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

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

As against the modern viewpoint, the Indian nationalist scholars representing the nationalist perspective highlighted two important aspects of the British Colonial rule over India—‘drain-theory’ and ‘de-industrialisation’. The industrialization of England was accompanied by the decline and
destruction of Indian industries. As a result, India witnessed a steady decline in population dependent on indigenous industries and consequent over-burdening of agriculture. This was partly due to the competition of cheap goods produced by machinery and partly due to the unwillingness of Government of the company to protect or encourage trade and crafts. So, by the first half of the 19th century, India lost the proud position of supremacy in the trade and industry of the world which she had been occupying for well over two thousand years and was gradually transformed into a plantation for production of raw materials and a dumping ground for cheap manufactured goods from the west.

The First World War led to great dislocation in the economic life of the nation. Production had suffered by industrial organisation being diverted to the purposes of war. The war brought about disruption of normal international trade channels because of the fact that countries involved in war directed much of their natural and human resources for the production of goods necessary for the prosecution of war.

The war affected the trade of India both directly and indirectly. The first direct effect was that it stopped considerably the trade with Germany
and Austria. There was further a complete stoppage of trade with Belgium
and France. Trade with Turkey had also ceased. In addition to the loss of
trade with enemy countries, the export trade with allied and neutral countries
had also suffered.

The dislocation of trade in the Madras Presidency during the war was
enormous. The coasting trade, whose recrudescence was the result of the
war, had, of course, suffered severely; freights for timber, for instance, had
fallen from Rs.120/- per ton in 1918 to the low figure of Rs.30/-. Super dues
on exports and imports were necessary to maintain the solvency of the Port
of Madras in view of the depleted volume of trade. The shortage of land
naturally affected the movement of products by sea; thus an enormous and
unprecedented quantity of Burma rice was imported while no Indian rice
was exported owing to the prohibition. There was a notable decrease in
imports of sugar owing to the retrial from the market of Bombay buyers; the
general increase of the value of sea-borne trade over the figures for 1918
was as much as forty per cent. There was a tendency to multiply the
installation of cotton, rice-mill and manufacturing industries. The activities
of the Department of Industries had been vigorous and comprehensive and
the financial results had been everywhere favourable.
Trade in the Madras Presidency during 1920-21 was more abnormal than any of the war years, consequent on the dramatic collapse of the European changes the depreciation in the value of rupee as a result of the adverse balance of trade, the accumulation of large stocks brought at high prices by overseas customers and unfavourable season. In the first year of 1921-22, the reduced purchasing power of the country consequent on the unsatisfactory monsoon of the previous years coupled with the high price of imported goods presented absorption of the heavy stocks in the market. Owing to the increase in the general rate of import duty on luxuries, fresh imports received a check. The export trade failed to come up to general expectations. In the next two years, the trade of the Presidency was passing through a period of recuperation and although under the stimulus of high prices, the value of the export trade expanded by over 10 crores of rupees, the value of imports declined by over 1½ crores of rupees. The depression in Europe generally restricted the Presidency’s outlet for produce and in turn diminished her purchasing power. The year 1924-25 witnessed further expansion in the export trading owing to fairly good crops in that year, the large demand for them as a result of improved economic conditions in buying countries and the consequential rise in the prices of the most of the
exported produce. In the next year, the import trade in most articles was 
depressed despite favourable exchange and the tendency of the fall in prices
considerably restricted imports, especially cotton piece goods, the price paid
by the customer was still above the general average before the war.

Consequent on a marked improvement in the importation of cotton
manufacture, sugar, dyes and colours, machinery and mill work, paper and
paste board, there was an expansion in the foreign import trade of the year
1926-27. In the next two years, the trade assumed prosperous dimensions.
Exports and imports in the year 1928-29 in particular attained a level never
reached previously or subsequently. This was due to a general stability in the
financial condition of the world; a stable exchange and a comparatively good
supply of freight and reasonable rates. The year 1929-30, however, showed a
slight diminution in the foreign trade of the Presidency. Following Great
Britain’s departure from the gold standard September 1931 and the linking
of the rupee with the deprecated sterling, there was an immediate rise in
price of all the principal commodities and this afforded a definite stimulus to
the export trade.
The conditions created by the Depression in the Madras Presidency such as availability of raw materials at low prices, cheap labour, low rates of interests for the money lent by banks, all proved to be conducive to the growth of certain industries registered commendable advances during the inter war period.

Though the Presidency witnessed industrial development, handloom, cottage and small scale sector had a trying time. The Government’s taxation policy turned out to be disastrous to those sectors. When the tanners were demanding high export duty on raw skins and hides, the Government abolished the duty much against Indian interests. An excise duty levied on matches crippled the industry and the governments protective tariffs extended the Indian textile mills affected the handloom sector. A large number of weavers in handloom centres and labourers in small industrial establishments lost their jobs. In large factories, the workers had to suffer wage cuts. Instead of taking the offensive, the working class, in the face of acute crisis, remained passive. Even the strikes and struggles launched by the organized labour unions were of short duration, fizzling out in the end.
The damage and dislocation due to World War II left most of the countries very short of real capital. They needed imports of equipment, raw materials and foodstuffs well in excess of their normal peacetime requirements, in order to rehabilitate their industries.

Our country had also been affected by war. Exports to the enemy countries had also been stopped and our imports had also been reduced on accounts of the lack of adequate shipping accommodation and the lack of power of foreign countries to supply goods to us. Insurance premia had also gone up. Our industries had not expanded as much as they could. The currency circulation in the country now stood at about Rs.280 crores and the metallic content of the rupee had been reduced and the one rupee inconvertible note had been issued. Control had been exercised over exchange and the imports and exports had been brought under control. The level of taxation had increased and the excess profits tax had been imposed. A system of price control had been instituted and certain commodities had been rationed. Thus Indian economy was turned into war economy.

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

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

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

The war had an appreciable effect on the foreign trade of the Presidency. On account of the war, the balance of trade of the Presidency soon moved in its favour. As regards the quantum of trade, there was an increase in exports of materials needed by the Allies for the war. Both
imports and exports fell during the war period, but the exports increased more than the fall in imports.

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

The industrial workers of the Presidency confronted an extremely difficult situation after 1930. The mill owners tried to pass the burden of trade crisis on to the shoulders of the workers by way of wage cuts and retrenchments. During the period, the workers did not achieve any new concession, rather they had to engage in a resolute struggle to retain not only whatever they had already gained but their very jobs. Yet, there was a rival in the trade union movement after 1933. It was mainly due to the revival of
leftist forces, the constitutional reforms introduced by the Government and the recovery of economy after the Great Depression. The labourers in view of the Congress policy looked to the Congress Government in the Madras Presidency for support. The Congress refused to intervene directly to deal with the situation in arising out of strikes. The Congress Government led by C. Rajagopalachari treated the question of strike as dispute between two parties and hence favoured only internal settlement. The Government appointed arbitrators to implement the awards of the Court of Enquiry.

The Congress Government's two generation of office in Madras achieved nothing for the protection of worker's rights. This was probably because of the Congress continuous approach of not antagonizing the employers or factory owners while intervening in a labour dispute.

The Second World War had shakened the pace of the tendency of the diversion of trade from Great Britain. Next to Great Britain, U.S.A had become the biggest customer and on the import side also, she stood second only to England. Madras Presidency enjoyed favourable balance of trade both with the British Empire and Empire countries and in both the cases, there was an appreciable increase. It may be mentioned that as a result of
war, the balance of payments had also become favourable to the Madras Presidency as well as to India. This was due to the repatriation of sterling pensions. Finally, it may be stated that inspite of favourable position in which Madras was placed in respect of foreign trade, the terms of trade i.e. the exchange of imports for the exports were going against us.

The study of trade between 1940 and 1947 may be thus concluded:
1. The favourable position of foreign trade (export trade) was at the expense of the domestic consumer and reacted on the internal price system unfavourably.
2. The fall in imports created shortage of many articles and this produced rise in the price level.
3. The favourable position indicated by changes in the composition was deceptive. It did not indicate further industrialization of the Presidency. On the contrary, the heavy reduction in the import of machinery shows that our capital requirement was seriously subjected to greater wear and tear and thus to greater depreciation and
4. Inspite of our favourable position in regard to our export trade, the imports were growing costly in terms of our exports.

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The Government of India had been pursuing a policy of discrimination towards trade and industry during our period of study. It demanded provincial contribution from states to promote and develop trade and industries. The allocation of Central financial assistance to the Madras Presidency was inadequate.

In 1921, the Government of India insisted on the Provincial Contracts. The Madras Chamber of Commerce fought against the vexed question and enlisted the support of all other Associations and all sections of the Indian opinion but its attempt did not yield any success.

In 1922 like the Central Government, the Madras Government implemented retrenchment and economy measures to balance the deficit budget. The Chamber urged to lighten the grievous burden and questioned the legality of the Super Tax levied. It also pointed out the iniquity of the Government of India demanding a Provincial Contribution from Madras for its development of trade.

The Imperial Ottawa conference held in 1932 for giving some concessions to India’s trade proved to be a business deal in furtherance of British Interests. The Chamber made a strong case for discontinuing the
Ottawa Agreement in 1936. Though the Ottawa Agreement was renewed in 1939, it also proved to be beneficial to the British Trade rather than to the Indian trade.


The Madras Chamber of Commerce always favoured a policy of Free Trade and its economic philosophy had been a mix of Free Trade and Protectionism as its pragmatic approach for the development of trade and industry in the Presidency.

It is said that the decline outweighed growth and that both growth and decline derived mainly from colonial policies. The economic interests secured by British rule led to the exploitation and impoverishment of India.