914—29.

The effects of the acute depression, owing to serious famine conditions in certain parts of India and the collapse of credit due to the failure of certain Banks in Bombay in 1913, continued to be felt by the Cotton Textile Industry in 1914. A dozen mills stopped working for some time and at the close of the year, the accumulation of stocks was not counter-balanced by any substantial off-take. The war with Germany cut short the supply of chemicals and dyes and greatly hampered the local industry. In the year 1915, the continuation of the war helped to add to the difficulties of mills in India, and a number of spinning mills in Bombay had to go into liquidation owing to the difficulty of finding the finance of those mills which had suffered form the fall in prices of yarn in China. In 1915-16, however, a greater demand for coloured and bleached goods led to a satisfactory off-take of stocks and helped to steady the situation. The total exports of twist and yarn increased by 20% in quantity and 10% in value. China was the principal consumer, taking 140 million pounds valued at Rs. 595 lakhs. Owing to the war, the trade with Asiatic Turkey was considerably affected. This was, however, made good by larger exports to Egypt. The years that followed were years of unusual prosperity for the industry, which may be set down to the following causes: (1) The curtailment of shipping reduced the imports of foreign piecegoods from Europe; (2) another distinct advantage was the absolute stoppage in the receipts of goods from enemy countries; (3) the increased outlet for the production of Indian looms in Mesopotamia, Iraq, South Africa and German East Africa.

Even in this period of increased sales and extended markets for Indian-mill-made goods, the small beginning which had been made by them in the export of coarse yarn to the United Kingdom was cut off by the embargo placed on the imports of Indian yarn into the United Kingdom on the ground that the freight was not sufficient for the purpose and was more urgently required for the transport of war material. Inspite of the fact that Lancashire derived her supplies of coarse yarn mostly from the continent which were then no longer available, the Government of the United Kingdom decided to stop the imports of coarse yarn from India.

The year 1917 saw the welcome revival of the yarn trade with Egypt, Persia, and principally with China from which the demand for Indian yarns was fairly good for the first eight or nine months of the year; but the disorganisation of the yarn market consequent on the continuous advance in the price of silver (which reached the high level of 53*d*. in September, 1917) combined with the devastation caused by the great floods in North China, soon reduced this revival of trade in Indian yarns. It was also checked by the shortage of freight experienced by Indian concerns in transporting yarn to China. The difficulties of obtaining adequate tonnage considerably hampered the growing trade in yarn. In contrast to their difficulties, Japanese shipping lines were giving every facility for the carriage of cotton from India to Japan which was of considerable assistance to Japan in enabling her to capture the yarn trade with China, and thus be in a position to oust Indian imports from China. Freight rates to the United Kingdom for cotton from Bombay were higher by over 90%.

The year was, however, one of great prosperity for the industry as prices rose by leaps and bounds. But the extreme shortage in tonnage prevented the Indian industry from pushing its goods in the East African markets. There were minor difficulties during the year with which the mills had to contend, in the shape of a shortage of coal which threatened to be acute and the enormous rise in the prices of aniline dyes, bleaching materials, chemicals and other sizing ingredients. But the mills found it possible to overcome these handicaps by reason of the high rates which they were able to obtain for their goods in the local markets.

The yarn production figures for 1916-17 compared with those of the average of the five pre-war years, show that the whole of the increase in production took place in counts from 21s upwards. There was an increase of 29% for yarns from 31s to 40s, and a decrease of 31% in the imports of these counts. In counts above 40s, there was an increase in production of 72% and a reduction in imports of 36%. Of the total imports of foreign yarn into India, the share of the United Kingdom was 83%, or 24½ million pounds out of 29½ million pounds. Japan's sendings of yarn to India during this year amounted to 4 million pounds—chiefly of counts nos. 31—40 as well as mercerised cotton yarn. The value of the exports of Indian yarn totalled Rs. 750 lakhs. The increase of

Rs. 57½ lakhs in the value of the exports of Indian yarn was accounted for by the rise in prices. The exports of Indian piece-goods were valued approximately at Rs. 506 lakhs. The greater volume of exports (which was double that of the preceding year and nearly three times the average exported during the pre-war quinquennium) and the higher prices realised were responsible for the increase of Rs. 259 lakhs in value. It was found that Indian grey goods of the coarser counts of yarn, mainly of grey shirtings, grey drills and some classes of dhoties, competed mainly with imported goods.

The abnormal prosperity of the industry in 1917 did not continue in the next year, but it could certainly be said to be a prosperous year inasmuch as the production and export of Indian manufactures of cotton were much above the pre-war average, although it did not touch the high level reached in the previous year, presumably owing to the check the consumers placed on their requirements because of the soaring prices of cloth manufactured from dearer raw staple. The production of yarn fell to 661 million pounds from 681 million pounds in 1916-17. This was reflected in the reduced volume of exports of yarn to foreign countries. The total quantity exported was 122 million pounds, a decrease of 28% as compared with 1916-17, and of 37% with the pre-war average. Of all countries, China still continued to import the greatest quantity of Indian twist, it being 84%, though it was less by 42 million pounds as compared with 1916-17. This was much below the pre-war normal. This may be attributed to the comparatively cheaper cost of Japanese yarn compared with prices of Indian yarns which soared to phenomenal heights about the middle of the year, the levels reached being as high as 25½ annas for 10s and 30 annas for 20s. At these rates for Indian yarns, it paid to import Japanese and Chinese yarns of 20s, notwithstanding the very high freights.

The one result of far-reaching importance of this sudden boom in Indian yarn prices was the rapid displacement in China of Indian 10s and 12s by those of Chinese and Japanese mills, and those recently erected in China had well-nigh completely captured the Indian trade in 16s and 20s; but Japan had not yet turned its attention to the manufacture of 10s and 12s, owing to her machinery having been designed for medium

counts. However, with soaring prices of Indian 10s, Japan took to shipping 10s and 12s herself, and effectively penetrated the Chinese market.

The exports of India-made piece-goods were more than double the pre-war average, amounting to 189 million yards, or more than 13% of the quantity imported from Lancashire. These exports were, however, 28% below those of 1916-17. Prices were higher than those in the previous year, and consequently there was an increase of Rs. 120 lakhs in the value, though the quantity exported was less The production in 1917-18 rose by more than 500 million yards, or by 46% above the pre-war average. There was a small increase in grey and bleached goods, while the quantity of coloured goods exported increased by nearly 6%.

The highly speculative condition of the piece-goods market during the year brought about a crisis among the cultivating classes in Bengal which necessitated the appointment of a cloth controller by Government, and the decision to manufacture "Standard" cloth by the mills. This had a depressing effect on the market and prices fell rapidly. Other causes also contributed their quota to this end, the chief among them being the prevalence of wide-spread famine conditions in India, the sudden change in the war situation, with the resulting panic due to the possibility of the conclusion of peace and the dumping of Japanese cloth in the local markets.

The chief features of the import trade in yarn and piece-goods of the year 1918-19 were a large increase in the quantity of cotton twist and yarn, and a large decrease in piece-goods, the figure for the former being 38 million pounds. The imports of foreign yarn of counts from 1s to 20s increased by nearly six times the pre-war average, but the Indian production in these counts fell to 402 million pounds from 446 million pounds in 1917-18. The feature of the year was the large increase in the imports from Japan, and the decrease in the United Kingdom's share. Japan supplied over 27 million lbs. or 72%, chiefly counts 16s to 20s, and 31s to 50s against 4 million pounds in 1917-18.

In regard to Indian piece-goods, exports and production were above the pre-war average.

The reduction in exports of cotton yarn was much greater than the decrease in production. Counts 1s to 20s accounted for 95% of

the total. The trade with China received an impetus from the news of an embargo placed on exports from Japan causing a rise in yarn prices in China, and the spinning section had a good time, the rise of silver making the Chinese exchange favourable to us.

During the year, enquiries were received from countries outside India for Indian cloth, which used to get their supplies previously from England and other countries.

The year 1919-20 was marked by the enormous shrinkage in the quantity of imported twist and yarn, the total being the lowest since 1866-67.

It was during this year that Bombay mills reduced the hours of work from 12 to 10 without any sacrifice in pay.

During 1920-21, the fall in exchange brought about a serious crisis in the industry. Large orders for piece-goods had been placed in the United Kingdom at a time when exchange was high, but by the time that deliveries came to be made, the exchange had fallen and importers in India were faced with enormous losses. They had banked on the stability of the rupee at 2*s*. gold, but the simultaneous fall in exchange and in rupee prices was one of the many abnormal features of the year's trade. It was resolved that no fresh business was to be entered into and payment for British goods already arrived was postponed until the exchange should reach 2s. per rupee, and for Japanese piece-goods, until exchange had reached Rs. 150/- per 100 Yen.

Owing to the fact of the comparatively small range of goods in which Indian mills competed with Lancashire, they did not take advantage of the temporary cessation of orders for Lancashire.

The exports of yarn from India to China were seriously affected by the famine in that country which accounted for her taking only 63 million pounds.

The year also saw the rise of the old Swadeshi movement and the cult of handspun and hand-woven "khadi" was at its height, the demand being so great as to raise the rates from 13 as. and 14 as. to Rs. 1/2/- per lb. It adversely affected the sale of unbleached fancy goods, as also bleached goods, though not to the same extent. It was also reflected in greater imports of twist and yarn, spun from

longer stapled Egyptian and American cotton, being more suitable for hand-weaving than Indian cotton.

In the following year, 1922, the conditions arising out of the inability of Indian piece-goods merchants to meet their heavy commitments, continued to operate as a bar to revival of trade and Indian distributing centres were, as a result, seriously overstocked. Despite the resolutions passed by several associations and bodies of piece-goods merchants forbidding their members to settle contracts except at the rates mentioned above, settlements were arrived at in many cases. The year was one of decent profits, but the trade in yarn was disappointing as prices failed to respond to the rise in cotton which led to the mills' margin of profits being reduced till it almost reached vanishing point, at the end of the year and as goods were difficult to move even at low prices, there was a general accumulation of stocks. The curtailment of exports and the seriously reduced purchasing power of the country in general caused a depression to overtake the market. It was again in this year that Japanese imports loomed large at prices which forced down the rates for Indian-made goods. There was an increase in the number of spindles in Japan from 3,488,262 in 1919 to 4,532,036 in 1922, whereas in India, the increase was only 6,41,536. This increase in spindles was accompanied by their being worked at full capacity.

The year 1923 was the beginning of the period of depression, and was marked by violent fluctuations in the prices of both raw cotton and the finished article which made the position of the mills very uncertain. In the imports of yarn of counts from Nos. 1 to 20, Japan sent 12 million pounds out of a total of 13 million pounds. She thus became a strong competitor with Indian mill-made yarns. The export trade in yarn for the greater part of the year was very disappointing—the Japanese earthquake in September causing a revival and some rise in prices. The Indian industry had to comply with the demand for mill-made khaddar for which the margin of profit was very small.

During 1924, the demand for Indian mill-made cloth was never very active owing to the continued fall in prices and the increasing imports of Japanese goods. Stocks therefore continued to accumulate.

The Japanese imports of yarn continued to increase in the following year, being as high as 32 million lbs. She only had 2% of

the trade in 1913-14. In former years, she sent mostly lower counts which competed with the production of Indian spindles, but of recent years, her imports of yarn have been of higher counts, and she competed more with Lancashire.

In local production of yarn, there was an increase of 16% over the previous year, being most marked in counts from 11s to 30s. India's yarn markets, Persia, Aden, Syria and Egypt prefer finer yarns and this demand has given a stimulus to the production of finer yarns.

China again reduced her demands for yarn, buying her requirements from local mills, particularly from Japanese mills round Shanghai.

The total production of Indian piece-goods increased to nearly 2,000 million yards, but only a small portion of the total quantity produced was exported.

The year 1925-26 witnessed a fall in the production of yarn by Indian mills from 719,390 thousand lbs. in 1924-25 to 686,427 thousand lbs., although during the next year the record was reached of a production of 807,116 thousand lbs. which was fully maintained in the year 1927-28. During 1928-29, however, the production fell very low to 648,283 thousand lbs. only, due largely to the mill strike in Bombay which broke out in April and lasted till October 1928. It is noteworthy that the production of counts between 31 and 40, and over 40 is greatly on the increase, the total of counts over 40 having nearly doubled in 1928-29, as compared to 1924-25 from 5,822 thousand lbs. to 10,029 thousand lbs. The production of counts between 31 and 40 also nearly doubled during these years. The imports of cotton yarn during these years, 1924-25 to 1928-29 is almost at a standstill, though the imports for 1928-29 show a great decrease to 43,766 thousand lbs. from 52,345 thousand lbs. for the year 1927-28 and 49,425 thousand lbs. in 1926-27. There has been an increase in imports of counts about 40s from 7,562 thousand lbs. in 1926-27 and 8,040 thousand lbs. in 1927-28 to 9,331 thousand lbs. in 1928-29, while there has been a decrease in imports of counts between 31s and 40s during these few years from 24,405 thousand lbs. in 1926-27 and 27,305 thousand lbs. in 1927-28 to 19,937 thousand lbs. in 1928-29. There has also been a decrease in quantity of counts, 1 to 20 from 1,068 thousand in 1926-27, and 2,465 thousand

lbs. in 1927-28 to 1,098 thousand lbs. in 1928-29. Due to the imposition of a specific duty of -/1/6 per lb. on yarns, the value of which did not exceed Rs. 1/14/- per lb., in the year 1927, the quantity of imports has been checked. During the first 10 months of the year 1929, the imports have been of the value of very nearly 39 million lbs. The percentage of imported yarn to the total quantity of yarn available to hand-looms (*vide* the table) has decreased from 18% in 1925-26 to 16% in 1928-29, and should have been lower still, had it not been for the general strike in the Bombay mills. The exports of yarn from India have also recorded a great fall in quantity from 41,514 thousand lbs. in 1926-27 to only 24,697 thousand lbs. in 1927-28 and 24,319 thousand lbs. in 1928-29. The value of yarn exported during these years fell from 308 lakhs of rupees in 1926-27 to 188 lakhs of rupees in 1927-28 and 196 lakhs of rupees in 1928-29. The decline in the exports of yarn since 1926-27 has been entirely due to the loss of the Chinese market.

The quantity of woven goods produced in Indian mills shows a steady increase since 1913-14 when it was 1,164 million yards. In 1919-20 it was 1,639 million yards, in 1927-28, 2,356 million yards while it dropped to 1,893 million yards during 1928-29, due to the strike in Bombay of about 6 months' duration, from April to October 1928, and to the communal riots during February 1929 and before the industry settled down after these riots, a fresh strike commenced. The year 1928-29 therefore in regard to the Cotton Mill industry might be called an abnormal year.

The exports of Indian piece-goods which were 89 million yards in 1913-14, stood at more than double the figure in 1926-27, when it was 197 million yards, and was slightly reduced in 1927-28 and 1928-29 to 168 and 149 million yards respectively. During the ten months ended 31st October 1929, the exports have been 122 million yards. The exports in 1926-27 were Rs. 732 lakhs in value, in 1927-28 they were Rs. 619 lakhs in value while in 1928-29 they fell to Rs. 537 lakhs in value. Persia was our largest single customer which took as much as 23 million yards in 1928-29; in 1926-27 it took 37 millions yards from us. We have been losing ground in our trade with Persia during the last three years due to the increasing severity of the European competition; our trade with Iraq has also been decreasing; from 38 million yards in 1926-27, our exports to Iraq fell to 18 million yards in 1928-29.

Coming to imports we find that the imports of cotton manufactures since 1924-25 have been lower in value. From 82 crores rupees worth in value in 1924-25 the imports of cotton manufacture fell to 65·67 crores rupees in 1925-26, 65·65 crores rupees in 1926-27, 65·16 crores rupees in 1927-28, and 63·24 crores rupees in 1928-29. Of the decrease in the imports in 1928-29 by 2 crore rupees compared with 1927-28, 1½ crores rupees is due to the decline in imports of piece-goods and 50 lakhs of rupees is due to decline in imports of yarn. In quantity the imports of piece-goods fell by 37 million yards to 1,936 million yards in 1928-29. The imports during the ten months ended 31st October 1929, have been 1,662 million yards. In view of the long drawn out strike in Bombay which greatly reduced our production, the imports ought to have increased in quantity. The explanation, however, lies in the fact that there were heavy stocks accumulated in the country. The uncertainty in Manchester prices which varied with the price of American cotton was also responsible for the decrease in imports. It may be of interest to note the percentage shares of the principal foreign countries in the total imports of piece-goods. The trade with the United Kingdom has shown a declining tendency. From supplying 97 per cent. of the total imports in 1913-14, her share fell to 88 per cent. in 1924-25, 82 per cent. in 1926-27, 78 per cent. in 1927-28 and 75 per cent. in 1928-29. Japan, on the other hand, which supplied ·3 per cent., in 1913-14 went up to 8·5 per cent. in 1924-25, 13·9 per cent. in 1926-27, 16·4 per cent. in 1927-28 and 18·4 per cent. in 1928-29.

We will mention in passing a word about the Indian cotton trade. The cotton crop of India in 1927-28 was big, while the industry was in a state of depression for 6 months in 1928. There was thus a reduced demand for Indian cotton in India, and this led to an encouragement of export of cotton. The pre-war average of export of raw cotton is 2,407,300 bales (400lbs.) of cotton; in 1925-26, it was 4,173, 400 bales; in 1927-28 2,686,600 bales, and in 1928-29, it was 3,711,700 bales—the increase in export of raw cotton in 1928-29 being for the causes mentioned above. The share of Japan and China in our raw cotton went up. Japan which took 1,235,000 bales valued at 22 crores of rupees took 1,610,000 bales valued at 29 crores of rupees in 1928-29.

Imports of raw cotton into India during 1928-29 were also reduced due to the Bombay mill strike of the duration of 6 months.

From 3,70,000 bales of the value of Rs. 6·74 crores in 1927-28 these imports fell to 162,000 bales of the value of Rs. 3·9 crores in 1928-29. Supplies of American cotton declined from 279,000 bales valued at Rs. 4·37 crores in 1927-28 to 66,000 bales valued at Rs. 1·38 crores in 1928-29.

Having dealt with the various noteworthy features of the trade in India in respect of cotton, yarns and cotton manufactures we will now review the principal events and features during the post-war period which have prevented the cotton industry from progressing to its full possibilities, and which are responsible for its present depressing state. We will turn our attention firstly to the fiscal policy of the Government and its bearings on the industry.

Fiscal policy of Government.

In the year 1916 it was considered unwise to go on with "uncovered deficits" as the war continued. The general rate of import duty was therefore increased from 5½% to 7½%, but cotton goods were not touched. Sir William Meyer's apology for not raising the cotton duties was due to the desire to avoid all contentious questions when the Empire was involved in the perils of the war. Sir Ibrahim Rahimtoola moved an amendment to raise the duty from 3½% to 6% but it was lost by the official majority. In their anxiety to avoid a controversy between Lancashire and India, the Home Government struck at the politically weak point, *viz.*, India, by refusing a perfectly legitimate demand. In 1917-18, in view of the taxation required for the making of the special war contribution free gift of 100 millions to the Imperial Treasury, the Government of India were permitted to raise the import duty on piece-goods from 3½% to 7½%, and assimilate it to the general tariff rate while leaving the excise at 3½%. The measure was welcomed as a wholesome departure in the fiscal policy of the Government and as a step towards righting what was universally regarded as an economic

wrong. Lancashire agitation, however, at once revived. Mr. Austen Chamberlain, the then Secretary of State for India, stood firm and refused to budge an inch from the position which he had taken up in supporting the Government of India in this matter "The London Times" had the following remarks on the revival of the Lancashire agitation :—

> "The Indian cotton excise duty has always been politically, economically, and above all morally indefensible. It has been deeply resented from the outset and has remained an open sore. The plea that 'the poor Hindu' will have to pay more for his clothing is merely nonsensical. At the bidding of Lancashire, the Hindu peasant has had to pay more for his clothing for twenty years because, although it is made in his own country, it is subject to an excise duty."

In 1921-22, the general rate of import duty was increased from 7½% to 11%, and also on cotton goods, while the excise duty remained at 3½%. An import duty of 2½% was, however, imposed on mill machinery and stores used in spinning and weaving. There was again a severe agitation set up by Lancashire, but Mr. Montague, the Secretary of State for India, boldly declined to interfere with the newly conferred right of the Government of India to consider their interests first so long as they were in agreement with their legislature on the subject. In 1921-22, there was a deficit of 34 crores of rupees in the budget and it was not possible to continue living on credit. Though no change was made in the cotton duties and excise, a duty of 5% was placed on yarns which were hitherto exempt. Mr. Seshagiri Iyer took up the case on behalf of the handloom weavers against the imposition of duty on yarns but in view of the financial exigencies his opposition was of no avail. Besides, since 1921 the dyeing, sizing and finishing materials were assessed to duty at 15%, and this added considerably to the cost of production of the cloth. As a result of the resolution issued by the Government of India on 7th June, 1927, on the report submitted by the Indian Tariff Board (Cotton Textile Enquiry), the import duty on cotton textile machinery and mill-stores was remitted for a period of 3 years, and legislation was introduced to remove altogether with effect from the 1st of October, 1927, the duties on aniline and alizarine dyes, bleaching powder, sago flour, cotton ropes, etc.

It will be interesting to review here the operations of the Excise Duty. The amount in lacs of rupees realised through Excise Duty from the Cotton Mills in British India from 1913-14 onwards is given below:—

1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
54·38	49·40	49·25	44·61	76·20	138·17	155·14
1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.
230·92	219·16	187·34	156·51	217·66	146·60*	36·948*

The history of the opprobious Excise duty has been dealt with in a previous chapter where it was shown that the introduction of the Excise duty had its origin in the behest of the Lancashire Cotton interests. Lord Hardinge was so much convinced of the iniquity of duties that he had pledged publicly the necessity of their abolition at the earliest possible opportunity. The majority members of the Fiscal Commission of 1921-22 made the following observation in favour of the immediate abolition of the Excise Duty:

> "This tax has from the first been regarded as a conspicuous example of political domination being used for purposes of economic domination. The charge against the cotton Excise of India is primarily and essentially that it has not been levied "by consent of the estate", and the claim is that till that consent is freely given, the excise should not be levied. We recommend therefore that the existing cotton Excise duty should in view of its past history and associations, be *Unreservedly condemned*, and that the Government of India should frankly express their desire to clean the slate."

The minority of the Indian Fiscal Commission suggested that the best way to replenish the reservior was to stimulate industrial development by a policy of protection and cited in this connection the case of the United States of America and Japan. Since 1924, the Bombay Mill-owners' Association and the various Chambers of Commerce were urging upon the Government of India the great necessity of freeing the cotton industry from the burden of the Excise duty.

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*The excise duty on cotton manufacturers was suspended from 1st December 1925, and abolished in 1926, by the Repeal of the Cotton Duties Act II of 1896.

It was argued that the duty deserved to be abolished on the following grounds:—

1. Confinement of the duty only to one industry;
2. The ratio of the Excise duty to the manufacturing costs;
3. The subsidiary taxation borne by the Cotton industry;
4. The growth of foreign competition in the Indian piece-goods trade.

The Mill-owners' Association also brought to the notice of the Government of India that when the Cotton Excise duties were first imposed, the Indian mills were chiefly exporters, and since that time as a result of the development of the cotton industry in China and Japan, the unsuitable currency policy of the Government, the high cost of freights, the excessive taxation on the Indian cotton mills, the increased cost of machinery and labour, the foreign trade of India had practically disappeared with the result that only the Indian market was left to the Indian mills, and that even this market stood the danger of being lost to the Indian mills on account of the Japanese competition. It is significant to note that inspite of the Japanese mills having to purchase their cotton in India and to defray the cost of its transport to Japan in its raw state and back again in the manufactured state, the Japanese goods could afford to pay an import duty of 11% and undersell the Indian products in Indian markets. The reasons for this state of affairs were described by the Bombay Mill-owners' Association to:—

1. Cheap female labour in Japan;
2. Longer working hours;
3. State aid;
4. Low freight rates; and,
5. Lesser taxation on the Japanese mills.

A resolution moved by Seth Kasturbhai Lalbhai recommending to the Governor-General in Council to take early steps to abolish the cotton Excise duty was adopted by the Indian Legislative Assembly in 1924. The Bombay Mill-owners' Association brought out at this juncture two well written pamphlets called (1) A short History of the

Excise Duty on Cotton goods, and (2) why the Cotton Excise Duty should be abolished. The suspension of the Cotton Excise duty was brought into effect from the 1st of December 1925, as a prelude to its total abolition in the budget in March 1926. The Cotton Excise duty stood condemned on all hands from its inception on political and commercial grounds, but the Government paid no attention to it for a period of 30 years inspite of the unanimity of public opinion against the Excise duty and the utterances of persons of authority and weight. Due to the vigorous campaign carried on by the Bombay Mill-owners' Association as a result of the severity of the Japanese competition which they experienced after 1922, the Government were compelled to abolish this duty. In reply to a deputation that waited on His Excellency the Viceroy from the Bombay and Ahmedabad Mill-owners' Associations, His Excellency the Viceroy, had suggested that the Tariff Board might be asked to enquire into the conditions of the Cotton Industry in India for the purpose of determining whether it was in need of protection and, if so, what modifications were required in the Tariff duties whether on imports generally or on imports from particular countries. In reply to this suggestion of His Excellency the Viceroy, the Bombay Mill-owners' Association stated in October 1925, that the Association might ask possibly for an enquiry by the Tariff Board if the Cotton mill industry found itself in need of protection against competition from countries which ignored the Washington Coventions regarding hours of labour or which enjoyed indirect benefits owing to depreciation in Exchange or other circumstances. The suspension of the Excise duty in December 1925, was found insufficient by the industry to offset the advantages that Japan had over Indian mill-owners owing to depreciation in Exchange, double shift work, employment of female labour at night, indirect subsidies, low rates of freight, etc. That the industry was in difficulties even the Government of India could not deny, and they recognised that Japanese Mill-owners had an advantage somehow over the Indian mill-owners. But, in their opinion, there was no *prima facie* case made out for a Tariff Board enquiry. The Bombay Mill-owners' Association at a general meeting passed a resolution requesting the Government of India to undertake a comprehensive enquiry by the Tariff Board into the causes of the present depression in the Bombay Cotton Textile industry. After a thorough consideration of this question, the Government of India published a resolution on the 10th June 1926, accepting the proposal

of the Association for an enquiry by the Tariff Board and appointing a Special Tariff Board *with the following terms of reference:—

1. To investigate the condition of the cotton textile industry in India, with special reference to the industry in Bombay and Ahmedabad;

2. To examine the causes of the depression in the industry and to report whether they are of a temporary or permanent character;

3. In particular, to consider whether, and if so to what extent, the depression is due to the competition of other countries in the home and export trade;

4. To report whether, having regard (*i*) to the fact that the industry has long been firmly established in India, and (*ii*) to the interests of the consumer and to all other interests affected—

   (*a*) the industry is in need of protection, and

   (*b*) if so, in what form and for what period protection should be given; and

5. To make any recommendations that are germane to the subject.

The Bombay and Ahmedabad Mill-owners' Associations submitted their written memorandum to the Tariff Board laying stress on the necessity of immediate action by the Government to grant protection in its hour of need to the Cotton Mill Industry which, in the words of His Excellency the Viceroy Lord Reading is "the greatest and certainly the most typical Indian industry in India."

After 1923 the industry has been experiencing unparalleled depression which is continuing till to-day. The chief factors leading to the present depression in the Bombay mill industry are (1) the loss of China trade in yarn to which we referred a little earlier, (2) the

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The personnel of the Special Tariff Board was :—

President :—F. Noyce, Esq., C.S.I., C.B.E., I.C.S.

Members :—N. S. Subba Rao, Esq., M.A., Bar-at-Law, Principal and Professor of Economics, Maharaja's College, Mysore. Rai Bahadur Pandit Hari Kishan Kaul, C.S.I , C.I.E.

Secretary :—Captain D. F. Keegan.

entirely ill suited currency policy of the Government, (3) unfair competition from Japan in home and foreign markets, (4) the increase in costs of manufacture under different heads, *viz.* labour, stores, power, municipal, provincial and imperial taxation, insurance, interest, etc. (5) high railway freights. The closing of the mills in 1893 seriously affected the industry by reducing our export to China and encouraging the Japanese and the Chinese to start their own mills. The adoption of 2*s.* ratio by the Government of India in 1919 was another cause of the depression in the industry. In spite of the efforts made by the Government, the sterling value of the rupee went on falling until it reached 1s. $\frac{1}{4}d.$ gold, and it was only during 1925-26 that the ratio was in the neighbourhood of 1*s.* 6*d.* gold. Up to 1922 Japan having a gold basis, had an exchange parity of 2*s.* 5/8*d.* per Yen which was roughly equivalent to Rs. 153/- for 100 Yen at the 1*s.* 4*d.* exchange. After 1922, the Japanese exchange fell from 2*s.* 5/8*d.* to 1*s.* 7·3/16*d.* This had the result of reducing the Yen exchange in terms of rupees to Rs. 108/- per 100 Yens, and from 1922 onwards the principal advantage which Japan had obtained was through this drop in the rupee exchange which enabled her to dump large quantities of piece-goods and yarn in the Indian markets for competing with Indian mills. The fixation of the ratio at 1*s.* 6*d.* in 1927 against the unanimous wishes of the commercial community hit the Indian Cotton Textile Industry very hard, as it offered a boon to the foreign manufacturer by giving him a virtual bounty of 2*d.* in the rupee at the expense of India. The handicap that the exchange imposed on the industry has been admitted even by the Tariff Board. It has hit this industry, other industries, and the country in general, very hard. It has reduced the purchasing power of the people and given stimulus to the foreign industrialists.* Even to-day all the industries are passing through a very critical period, which is largely due to the currency policy of the Government and the ill-fated fixation of the exchange value of the rupee at 1*s.* 6*d.* the maintenance of which has necessitated continuous deflation of currency and other operations which have demoralised the money market in India and has done considerable harm to the

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* In his Annual Report of the Department of Industries in Bengal for the year 1928-29, the Director admits while discussing the causes of backwardness of the industrial development that it is due to the constriction in the purchasing power of the people brought about mainly by the financial policy. No one can say that this opinion expressed by a high Government official is prejudiced or biassed in any way

Government's credit inasmuch as for raising any new loans either internally or externally it has to pay ever-increasing rates of interest.

The reduction of railway freights on Mill-made goods to Calcutta, Delhi, Cawnpore, Lahore, Amritsar and othe Piece-goods and Yarn markets would also be of great help in enabling the Industry to meet with the unfair keen competition of the foreign countries. The present railway rates do not give any facilities for the cheap transport of manufactured goods from towns to up-country places, and on the contrary, what is more, take away the little protection that the Industry has got by means of the import duty on foreign piece-goods. The eloquent and cogent appeals made by the various Chambers of Commerce and Mi'l-owners' Associations for the reversion to 1*s*. 4*d*. ratio have fallen on deaf ears. The Bombay Mill-owners' Association even pointed out that while the Government of India might be able to save 3 crores of rupees by keeping the exchange at 1*s*. 6*d*. they were losing far more by having the industries of the country in a depressed state, unable to pay income tax and super-tax, and suggested that as long as this artificial management of exchange was continued, the industries of the country would have to be protected to get over their difficulties.

The report of the Tariff Board which conducted a detailed enquiry and to which we referred above was very much delayed in publication even after it was submitted to the Government of India. Ultimately the report was published on the 7th June 1928, along with the Government of India's resolution announcing their decision on the Report. The Tariff Board reported *inter alia* in paragraph 91 of their Report:—

> "We are agreed that in addition to the protection afforded by the present import duty of 5% on yarn and 11% on cloth, a moderate measure of protection can be justifiable for such a period as the labour conditions in Japan continue inferior to those in India."

The majority of the Tariff Board recommended the raising of the import duty on cotton piece-goods from 11% to 15% for a period of 3 years and the payment for a period of 4 years of a bounty of 1 anna per lb. or its equivalent on yarn of 32s. and higher counts based on production of an average of 15% of the total working spindleage in a

mill. The President of the Tariff Board, Mr. Noyce, however, recommended an increase of 4% only in the duty on cotton yarns and piecegoods imported from Japan. It is a matter of considerable regret, however, that the Government of India expressed their inability to accept any of the major recommendations for the protection of the industry from this unfair competition and only agreed to abolish the import duty on the principal mill-stores and to consider the proposal for establishing a combined dyeing, bleaching and printing factory after ascertaining the views of the local Government and of the Indian mill industry in Bombay and elsewhere. The Government of India stated in the resolution also that on the facts as found by the Tariff Board they were satisfied that no case has been established for a general increase in the duty as a measure of protection. This unfortunate decision of the Government met with strong dissatisfaction of the general public and the mill-owners and evoked bitter and widespread indignation throughout the country. Many deputations waited on the Viceroy and many representations were made to the Government requesting them to review their decisions and to grant protection to the industry. The attention of the Government was also invited to the statement made by the Tariff Board on page 174 of the Report where they agreed that an undoubted temporary handicap had been imposed on the industry by the stabilisation of the rupee at 1*s.* 6*d.* The exchange value of the Yen which was at its gold parity when the Report was written had declined materially, thus rendering the position of the industry in relation to Japan even more difficult. As a result of the strong agitation and propaganda carried on by the Bombay Mill-owners' Association the Government of India published a Press Communique on the 16th of August, 1927 giving their revised decisions by which they decided to impose a specific duty of $1\frac{1}{2}$ annas per lb. on all imported yarn unless its value exceeded Rs. 1/14/- per lb. in which case the duty would by 5% *ad valorem;* this arrangement to remain in force till 31st March, 1930 for the reason that under the Japanese Factory Law, night work by women would be prohibited from 1st July 1929, and as it was expected that all yarn produced by mills employing women on night work would be off the market before the 30th March, 1930.

It is likely, however, that in view of the fact that this import duty has had no adverse effect on the handloom weaving industry which uses largely Indian yarn, the percentage of foreign yarn to

Indian yarn being about 15%, no change will be made in the present specific duty of yarn. It is regrettable, however, that the Government remained adamant and stuck to their original decision on the ground that the existing 11% duty was sufficient to offset the unfair advantage enjoyed by Japan, and that any increase in the duty would unfairly penalise the consumer. Cases are very common in this country when the bogey of the interests of consumers is always brought forward like this by the Government whenever any protection to industries is in contemplation.

The Tariff Board also recommended that there was much room for improvement in the methods of supervision and management of the Managing Agents and made several suggestions in paragraphs 59—71 of their Report indicating precisely the lines in which the improvements were urgently required. The Bombay Mill-owners' Association has been taking action on several of these suggestions. It must be admitted, however, that even to enable the Bombay Mill-owners' Association to set their house in order, a breathing space must be given to them by making it possible for the industry to run on normal lines. The Cotton Textile Tariff Board also suggested that the over-capitalisation of the Bombay Mills has contributed to accentuate the depression in Bombay and also remarked that the dividends paid by the Bombay industry during the boom period were unduly high.

Industry in up-country centres and in Ahmedabad in relation to Bombay.

There is no doubt that the mills situated in Ahmedabad have some special advantages over the Bombay mills due to a variety of reasons; for instance, the management of the mills in Ahmedabad is much more economical as the Managing Agents take a keen personal interest in the management of their mills in which they have a large stake unlike some of the Managing Agents or the Bombay mills who have many kinds of business to attend to and who are, therefore, unable to look to the management of the mills as assiduously and closely as the managing agents of Ahmedabad. As the Tariff Board have pointed out, the greatest disability in the cost of manufacture from which Bombay suffers in comparison with Ahmedabad and other up-country centres is in its high cost of labour. Bombay has also certain substantial disadvantages as compared

with other centres in regard to cost of fuel, power, local taxation, cost of water, etc., though these are offset to a considerable extent by the advantage that Bombay has in respect of cost of stores, of insurance and office expenses. The Ahmedabad and other up-country mills[1] are at an advantage in comparison with Bombay in other matters also. Proximity to local markets is no small advantage which the up-country mills have in comparison to Bombay. In Ahmedabad and other centres, outbreaks of strikes are not frequent and have never been of the virulent type that Bombay has experienced during the last few years. The Bombay Cotton mills experienced the longest strike on record in the history of the industry in the year 1928 when almost all the mills were affected. The Ahmedabad mills have a much more contented and controllable labour force and in the event of any disputes arising, thanks to the Board of Arbitration which has been set up there for dealing with such disputes, whenever they arise, a settlement is arrived at without any avoidable delay. This has served to keep the cost of production low. It is also noteworthy that even while Bombay has been experiencing such acute depression, the industry at Ahmedabad and other up-country centres has not been faring very badly. In respect of the production of the coarser kind of cloth, the cost in Bombay is about 2 annas higher than the cost in the up-country mills. The inevitable result is that the mills situated in the up-country can undersell Bombay. As stated above, the reasons for these are that Bombay has to import cotton from up-country for which pressing charges and other charges such as railway freight, etc., have to be borne. Then again, she has to pay $\frac{1}{2}$ anna to one anna per lb. for exporting that cloth. Even for coal charges and other incidental charges, it costs Bombay about one anna per lb more than the up-country mills. The Tariff Board also remarked, that Bombay is not in a position to compete with up-country mills in respect of the coarser kinds of goods. Another handicap that Bombay has in relation to the up-country mills is her unsuitability to adopt the

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1 Due to various advantages that the upcountry mills have over Bombay in respect of production of coarser goods, any new mills that may hereafter come into existence may be established in upcountry centres and Bengal may also be found a suitable centre for the location of mills. Bengal has, at the present time, only a very few mills and imports nearly 15 crores worth of piece-goods from outside Bengal, calculating the average consumption of cloth per head at roughly 12 yards per annum. It is a wrong belief that as cotton does not grow in Bengal, mills situated in Bengal cannot be profitable to work. Bengal has certain advantages over Bombay and Ahmedabad in respect of its humid climate, proximity to coal-fields and reduction in the coal freight, and a huge market at home which is now being catered for by several upcountry mills lying as far as Ahmedabad.

double shift system due to the congestion in the city. The only alternative, therefore, is that Bombay should utilise to the full her natural conditions in the matter of climate and situation for the production of goods of higher counts than she has done in the past. The difficulties, if any, in regard to acquiring suitable raw material, are not unsurmountable, as these can be overcome temporarily by importing American and African cotton till such time as long stapled cotton is available in India. The Tariff Board also suggested that in the Bombay Mill expansion of bleached, coloured, dyed and printed goods lies one remedy for the depression of industry in Bombay. The salvation, therefore, of Bombay lies in taking as fast as she can to production of finer goods, which do not come into competition with up-country mills, and to enable her to do so, I must emphasise that it is the imperative duty of the Government to grant it protection against foreign countries to the extent of about 9 per cent. by raising the tariff to 20 per cent. It must have been clear by now that the additional protection that Bombay mills require is not so much against the foreign imports of coarser cloth, protection against which is required, however, by the up-country mills, but against finer cloth. As soon as protection against finer goods is available, Bombay should take to the manufacture of finer goods and thus supply the requirements of India of fine goods which are now met by Lancashire and other foreign countries. It should, therefore, be borne in mind that any talk of Imperial Preference which would grant protection to the industry only against the coarser goods of Japan and other foreign countries is unacceptable, leaving alone for a moment even the political grounds on which Imperial Preference is opposed by the country and the Assembly. The Assembly turned down on a previous occasion a scheme of Imperial Preference and in the particular case of the cotton industry, in addition to the political sentiment against it, there is the economic factor also which requires that protection should be given on all kinds of imported piece-goods, fine as well as coarse.

The Cotton Textile Tariff board also recommended that the development of export trade in Bombay would be a valuable means of relieving the depression, and to enable the industry to do so, adequate information about foreign markets should be obtained. For that purpose, they suggested the appointment of a Trade Mission which would collect adequate information in regard to the markets in which there was any prospect of developing the trade. In

January, 1928, the Government of India appointed a Trade Mission consisting of Dr. D. B. Meek, Director-General of Commercial Intelligence and Statistics, as Government representative, Mr. T. Maloney, Secretary of the Bombay Mill-owners' Association as the representative of the Cotton Textile Industry and Mr. J. P. Dutia of Messrs. Lalji Naranji and Company as a Technical Adviser to advise the Mission. The Mission started from Bombay in January 1928, and made rapid and valuable survey of the export markets of India in Persia, Iraq, Seria, Egypt, Aden, Turkey, The Sudan, Kenya and Uganda, Zanzibar, Portuguese East Africa and South Africa. The Mission returned to India in July and submitted their report which was published by the Government in December 1928. This report contained many valuable suggestions for the development of Indian export trade in yarn and piece-goods in the countries visited by them. The Mission recommended the appointment of Trade Commissioners for India at (1) Alexandria, (2) Mombasa and (3) Durban. The Government of India are considering the appointment of these Trade Commissioners.* It is a matter of regret however that the Government do not appreciate the necessity of appointing Indians with considerable commercial experience who are best fitted for helping in the development of Indian trade as Trade Commissioners. They are contemplating the appointment of men of the Civil Service presumably because perhaps the Government believe that they would be under greater control and would conform to official red-tapism better. But these Officers of the Civil Service cannot have that grasp of the problem (and for this they are not to blame) which persons with intimate knowledge of the yarn and piecegoods trade would have. The Government of India would do well to appreciate this view-point and to appointment as Trade Commissioners only Indians having intimate knowledge of the trade conditions.

I referred a little earlier to the observations of the Tariff Board that the Mill-owners' Association declared high dividends during the war. There is no doubt that the Mill-owners' in their greed lost an excellent opportunity afforded by the War of developing their market fully (1) by pushing their goods in India and making it self-sufficient in regard to her vital necessity of clothing the people with

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1 In January, 1930, the Standing Finance Committee of the Assembly sanctioned the appointment of two officers as Trade Commissioners, one in Europe and the other in Africa in 1931. The whole scheme outlined by the Government contemplates the appointment of six Trade Commissioners, one each at Hamburg, Milan, New York, Durban, Mombasa and Alexandria.

cloth manufactured in India, and completely ousting the foreign competitors, and (2) by exporting their manufactured goods abroad. The Mill-owners did not foresee that depression might follow the boom period, and distributed all the profits during the boom period instead of allowing them to accummulate in the shape of reserves which could have been drawn upon in less favourable times to equalise the return from the Industry. After the boom period, depression in in the Indian Cotton Textile Industry did come, and Japan pushed its goods in India of many times the value of the pre-War year. It must be observed in fairness to the Indian Mill-owners, however, that the declaration of high dividends during the War-time was not only confined to the Indian industry. The cotton industry of Japan also declared high dividends during the boom period although, of course, they took good care to build up simultaneously large-sized reserves to stabilise the industry. The account of the development of the Japanese industry in Japan as well as in China being of interest, I have briefly narrated it in the Appendix.

Another cause of depression in the industry has been the vexatious labour problem which has been causing great concern and anxiety of late. The relations between the Mill-owners and the workmen since 1923 when the depression in the Bombay Textile Industry set in, have not been happy. In the year 1925, there was a general strike in the Bombay mill industry consequent on a cut in the wages of the workmen by $11\frac{1}{2}$ per cent. due to the depressed state of the industry when the Mill-owners approached the Government for the abolition of the excise duty. This strike lasted for $2\frac{1}{2}$ months and ended when the Government suspended the excise duty and in consequence the Mill-owners restored the cut in wages. The Indian Cotton Textile Tariff Board made some suggestions for improvements in labour and for introduction of methods for obtaining an increased output per operative. Some mills tried to give effect to these suggestions for increasing the output per operative and this led to sporadic strikes which resulted in favour of the employers except in one case which resulted in a compromise. Although very many of these strikes failed, the alleged grievances of the workmen remained and later on, resulted in a general strike. In April, 1928, a general strike in Bombay City commenced without any warning whatever and it spread in almost all the mills in the city due largely to intimidation and stone-throwing which compelled most Mill Managers to close down their mills. No demands were formulated by the men prior to going

on strike and no statement was submitted to the Mill-owners for redress of the specific grievances. To all intents and purposes, this strike was a lightning strike and in the words of the Labour Gazette, "owing to the strenuous propaganda carried on by certain labour leaders in favour of a general strike by holding mass meetings and intimidating the operatives in the working mills, the number of mills closed began to increase steadily from the 23rd April and by the 26th all the cotton mills in Bombay City except one had to be closed and nearly $1\frac{1}{2}$ lakhs of textile workers were thrown out of employment." The intervention of the Governor of Bombay and other officials was of no avail. The strike continued for a period of nearly six months, and it was called off on certain conditions. The Government appointed the Bombay Strike Enquiry Committee consisting of three Members in October 1928 to go into the terms of reference agreed upon between the parties, under the Chairmanship of Sir Charles Fawcett. The Report of the Fawcett Committee was published on 26th March 1929. During the intervening period, the extremist labour leaders of the Girni Kamgar Union made strenuous efforts to increase the number of their members and to prepare them for the contemplated strike which they had intended to bring about. The number of the members of the Girni Kamgar Union which was 324 in 1928 was increased to 54,000 in December, 1928 and continued to be at that figure up to March 1929. The main grievances of the workers prior to the general strike are summarised in the Report of the Fawcett Committee in paragraphs 10 and 11, prominent among which are the direct cut in wages, reduction in monthly earnings owing to indirect causes like the reduction of piece rates, introduction of new varieties of cloth at unremunerative rates, introduction of a method of paying wages on the weight of the cloth after it had undergone a subsequent process instead of the actual weight of the produce on the looms, etc. There were also minor grievances in connection with the infliction of fines, dismissal, etc., etc. From the 4th October, 1928, up to the declaration of the general strike in April 1929, there were no less than 71 strikes. There is no doubt, however, that the general strike of 1929 should have been settled by the Mill-owners and the workers in a more amicable spirit, and ruin to the mills, to the strikers, and to the country avoided. In the opinion of the Court of Inquiry appointed by the Government of Bombay on the 3rd July 1929, with Mr. H. G. Pearson as its chairman, the prolongation of the strike was due both to the aggressive and mischievous

propaganda of the officials of the Girni Kamgar Union and to the picketing and intimidation of the strikers and acts of violence committed by them on non-strikers. The Court of Inquiry also suggessted that some of the other difficulties in the way of a settlement were the absence of contact between the Mill-owners and the workers and the absence of any machinery such as Arbitration Boards to settle disputes as they arose. There is no doubt, that the strike had been prolonged for such an abnormally long period due to the ill-advised action of several labour leaders who made it impossible for the workers to go to work even if they desired. It is also necessary for the Mill-owners to recognise the growing tendency all the world over of treating labour as partner in the industry. It is in their interest to pay him well, make him stable by supplying sanitary dwellings and by keeping him contented in order to increase his efficiency* on which depends the prosperity of the industry in Bombay. The Mill-owners, ought also to be a bit liberal, humanitarain, and keep labour reconciled, avoid strikes detrimental to themselves, the labour and the country, and work their spindles and looms to their full capacity. On the part of labour, any loss of work to them must mean starvation and lowering of the standard of living, and the labour leaders realising their grave responsibility, should see that a strike is not resorted to as the first step but as the very last one, for redressing any grievances of the labourers, for it must be remembered that a strike is a very costly weapon for ventilating the grievances and arriving at an agreement. If the Mill-owners are approached by the labourers properly for redress of any grievances, in a spirit of conciliation, there is every reason to hope that if reasonable, the grievances will be redressed without their having to embark upon strikes. The labourers also ought to be patriotic enough and realise the consequence of long drawn-out strikes which only help to retard the industrial development of the country It may be hoped that the Royal Commission on Labour will make suggestions whereby strikes may be prevented or terminated without loss of time.

During the last two years, the cotton mill industry has been approaching the Government frequently for relief in one form

* One of the most cogent reasons for the comparative inefficiency, and irresponsibility among the labour is the general prevalence of illiteracy, and if the Government have the welfare of the Labour at heart, they ought to remedy it in the only possible manner, *viz.*, of compulsory education.

or another. They have been pressing for some additional protection to enable the industry to tide over its difficult period of depression and labour troubles. The Government have been sustaining the industry only on deferred hopes. In July 1929, however, the Government appointed Mr. Hardy, Collector of Customs, Calcutta, to examine the possibility of substituting the system of specific duties in place of the *ad valorem* assessment of cotton piece-goods. The report of Mr. Hardy was published in November 1929. The conclusion to which Mr. Hardy arrived after a careful consideration of the question, statistically and otherwise, was that on administrative grounds a charge from the existing *ad valorem* system of assessing duty was undesirable. Mr. Hardy also pointed out, *inter alia* that Japan and Italy were becoming serious competitors with India and that Lancashire was losing ground. The recommmendations of Mr. Hardy regarding the unsuitability of specific duties should serve to clear any misapprehension that the Government of India may have had in regard to the possibility of granting additional protection to the Indian industry against Japan, leaving Lancashire unaffected, by the surreptitious method of the specific duties. Any differentiation in the duty between Lancashire and Japan would have meant an admission of the Imperial Preference by the backdoor which as I observed before, would not have met with the acceptance of the Assembly and it is indeed gratifying to find that Mr. Hardy has bodly stated that such a change to specific duties is impracticable. Immediately after the publication of Mr. Hardy's Report, a Conference of millowners was held at Delhi in December 1929, on the invitation of the Government of India to discuss the issues raised in the Report. The Conference was unanimous in its opinion for the necessity of additional protection to the industry. The industry is still passing through a very difficult period and the result would be calamitous if the Indian Cotton Textile industry came to grief, because on the prosperity of the cotton textile industry depends to a large extent the prosperity of the whole country. The Government of India should take the earliest possible opportunity to formulate definite proposals for granting additional protection to the industry. Besides, it should not also be forgotten that even the British Government in Great Britain are anxious to increase the purchasing power of India. In 1929, Mr. Phillip Snowden, Chancellor of Exchequer, remarked that if the purchasing power of India could be increased by 6s. or roughly Four Rupees, it would relieve the unemployment problem of Great Britain,

because being the huge country that India is of 30 million people any little addition to her average national income would mean a huge total purchasing power. Even Mr. Thomas Ainscough, His Majesty's Trade Commissioner in India and Ceylon, remarked in his Report on the conditions and prospects of British trade in India that the textile industry in Great Britain must look for its expansion principally to an increased standard of living among the Indian population which will largely hinge upon the expansion of the Indian industries and commerce. Even in the interests of Great Britain, therefore, it is essential that the Government should embark upon a policy of giving full and adequate protection to this and other national industries.

What remains only to be discussed for me now is the goal of the Indian Cotton Industry. The goal of the development of the cotton industry can be formulated at either having a full command of the Indian market or at manufacturing the whole of the output of cotton. The former goal of catering for the Indian market if necessary by importing long-stapled cotton, for manufacturing finer goods till such time as it becomes available in India, appears to be better for the immediate future. By accepting the goal of supplying all grades of our demands in the Indian market, we can avoid the probable danger of competition in foreign countries (it is also doubtful whether we can stand competition) of any discriminatory tariffs against us and avoid the undesirable step of imposing any export duty on raw cotton to earmark the supply of cotton for us. By imposing any export duty on raw cotton we bring about a decline in the price of raw cotton and thus bring ourselves into conflict with the interests of the poor agriculturists by unnecessarily limiting his market and eventually his price. It is possible for the Indian Mills to capture the entire trade from the hands of the foreign manufactures by engaging in the production of such cloths which are required by the people, and which are now being imported from abroad. Bombay, for instance, can take to the spinning of finer, coloured and bleached goods which are now supplied by the foreign countries and replace them. This will also prevent the unnecessary internal competition between the Bombay Mills and the up-country mills in which Bombay is likely to lose due to the disadvantages she is labouring under, as compared to the up-country centres. It must also not be forgotten that the possibilities of expansion of the Indian goods in the Home Market are far greater than in the foreign market. The

possibilities of such expansion abroad are less than 100 million yards, and we compare these with the figures of imports and the annual production of the Indian Mill industry which alltogether amount to 4,000 million yards, we obtain a proper prospective of the immediate possibilities of the export trade. Besides, the existence of a huge market in the country itself, the growing sentiment of Swadeshism in the people, coupled with the advantage of a tariff protection against foreign competition should be sufficient reason for the Indian Cotton Mill industry to cater for the needs of India and make it self-supporting in this respect. There is no doubt that India can produce fine goods of a quality desired by its people, but for that it is essential that she must be given the necessary encouragement and protection, at least for some time to come, to enable it to run on normal lines. Next to agriculture, the Cotton Textile Industry is the most important and widespread industry in India controlled, financed and manned by Indians. It is one of the organised industries which the Indian Industrialists have been able to develop on scientific lines and on modern and up-to-date methods, inspite of the heavy odds against them.

The cotton textile industry is a valuable national asset giving employment to a large number of people, effecting the properity of the people of India and its safety and progress must continue to receive the close attention of her capitalists, labour leaders, politicians and economists. As trustees of the interests of this country, it is the paramount duty of Government, above all, that at the present critical period through which the industry is passing, they should offer their unstinted help by giving it adequate tariff protection all round, by removal of the handicap imposed by the present high rate of exchange at 1*s*. 6*d*. by reverting to 1*s*. 4*d*. advocated strongly by the commercial community, and by giving it other facilities to enable it to tide over this period of anxiety and depression consequent on losses[1]; and

[1] "The Times of India" under the caption "A National Industry" wrote in January 1930, an article depicting the losses which the cotton textile industry has suffered and the consequences of its extinction. An extract from that article is quoted below for information of the readers :—

There has been prepared, under the supervision of a firm of accountants of the highest repute, a statement showing the financial position of the Bombay cotton mills. This demonstrates that from the year 1923 to the end of 1928 it worked at a heavy loss. The aggregate of these losses is eleven and a half crores of rupees, and the number of mills in operation has been reduced from eighty-one to seventy-three. This is only part of the tale of disaster. Taking the mills which have written down their capital, experienced the pangs of liquidation, and have either been reconstructed or sold to new concerns in the past four years, the total amount

thus to give it breathing space to set its house in order. On the part of the people, it is their duty t' help the industry by using cloth made in India, even at sacrifice.*

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of capital lost to the public is approximately six crores of rupees. There are also four mills in liquidation with a combined capital of a crore of rupees. Is there anyone in the country, and especially in the city of Bombay, who can view this position with any feeling other than one of dismay? Whither are we drifting, and what will be the consequences of further drift? The textile industry is the lifeblood of the City. Take it away and although Bombay will remain a first-class port it must decay into a second rate city.

* The Commercial Community, Indian as well as European, has veered round to the view that the the fixation of the exchange at 1s. 6d. on the Statute Book by the Government of India in the year 1927 was a blunder, that the apprehensions expressed by the Commercial Community at that time have come true, that the higher exchange has hurt the indigenous industries, and that it is the duty of the Government to rectify this mistake without any further delay. Mahatma Gandhi writing in the course of an article in the "Young India" dated the 30th January, 1930, commenting on the address delivered to the Assembly by H. E. the Viceroy in the last week of January 1930 has suggested for the consideration of the Viceroy a list of the pressing and vital needs of India which the Viceroy should satisfy and he has also included in this list of points the reduction of the ratio to 1s. 4d. also. This should serve to show that not only the Commercial Community but the general consumers whose point of view Mahatma Gandhi is voicing, is entirely at one that the present depression in the trade and industries of the country is largely due to the higher exchage ratio.

APPENDIX.

The development of the Japanese Cotton Industry in Japan and China.

The rapid progress of the cotton industry in Japan and China is noteworthy. The number of cotton spinning and weaving mills in Japan has increased from 190 in the year 1919 to 259 in the year 1928. The number of spindles (rings and mules) has gone up from 3,488,262 in 1919 to 6,467,174 in 1928, while the looms have gone up from 44,401 in 1919 to 81,209 in 1928. The paid up capital in Yen has more than doubled itself. In 1919 it was 165,758,695 Yen whereas in 1928 it was 419,792,127 Yen. The reserves have nearly doubled from 139,073,867 Yen in 1929 to 249,978,831 Yen in 1928. The paid-up capital of the Mills in the membership with the Japan Cotton Spinners' Association which represents about 97% of the total spindleage in Japan and between 40 and 50 per cent. of the Power Looms, shows an increase from 50,932,238 Yen in 1907 to 376,817,127 Yen in 1928, while the reserves in 1928 have increased to 241,821,054 Yen from 19,120,271 Yen in 1907. The dividends declared by these mills were 20·60% per annum in 1907 to 51·20% in 1918, 50·45% in 1919, 37·20% in 1920, 25% in 1922 while since 1922 they are near about 15% per annum. Indian cotton still finds favour with Japan so long as its parity is not above the American. The gross freight on cotton from Bombay to Japan is 4·56 Yen per bale, and from Karachi to Japan it is 5·40 Yen per bale. The Japanese spindles have been satisfied with 7/8 inches American cotton which is now in general use, and Japan is likely to use increasing quantities of American cotton. During the quinquenniums, 1912-16 and 1927-21, it was found that the consumption of American cotton had gone up in Japan by 78% whilst the Indian cotton had witnessed an increase of only 25%.

Mixing of cotton is an art of which the Japanese mills are justly proud. Each mill has its own mixings which differ according to the price at which the yarn is to be sold or the purpose for which it is wanted. Frequently two kinds of Indian cotton are mixed such as 50% Oomrahs and 50% Bengal. It is also interesting to note that the Japanese mills do no hedging in regard to their purchases of raw cotton. Large quantities of cotton are purchased, and, if prices drop after purchasing, another lot of cotton is purchased and the price is

averaged. This speculation or gamble in the purchase of cotton is one cause responsible for Japan's rapid industrial advance. At the commencement of the War, several mills purchased their cotton requirements for a year at 30 Yen per picul for fear that the development of hostilities might prevent them from obtaining their regular supply of cotton. In course of time the price of cotton advanced to 100 Yen and over, followed by a still greater advance in prices of yarn. None of this cotton was hedged and this lucky gamble in cotton was responsible for huge profits which enabled the Japanese mills to build up very high reserves amounting to nearly 60% of their paid-up capital, to pay higher dividends and to extend the mills. The European War also accorded to the Japanese industry a great opportunity and led to unprecendented development. Not only did the Japanese manufcturers find themselves freed from competition in their chief market in China, due to the incapacity of England and other regular suppliers to meet the demand, but they were enabled to build up a great trade to substitute goods in other markets, such as India, South America, Africa, Netherlands, East Indies and other countries. Another cause of the rapid development of the mill industry in Japan is their organisation and management. Four mill-combines control 60% of the industry. There are three large cotton purchasing firms who also undertake selling of manufactured goods, and who have therefore cut out the intermediaries between themselves and the wholesale dealers in China, India, etc. There is also another factor, *viz.* cheaper cost of spinning and weaving. The cost of erecting a new Factory is about £8/- per spindle including building.

With this super-abundance of their money, the Japanese also built a large number of mills in China which represent more than one-third of the total spindles of China. China has now a tariff autonomy and is very likely to enhance the protective duties on cotton goods like what Japan did and whose example is serving the Chinese Government as an excellent model. Having realised the danger to their export trade in good time and having acquired large sums of money due to the lucky speculation in cotton during the War time, Japan started her own cotton industry in China to take advantage of the cheaper labour conditions and to escape any taxation on her goods exported from Japan to China. The Chinese mills work almost exclusively for the home market, while the Japanese mills both in China and Japan are anxious to develop their export business. The Chinese mills have not yet reached the high standard achieved during

the last few years by the best Japanese mills. Chinese labour is the crudest material in China. China has Labour Unions of a political nature while Japan can boast of an absence of Unions amongst the cotton mill operatives. Living conditions in China are much lower than in Japan. The general lack of school education is prominent and only about 10% of the labour force is able to read and write while in Japan almost all the cotton operatives are literate. China has one advantage over Japan in that it is not dependent for the supply of her raw cotton as she can grow all the cotton needed by her in the country itself, and that she has a huge home market in cotton goods for meeting the requirements of her own 450 million people. The Chinese demand for cotton goods will also increase with the awakening of the masses which is slowly coming. The Chinese mills have not had a prosperous time between 1923-28 owing to the fighting going on in the interior and the labour troubles, but things are improving slowly. The Chinese cotton industry judged by its output occupies the fourth place amongst the world's cotton manufacturing countries.

For a detailed account of the cotton industries of Japan and China, I would recommend to the reader a perusal of "The Cotton Industry of Japan and China" being the report of the journey to Japan and China by Arno S. Pearse, General Secretary of the International Federation of Master Cotton Spinners' and Manufacturers' Associations, Manchester, England, and Report on the cotton spinning and weaving Industry in Japan, 1925-26, by W. B. Cunningham, His Majesty's Consul, Osaka, 1927.

INDEX.

Account of Japanese industry in Japan and China, 126.
Arrian, quoted, 3.
Arthasastra, excellence of Cotton fabrics, 2.
Baines, quoted, 12, 33.
Baker, quoted, 8.
Benefit from the E. I. Company's Policy, The, 30.
Bengal, famous for Muslins, 11.
Bengal Trade disorganised, 36.
Bernier, quoted, 23.
,, about Masulipatam Chintz, 13.
,, description of Karkhanas, 21.
Bombay Mill-Strike, 115.
Boycott of Raw Materials, 26.
British goods-extension of consumption of, 48.
,, Trade in India, conditions and prospects of, 122.
Buchanann Dr. Francis, quoted, 44.
Buddhistic Period—export of Indian Cotton during, 2.
Calicoes, Indian, Reference of Pliny, 4.
,, exportation of, to foreign countries, 12.
,, export from Baroche, 14.
,, dress made of in Alexander's invasion, 2.
,, competed with English goods, 28.
,, Prohibition of wear by Act of Parliament, 31.
,, penalty on the wearer and seller, 32.
Capital and Labour—Relation of 19, 20, 120.
Chandra Gupta Maurya, manufacture of cotton at the time of, 2.
Christian Era, Cotton Industry in, 3.
Chapman, S. J. quoted, 75.
Chatterton, Sir Alfred, quoted, 86.
Clive Day, quoted, 6, 40.
Cloth, production by villagers, 10.
Cloth and Yarn in India, consumption of, 84-85.
Commons-House of, Resolution on the debate in, 62.
Commercial colonisation of England, 50.
Compulsory Primary Education, 120.
Cotton, Sir Henry, 44.
Cotton, Birth-place of, 1.
,, Long stapled -Recent experiments for cultivation of, 79.
,, Duties controversy, The, 58.
,, Duty Bill passed, 58, 59.
,, Export of, 77.
,, fabrics, trade, manufacture and quality of, in ancient times, 5-7.
,, fabrics, description in Chinese Account, 5.
,, in India, Cultivation of, 76.
,, Industry, in India, 2; in times of Moguls, 8, up to 15th Century, 3; centres and extent of, 10; state and decline under early British Rule, 35.
,, Industry, East India Company's Trade policy and its effect on the, 25.
,, industry, causes of decline of, 47.
,, Manufacture-Imports of, 63.
,, Spinning, two thousand years ago, 4.
Cotton-Mill Industry (up to Pre-war times), The, 52.
,, establishment of at Fort Gloster, near Calcutta, 52, at Bombay, 52.
Court of enquiry in the causes of the strikes—opinion of the, 119, 120.
Cotton-Mill Industry—(Post war period), 95.
Cotton-Mill Industry, Japanese—126.
Cultivation of Cotton in India, 76-81.
Currency policy of Government—Preface, p. 110, 111.
Customs, Sea and Inland, 37.
Cyclopædia of India—Reference of Commission upon outturns, 70.
Dacca muslins, world-famous, 11.
Dadan, or advances of indigenous mahajans, 22.
Dalal, or the middle-man, 22.
Devar, Cowasji Manabhai, management of cotton-mill by, 52.
Decline of our cotton-manufactures, causes of, 47.
Defoe, Daniel, quoted, 32.
De. Webb, quoted, 73.
Digby, William, 41.

Domestic Industry system, 20.
Dutch export, 26.
Dutt, R. C., quoted, 36, 37, 44, 49, 66.
Duty, 2½% on goods passing through Sea-ports of Bengal, 37; exempted on importation by Reg. IV of 1815, 38; Company exempted from,—Charter of 1717, 35; application by natives of Calcutta against, 42; equalised,—of export and import, 43.
Early History, 1.
East India Company—Its trade policy and its effect on Cotton Industry, 25; progress of, 27; sends weareers to India, 27-28; its policy to popularise its own cloth in India, 30.
Education—among Labourers, 120
Ellenborough, Lord, quoted, 42.
England,—opposition in, 28, workmen sent from, 27.
English factories in India—Establishment of, 25.
Excellence of manufacture,—causes of, 11-12.
Excise Duty—The—(up to 1913-14), 73, Imposed, 1896, Repealed 1926, pp. 105-107.
Excise duty—Abolition of—observation of Fiscal Commission, 107.
Export of Indian Cotton Manufactures, during the 19th century, 45; to foreign countries, 46.
Export Markets—India's, 9.
Export-duty on Cotton, 81.
Export Trade in Bombay—Development of, 116.
Fabric, fineness and delicacy of, 15-16.
Factory Law, British—application to India, on grounds of humanity, 67.
Fawcett Committee, Report of the, 119.
Financial Policy criticised—by a Government official, 111 (F.N.).
Firman—obtained by English Factory from Moguls, 25; obtained by the Company to trade without duties, 35.
Fiscal Policy of Government, 105.
Fiscal commission—quoted re: excise duty, p. 105, 106, 107.
Foreign visitors, Accounts of, 9.
Foreign Markets—supplied by, 10.
Free-trade in India—Policy of, 41.
Gandhi, M. K.—on Khaddar Movement, (Foreword) also 82-86.
,, ,, on reduction of ratio —123 (F.N.).
Gangitiki—Greek name for Muslin, 3.
Gladstone, Mr.—observation by, in the House of Commons, 61.
Gokhale, Mr. G. K., quoted, 74.
Government of India, duty of—The, 123.
Guild system, 17-18.
Gujarat, supply of silk and Cotton stuff from, 13.
Hamilton, quoted, 22, 65.
Hand-loom Industry, a big-employment in ancient times, 7, also quote page from Chapter VIII in 1914 and following years—
Handloom-Weaving Industry—extent, improvements and employment in, 82-83.
Handloom vs. Powerloom, 86.
Hardinge, Lord, referred, 107.
Hardy, Mr. G. S., quoted, 121.
Hastings, Warren, against the policy of Free-trade in India, 41.
Herodotus, statement about Indian Cotton by, 2.
Hindus, a manufacturing people 3 thousand years ago, 2.
House of Commons, Resolution of, The, for reduction of import duty in India, 60.
Import and use of Indian fabrics, The, effort to penalise, 33.
Imports of Cotton manfacture, 63.
India, a complete free-trading country, 62.
Indian Cotton Industry—The goal of —122.
Indian goods, outcry against, 28; manufactures in Europe, 30, sea-import-duty reduced, 38; protective and prohitive measures against, 39, handicapped by transit duties, 42.
,, clothes, various names of, 4.
,, Cotton-fabrics, the cheapest in England's market, 47.
,, looms, a practical monopoly, 9.
,, manufactures in England, 29; prohibition of, reasons for 30.
,, Mills, excise duty on, 58.
Industrial organisation up to Mogul Period, 17.
,, Commission, Report of, 54.
Industry—patronage to, 21; during the period of the Company, 43.
,, in up country centres in relation to Bombay, 114.
Inglish, quoted, 62.
Japanese Cotton Industry in Japan and China, Development of, The, 126.
,, competition, imports, exports, 98, 102.
Justinian's Digest of Laws—mention of cloth under duty, 25.

Karkhana, 21; its system, 24.
Kasturbhai Lalbhai, Seth, quoted, 108.
Kautilya, Arthasastra, 2.
Kelman, J. H., inquiry to Indian goods, quoted, 36.
Labour Legislation, 67.
,, etc., disadvantages of, 74.
,, Gazette, quoted, 119.
,, Problem in the Textile Industry, 118.
Lancashire manufacturers,—rivalry among, 56.
Lecky—the famous historian, quoted, 32.
"London Times"—The, quotations from, 106.
Lord's Committee, examination before, 41.
Lytton, Lord, 61.
Machinery, introduction of, by, 47.
Mahabharata, reference of cloth in, 1.
Mahajan, an industrial organiser, 20, 21.
Mahatma, Gandhi, Khaddar Movement, (Foreword), also 82-86.
,, Reduction of Ratio—123 (F.N.).
Malaviya, Madan Mohan, Pandit, quoted, 8.
Manu, mention of cloth in, 1.
Manufacture—condition of, 23.
Manufacture of Cotton, in time of Chandra Gupta, 2.
Marco Polo, reference of production and manufacture of Cotton in, 5, 13.
Martin, quoted, 42.
Mercer, Verdict of, 76.
Milburn, quoted, 9, 10, 13, 45.
Mill, James, quoted, 12; on oppressive methods used by Gumasthas, 22.
Mill Industry—Growth in the, 63, in India, 55, Post-war, 95, 97.
Mills, the location of, 54.
Mill-owners' Association—Bombay—Report of, 53; Ahmedabad—Statement before Tariff Board—110 and Govt., 108, 109, 110, 112, on excise duty, 108; on labour, 120.
Mogul Period—Industry of Cotton in, 5, 8; quality of manufacture of Cotton in, 14-16; Companys exempted from duty in.
Moreland, quoted, 9, 10, 13.
Muhammadan Period, industry was very meagre in, 8.
Muslins, the earliest among Indian Shipping trade, 6.
Muslin, of Dacca, 3; names of 7; produced in other places than Dacca, 11.
National income, average of—Indian and of other countries—93 (F.N.).
Noyce, Mr. F.—referred, 113.
Outcry against Indian goods in England—Development of the, 28.
Over production, 69.
Parliament—Act of—Prohibition of wear of Calicoes, 31.
Periplus—the first definite mention of Cotton in, 3.
Pearse, Arno S. General Secretary, International Federation of Master Cotton Spinners' and Manufacturers' Associations, Manchester—Visit to India, for studying possible improvements in Cultivation of Cotton, etc., p. 80. Also p. 126.
Pherozeshah Mehta, Sir, quoted, 65.
Pliny's Natural History—mention of export of cloth in, 4.
Prohibition of Indian Manufactures, 30.
Purchasing power of India, reduction in, p. 111.
Puranas—Reference of Cotton goods in, 1.
Production, statistics of, 82.
Pyrard, quoted, 9.
Railway Freights—Reduction of—on Mill made goods,—112.
Ramayana, 1.
Ratio, evil effects of, pp. 60, 110, 111; 125; also Foreword by Mr. G. D. Birla
Raw material—Production of, a practical monopoly of India, 6.
Reading Lord—His Excellency the Viceroy—quoted, 110.
Redgrave, Alexanders, quoted, 57.
Renaudot, French writer, statement of the garments of Calicut, 4.
Rig Veda, reference to Cotton manufacture in, 1.
Select Committee, Remarks of, 36.
Shaftesbury, Lord, quoted, 67.
Sheshagiri Iyer, Mr., referred, 106.
Snowden, Mr. Philip, remarks of, 121.
Specific *vs.* Advalorem Duties—121.
Strikes, 118.
Silver-Tax in 1910-11—The, 71.
Spinning and Weaving,—in early days 6; mills in Bombay, 52; also last Chapter.
Spinning and Weaving Industry in India, 53; existed before they began trade, 2; taken by many castes as their own profession, 17.
Statute passed in England, against Indian cloth, 31.
Stratchey, Lord, quoted, 67.
Strikes—outbreak of, see Bombay, 1925, 1928, 1929, pp. 116-117.

Tariff Board—Cotton Textile enquiry —appointed, 1926, p. 110; Report published in June 1928, Govt. Resolution on Report, p. 106; Majority Report, 112; Revised decision of Govt., p. 113.
Tariff system—Company's building up of, 37.
Tariffs, The—57-63; from 1894, 64; increased on cotton yarns, 113-114, 116.
Tavernier quoted, 13; description of Indian cloth, 15.
Thackersey—Sir Vithaldas, 80.
Thomas, F. W. quoted, 1.
Trade in Cotton—Indian—in the fifth century B.C., 2.
,, policy—E. I. Company's, and its effect on the Cotton Industry, 25.
Trade of Bengal disorganised, 36.
Trevelyan, quoted, 37.
Vakil, C. N., quoted, 82.
Varthema, quoted, 12.
Watt, Dr. 5.
Weaving Industry—Affection by excise duty, 71.
Weavers, opposition among, 27.
Wells, H. G., quoted, 2.
Westland, Sir James quoted.
Yarn, development of trade in, 26.
,, Cotton twist and—duty reduced on 57, 97.
,, trade, revival of, 97.
,, price of, Japanese and Indian compared, 98.
,, import of, increased, as a result of Free-trade, 63; from India stopped by U. K. Government, 96.
,, export of, 70; 97-99.

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