CHAPTER VII

STATE AND THE INDUSTRY

"Let the State be considered as subordinate to the people but let everything else be subordinate to the State".

Mr. Justice Wilson, 1792.

Governments function in an economic context by adopting policies which represent the economic and the political views in shaping this context. So important and far reaching are these policies and so important and inter-connected is the economy with them, that we can safely say that Governments usually have an economic policy and a political economy. The relative strength and the success of various interested economic groups is deeply affected by public policy. The policy reflects the inter-play of these interests, their strength and their weakness and their ability to capitalize such resources as they have at their disposal. In fact, a realistic analysis of the Government activities in the economic system takes their interests into account, consider their demands and the intensity of the pressure they are able to bring to bear.

People are generally concerned with the role performed by the State and the Law in the industrial affairs. As the countries grow more populous and the social and the industrial relations become more complex thereby, the Governments are obliged to extend their function to the activities in the new fields. In March, 1886, Adam Smith delivered a paper before the Constitution Club, New York, U.S.A. on the principles that should control the interference of the States in industries. This in an elaborated form, become the famous (1) monograph called "Relations of the State to Industrial Action". It was impressed in those papers that 'Public Regulation' must proceed (1) Labour Problems, 1905 T.J.Adaes and Helen Summer, New York Page 2 5.
pari passu with the development of the private trade. It was also stressed that the true idea of society was not laissez faire, but economic freedom and freedom was the child and not the enemy of law and regulations.

There are two important functions that a Government can perform that is, to assist the industry or to place restrictions on the industry and this ultimately depends on the nature of the industry. There are three types of industries vis (i) Industries of 'Constant Returns', (ii) Industries with 'Diminishing Returns', and (iii) Industries of 'Increasing Returns'. The first and the second category which always look up to the Government for some assistance to them include the great mass of businessmen and the agriculturists. Here Government may extend some help. But the industries of the third form which usually take the corporate form, must be handled by the State as in respect of these industries, competition has been found to be incapable in protecting the interests of the common consumer, as the industries have 'Natural Monopolies'. In their case the increment of product from an expanding enterprise is far greater than the increment of capital and labour required to secure its expansion. Hence the principle of free competition is powerless to exercise a healthy regulating influence. This is so, because it is easier for an established firm to extend its facilities for satisfactorily meeting a new demand as compared to a new industry to spring up into a competitive existence. In the circumstances, the control of the State over industries should be co-existence with the 'Law of Increasing Returns' in the industries.

Expanding governmental assistance in the economic activity has characterised life in the twentieth century. It is not so in the State.
India only, but events in other countries reveal something of the broad upsurge of governments' economic assistance throughout the entire world. The influence of the government is felt today in every home, in every manufacturing plant and in every farm. Even the economic institutions operate either with the assistance of the government action or the conscious lack of government interference. No corner of economic activity has escaped the hands of the government. The touch has been sometimes light and sometimes heavy, at times helpful and other times restraining. But whatever may be its character, it is an admitted fact that the power of the government affects our economic lives and often irrevocably. In fact, the government is a silent partner in all economic activities and an active partner in most of them.

The present day economic system has been termed as the 'administrative economy' and the 'controlled economy'. These names imply that economic activity is predominantly determined by the government. Some has called it even a 'laboristic economy', which means that employees are the most influential group in the community and have a dominant role in the operation of the system. But usually it is termed as a 'mixed economy'. This term seems to have three principal features. First, it focuses attention on the fact that economic activity is determined by a blend of both private and public economical decisions. Second, it focuses attention on the most significant problem of public-private economic relationship namely, that of working out the proper roles for government control and private enterprise. And third, the term expresses the idea that the solution of this problem will be found between the extremes of laissez-faire and the complete government control.

(3) Government's Role in Economic Life, 1953 - George A. Steiner, Professor of Economics, University of Illinois, U.S.A.
Economic history is a recognised field of inquiry and one of the prime purposes of history is to provide a sense of identity for any age. This function is of special importance for India as the Indians are now seeking a clearer recognition of some of the unique features of their democratic state. We have, therefore, to examine persistent institutional relationship in State Governments' economic policies. The investigations of the reciprocal relationships between the government and the economy seek to demonstrate that the economic functions of the State Governments have shown much continuity during the 20th century and that the economic functions of the government have consistently embraced the promotion and regulation of the private enterprise and research. The promotion included provision for a favourable legal framework, direct aid and the grant of special privileges. Research at the same time has embraced public efforts to collect and disseminate useful information, the demonstration of new methods, education and direct investigations.

India was roughly till the beginning of the 19th century, both a manufacturing and an agricultural country. Her industries had attained a high state of perfection, but they began to languish by the end of the 18th century as a result of the unfavourable influences. This had attracted the attention of the patriots and the economists like 'Dadabhai Naoroji' and 'Ranade', who held that the policies of the provincial governments were responsible for the downfall of the industries and the recurrence of the famines. It was felt that nature had not destined India to remain forever dependent on other countries for the manufactured goods. Even the few industries that happened to strike root in the country without the assistance of the government, owed much to the foreign capital and enterprise, which had been allowed to enter India to jeopardise its already crippled
industrial economy. To popularise the foreign products, the Government of India sanctioned funds for holding exhibitions etc. All these promotional activities for the foreign goods had an adverse effect on the Indian industries and this factor accelerated the association of the institution of the Indian Industrial Conference, 1905, with the Indian National Congress, which was the first definite sign of alliance between the economic and political discontentment in India. The Swadeshi movement was the positive and the boycott of the foreign goods, the negative expression of the same purpose. A great wave of industrial enthusiasm overran the country and the textile, hosiery, and other factories were started which, however, failed due to the laissez-faire policy of the Government. Although free trade was calculated to secure (1) the greatest mass of goods and (ii) the maximum amount of immediate comfort for each consumer, it was felt that the laissez-faire policy followed and advocated by the Government tended to depress the newly started industrial enterprises. Government agencies were, therefore, called upon to actively interest themselves in the matter of the industrialization of India, and to take initiatives in devising and enforcing measures calculated to promote it. This was perhaps the origin of the first state assistance for the industries in India. The first of such assistance was the grant of protective tariffs. In support of the policy of protection for India, the main emphasis was placed on what was called the 'Infant Industry argument'. The Fiscal Commission quoted with approval, the following words of Professor Pigou, for India:

"The case for protection with a view to building up productive power is strong in any agricultural country, which seems to possess natural advantage for manufacturing. In such a country, the immediate loss arising from the check to the exchange of native products for foreign manufacture may well be outweighed by the gain from the greater rapidity with which the home manufacturing power is developed."
As for sugarcane, it was admitted that the real importance of the cane cultivation was that it gave a greater monetary return per acre in comparison to any staple crop in India and it was certainly of greater advantage to a densely populated agricultural country like India. The Indian Tariff Board on Sugar Industry, 1931, which was appointed to look into the question of the grant of protection to the vacuum pan sugar industry and the exclusion of other necessary assistance to this industry in India, observed that Uttar Pradesh (then United Provinces) possessed more than 50 per cent of the total area of cane grown in India, as this crop was being given special preference by the farmers of the State. They had also observed that the sugarcane occupied a definite place in the crop rotation here, and that it would be difficult to fill the vacuum if any considerable reduction in the area occurred. Mr. Burt, the Agricultural Adviser to the Indian (then Imperial) Council of Agricultural Research, tentatively advanced the view before the Board, that about 13 million people were directly dependent on cane cultivation. After examining all aspects of the cane cultivation and the expansion of the vacuum pan sugar industry in India, the Indian Tariff Board gave recommendations as follows:

Para 15: We consider that the agricultural aspect of the case for the protection is the most important. It is essential in the national interests that the area under sugarcane should not diminish and that a fresh outlet should be provided for cane by encouraging the expansion of the white sugar industry. Unless steps are taken to develop the white sugar industry, a disaster is slump in the sugar market is possible which will seriously affect the agricultural classes, disorganise the agricultural system and involve the abandonment of better cane cultivation in large areas.

Recommendations of the Indian Tariff Board were accepted and protection was granted to the vacuum pan sugar industry in 1932, which safeguarded the interests of the cane cultivators and also encouraged the establishment of new sugar factories in India, mainly in the States of Uttar Pradesh and Bihar.
In 1952, no control existed over the fixation of cane prices and the price was determined according to the general theory of demand and supply of the goods. Sugar factories were then free to purchase cane from areas of their choice, and to pay the lowest price at which they could manage to get it. Certain sugar mills in Uttar Pradesh belonging to the Begg Sutherland and Company Ltd., obtained cane supplies through a number of middlemen called 'controllers', who arranged to meet their cane requirements. The controllers on one hand kept the mills at their mercy for the regulated cane supplies and on the other hand dictated terms to the cane growers and took full advantage of their monopolistic position. Sugar factories in the Beri district of Uttar Pradesh, obtained cane through their employees directly. With the presence of a prosperous 'GUR' and 'BEL' industry in the Rohilkhand tract, the position of the growers here was much stronger and the factories always had to offer higher cane prices to keep the wheels of the sugar mills moving, or to ward off any other intending purchaser in the area.

The position in general at that time was, that an industrialist could establish a vacuum sugar factory anywhere in the State and similarly a cane grower could bring under cane any area he liked or he thought best. Thus a policy of laissez faire prevailed on both sides and the matters were left to adjust themselves in accordance with the normal demand and supply of cane in the areas. To obtain an uninterrupted supply of sugarcane at a fair price for a continuous and a regular crushing, was a serious problem in Uttar Pradesh, where there was a congestion of sugar factories. Mill owners often entered into a cut-throat competition to obtain cane supplies for their factories.
The indiscriminate competition proved detrimental to the interest of the mill owners and resulted in the uneconomic working of the sugar factories in the State.

The position of the cane growers also did not remain stable but became shaky. In a year of under production of cane, they got a fair return for their crop, but when there was over production, they were left completely at the mercy of the mill owners. The cultivators did not, therefore, strive for proper and improved cane cultivation, as the problem of uncertainty of its sale always hanged on them. On the other hand, for want of well defined assigned areas, and the price payable for the sugarcane, the mill owners were reluctant to spend money from their revenues, for effecting improvement in cane cultivation which they had ultimately to buy to crush in their factories.

These chaotic conditions resulted in the financial instability of the cane cultivators and the static cultivation methods, which followed the old indigenous lines of propagation of the cane. As a result, the average yield of cane per acre in Uttar Pradesh and the percentage of sucrose contents in it, remained very low as compared to other sugar producing countries, which factors resulted in the poor efficiency of the sugar mills.

The events of 1932-33, cannot be evaluated adequately without an appreciation of the political, social and economic forces which shaped public opinion and conditioned government and business decisions. The influence of the active political, social and economic forces upon economic decisions was not only direct, but was exerted also through changes in the realm of moral values. Thus, although the timing of investment might have been affected by uncertainties arising from non-economic sources, the decision to invest was based on economic

(6) The Economics and Recession on Rev v, — nne 1, Rose New Haven Yale University Press Page 7
calculus, with the increasing intervention of the State in the economic field. The State, far from being merely a passive observer of the economic process, emerged as an active participant, taking upon itself the role of a protector, controller, or guardian of the citizens and of entrepreneur. They actively interfered in the matter of the sugar industry by extending promotional activities. These promotional activities involved the use of government machinery to encourage, strengthen, protect or advance the interests of groups, industries, or sections of economy on the assumption that such assistance would contribute to the general welfare. Mainly the State focused attention on the more affirmative assistance rendered through tariffs, subsidies, services and other direct aids to particular interests.

STATE ASSISTANCE TO THE INDUSTRY:

Protection was granted to the vacuum pan sugar industry in 1932. The Sugar Industry (Protection) Act, 1932, gave powers to the State Governments to make rules requiring notices of prices of cane to be posted up in sugar factories to enable the cane growers to know in advance the price offered to them for the sale of sugarcane. Following is an extract from the said Protection Act, 1932:

PARA 6(1) "The local government may by notification in Local Official Gazette, make rules requiring that there shall be affixed, in conspicuous places near the entrance to sugar factories, notices for the information of sellers of sugarcane, and such notices, and the particulars to be included therein relating to prices at which sugar-cane is being bought at the factory."

This was the first positive step taken by the Government for giving assistance to the cane cultivators for the sale of cane cultivated by them.

and Joseph C. Palamountain Jr. New York page 93
In July, 1933, a Sugar Conference was convened by the Government of India at Simla, which was represented by various interests, namely, the Central, the State Governments, Mill owners, cane growers etc. At this conference, important questions like cane price fixing, equal distribution of cane, licensing of sugar factories, and the control of cane cultivation etc., were discussed.

The Government of Uttar Pradesh favoured legislation on all these points. In pursuance of this policy, the State Government promulgated the United Provinces Sugar Industry (Protection) Rules, 1933, operative from the first December, 1933. The Rules did not fix any price for the cane, but conveyed a data for working out the price and it was made compulsory for sugar factories in Uttar Pradesh to publish, along with the price paid for the cane, rate of cane worked out according to the following formula. This made the cane cultivators self conscious in demanding a fair price for the cane and this was the main object under lines in the Rules.

\[ C = \frac{S \times P}{200} \]

Where 'C' stood for the price in annas per maund of cane delivered at the factory gates and 'S' stood for a figure fixed by the State Government for each season for an anticipated extraction of sugar, which did not vary by more than 0.25 from the average percentage of extraction of sugar from cane for sugar factories in the State during the three previous working seasons. 'P' stood for average fortnightly price in annas per maund announced by the State Government. The above formula is best illustrated in the form of a table as follows:
The procedure adopted by the State Government did not help the cultivators to get a fair price for the cane from the buyers as was envisaged in the spirit of the Rules announced by the State Government and to make them entitled to get what the State Government actually wanted them to get, the Finance Member pleaded for a legislation to secure for cane growers, a reasonable share of the benefits of protection. The Sugar Act (XV of 1934) was, therefore, enacted with effect from 1-5-1934, to regulate the price of sugarcane crushed in the vacuum pan sugar factories in India. The Act gave enough powers to the State Governments for the fixation of cane prices, for the issue of licenses to the cane purchasing agents and for the imposition of penalties with fine not exceeding rupees two thousand, for the breach of these rules. Paragraph 3 of the said Act read as follows:

"3(1) The Local Government may, by Notification in the Local Gazette, declare any area specified in the Notification to be a controlled area for the purpose of this Act.

(2) Subject to the control of Governor-General in Council, the Local Government may, by Notification in the Local Official Gazette, fix a minimum price or minimum prices for the purchase in any controlled area of sugarcane intended for use in any factory.

(3) The Local Government may, by Notification in the Local
Gazette, prohibit in any controlled area the purchase of sugarcane intended for use in any factory otherwise than from the growers of the sugarcane or from a person licensed by the Local Government to act as a purchasing agent.

Para 5: Whoever in the controlled area purchases any sugarcane intended for use in a factory at a price less than the minimum price fixed therefor by Notification under Sub-section 2 of Section 3 or in contravention of any prohibition made under Sub-section 3 of Section 3, shall be punishable with fine which extended to two thousand rupees.

The State Government seized this opportunity which was long waited for and they made a start in the matter of the fixation of cane prices and the declaration of a 'Controlled Area', by finalising the United Provinces Sugar Rules, 1934, at an informal meeting of the representatives of the factories and the cane growers in July, 1934. The Rules were made applicable from October, 1934.

The main objects underlying these Rules were (i) to define the basis on which minimum prices for cane supplied to the factories were to be fixed, and (ii) to ensure that prices were actually paid to the growers. The Rules provided that the minimum prices for cane should be fixed with reference to the sliding scale of the average prices quoted for sugar at Kanpur market, during the corresponding fortnight of the previous month. The managers of the factories and the licensed sugarcane agents were required to exhibit notices showing the minimum prices notified by the Government, at all purchasing centres and at the entrances to the sugar mills. The mills were made to keep accounts of the looms, the cane purchased and its price paid to the cane grower. Every District Magistrate and Sub-Divisional Magistrate was declared as an Inspector under these Rules in his own area and was empowered to check the weighments, scales etc in use in the factories. Factories
were permitted to buy cane from a grower, its co-operative society or a licensed purchasing agent, under intimation to the District Magistrate. A manager was supposed to stand surety to the purchasing agent, whose security could be forfeited in the event of non-payment of prices to the cane growers. In fact, the State took every step to safeguard the interests of the growers. A specimen of how the prices were fixed on a sliding scale is given below:

Table No. VII - 2

<table>
<thead>
<tr>
<th>Average Price of Sugar per Maund</th>
<th>Minimum Cane Price per Maund</th>
<th>Minimum Cane Price per Maund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1934-35</td>
<td>1935-36</td>
</tr>
<tr>
<td>Below Rs. 6/-</td>
<td>4 annas</td>
<td>-/- 3/- 6 annas</td>
</tr>
<tr>
<td>Rs. 6/- to Rs. 6/8/-</td>
<td>4 annas</td>
<td>-/- 3/- 9 annas</td>
</tr>
<tr>
<td>Rs. 6/8/- to Rs. 7/-/-</td>
<td>4/- 3 annas</td>
<td>-/- 4/- 3 annas</td>
</tr>
<tr>
<td>Rs. 7/- to Rs. 7/8/-</td>
<td>4/- 6 annas</td>
<td>-/- 5/- 3 annas</td>
</tr>
<tr>
<td>Rs. 7/8/- to Rs. 8/-/-</td>
<td>4/- 9 annas</td>
<td>-/- 6/- 3 annas</td>
</tr>
<tr>
<td>Rs. 8/- to Rs. 9/-</td>
<td>5/- 3 annas</td>
<td>-/- 7/- 3 annas</td>
</tr>
<tr>
<td>Rs. 9/- to Rs. 9/3/-</td>
<td>5/- 5 annas</td>
<td>-/- 8/- 3 annas</td>
</tr>
<tr>
<td>Rs. 9/8/- to Rs. 10/-</td>
<td>5/- 6 annas</td>
<td>-/- 9/- 3 annas</td>
</tr>
</tbody>
</table>

With the repeal of Sugarcane Act, 1934, and the Rules made thereunder and the promulgation of New Rules framed under the Sugar Factories Control Act, 1958, in Uttar Pradesh, the sliding scale adopted for the fixation of cane prices was abolished. Hereafter the prices for sugarcane were fixed every year by the State Government till the control of the industry was taken over by the Government of India in 1942, when the latter fixed the cane prices payable by the vacuum pan sugar factories in the State. But we cannot overlook the basic factor that it was the State Government of Uttar Pradesh, who had taken the initiative in protecting the interests of the sugar industry as well as the cane growers, by ensuring a fair return to the latter, and at the same time providing a regulated cane supply system for the vacuum pan sugar factories in the State.
The phenomenal growth of the sugar industry in Uttar Pradesh after the grant of protection in 1932, was undertaken without any proper planning. Factories were started by the capitalists without reference to the fundamentals of the industrial location. Industrial location is one the most important factors in economic development and one for which planning and control are essential. Sometimes, although rarely, the choice of a site is predetermined by nature or geography. But the broad principle of the location of the industry is that it should be established where it will make the maximum contribution to the national wealth and yield the highest results for the lowest possible investment. Under the Government of India Act, 1935, the State Governments were empowered to enact legislation for the control of production, marketing of sugar and for regulating cane supplies to the sugar industry. To achieve maximum and regulated production of sugar in Uttar Pradesh, the State Government enacted the Sugar Factories Control Act, 1938. The Act was mainly intended to stabilise the economy and the efficiency of the sugar factories in the State. The main provisions of this Act related to:

(i) Licensing of sugar factories,
(ii) Regulation of the supply of sugarcane to the vacuum pan sugar factories,
(iii) Formation of the Sugar Syndicate to regulate prices of sugar,
(iv) Controlled sugar production,
(v) Making regulation of supply, formation of societies, and
(vi) Regulation of the conditions of labour.

Section 9(1) of this Act provided that "no person shall commence the construction of any building intended to be used as a factory or as an extension to the plant of an existing factory which is likely to increase its capacity for crushing cane, unless he has

Section 11 of this Act contained conditions which the applicants had to fulfill before applying for the license under Section 9. The Indian Sugar Syndicate Ltd., Kanpur, was given recognition by the State Government under this section and it was made obligatory for the sugar mills in Uttar Pradesh to become its members before applying for any license. Sugar mills were made to become members of the Syndicate as it had been held responsible for the marketing of sugar produced in the State.

'Production control' is the function which controls the supply of the material and the production activities of a business in such a manner that specified products are produced by specified methods to meet the planned programme of their sale. Again, activities underlying the production of goods are so directed and distributed that the available resources of land, labour and capital are used to their maximum advantage. The aim of the production control is, therefore, to "achieve the best compromise between even loading of labour, plant and optimum capital utilisation and this results in the best economic combinations." These factors were in many ways incomplete when the sugar factories were started in Uttar Pradesh and to achieve regulated production. The State Government granted licenses for the establishment of vacuum pan sugar factories, subject to the following conditions:

1. That site of the proposed factory was at a distance of not less than 10 miles from any existing factory or a factory for the construction of which a license had been granted.

2. The quantity of cane available or likely to be available within a radius of 10 miles of the proposed site excluding the cane in the area reserved for another factory, was not less by 60 per cent of the estimated cane requirements of the proposed factory. The estimated requirements were to be calculated at 120 times the daily crushing capacity of the proposed factory.

3. The applicant undertook to build storage accommodation for London pages 3, 8.
sugar at the factory. The annual sugar production was to be calculated at 9 per cent of the cane requirements as determined under (2) above, and

(4) The additional production of sugar was not likely to affect adversely the interests of the sugar industry in the provinces of Bihar and Uttar Pradesh.

As for the fixation of sugarcane prices, the Sugar Factories Control Act, 1938, provided for the establishment of sugar Control Boards and an Advisory Committee, to deal with the problem of the industry and the cane growers. Thus, with the amendment of the Sugar Factories Control Act, 1938, the State Government supervised and controlled the general outlay of the sugar industry in the State. During 1944, the Government of Uttar Pradesh made an amendment to the Sugar Factories Rules, 1938, and set up a Technical Committee consisting of 6 members, to plan, organise and deal with the technical problems of the sugar industry in the State. The Director, Indian Institute of Sugar Technology and the Cane Commissioner, Uttar Pradesh, were appointed ex-officio members of the Committee, so that the problems connected with the cane development in the State and the resultant recovery of sugar in the mills, were dealt with side by side. In 1946, the State Government declared that the sugar mills having a daily cane crushing capacity of less than 600 tonnes were uneconomical units and allowed extensions to those plants or addition to their rollers up to 17, in the mills. In 1947, the State Government imposed further conditions whereby no new licenses could be issued for the construction of any building to be used as a factory unless the State Government had been given specific assurance that the construction of the new units would not interfere with the supply of cane to the existing neighbouring factories. It was also made clear that no new sugar factory would be allowed to be constructed, if the site of the proposed factory was at a distance of less than 15 miles...
from any existing factory or factory for the construction of which a license had already been issued by the State Government.

The main objects of the Government Regulations were (i) to regularise cane supplies to the sugar factories and (ii) to encourage the development of cane areas around the factories. The cultivators needed credit for purchasing improved agricultural implements, manures and cane seed. A factory could readily grant loans to the cane cultivators on the security of their crops, if it had the assurance that the crop would adequately be earmarked for its use. For this purpose, the State Government provided for the zoning and assigning of the cane areas to the factories. The economic advantage of zoning to the factory was a compact area at his disposal, selection of cane varieties, availability of fresh cane, economy in the expenditure on transport, uninterrupted supply of cane, elimination of competition for cane and above all the availability of better yielding and high sugared canes. To the growers, zoning ensured disposal of their cane crops at the Government fixed prices, facilities for getting improved implements, seeds, manures and credit together with the expert agricultural advice from time to time. With the intervention and the extended help of the State Government, both these objectives were secured for the vacuum pan sugar industry in the State.

SUPPLY OF CANE THROUGH CANE SOCIETIES:

Before 1938, cane growers supplied cane to sugar factories through the agency of the cane purchasing agents. Where they brought cane to the mills directly they had to wait for hours and even days, for effecting delivery of the cane and their plight in this respect was horrible. The formation of cane societies was envisaged in the Sugar Factories Control Act, 1938, and with its introduction, the cane purchasing agents staged exit. This economic measure which was
introduced by the Government of Uttar Pradesh was not a new one, as it was as early as 1920, that the Indian Sugar Committee had recommended the appointment of special staff to work on this aspect in Uttar Pradesh. It had not been implemented fully. In 1935, special funds were given to the State Government for cane development and in October, 1935, a Cane Commissioner was appointed in the State. The schemes undertaken had a co-operative-cum-agricultural aspect and provided for the marketing and development of sugarcane in the gate areas of those mills only which shared the expenses of the scheme with the Government. At first only 22 mills joined the scheme. This scheme did not succeed till 1938, when it was made compulsory for the sugar mills to buy cane from the cane societies functioning within the supplying area, and to pay a commission to the society for the cane supplied to them.

The Societies formed are of two types, viz., (i) those found in the gate areas of sugar mills as part of the cane development schemes and (ii) those organised by the Co-operative Department for the whole of the district or sub-division. Theoretically the objects and organisation of these societies are similar, but in practice the former type are paying attention both to the agricultural improvement and the marketing of cane, while the latter type confined themselves solely to marketing of cane. The major distinction between them is that whereas the former societies deal with the compact blocks, the latter have extensive areas of operation. These societies survey and bond the cane and requisition it only when required to regulate the supplies to the mills. Above all the societies have given the small growers self-respect and the right of determination and power of insistence on justice being done to them. Their organisation and working have brought intelligence to the growers.
SOCIETIES SERVICE TO FACTORIES AND GROWERS: These societies provide regulated and assured supply of fresh, ripe cane at the government fixed rates and this has given great relief to the sugar factories, as the mills in the past were facing the uncertainties of cane supplies. There has been the consensus of opinion of the sugar factories that 95 per cent of the cane received by them through the societies was not more than 24 hours late after cutting in the field. Some of the mills have also observed that this system has ensured a fresh and regulated cane supply with the attainment of higher sugar recovery when crushed in the mills. The societies had very much encouraged the replacement of old varieties of cane and had also helped the cane growers in the introduction of new manurial practices and improved methods of cultivation. In many places, where the old varieties deteriorated as a result of the attacks of insects, pests or diseases, the societies had in fact accelerated the introduction of new varieties and this act of theirs had saved the factories and the cane growers from annihilation.

The State Government have helped the societies in getting credit from the co-operative Banks, and tassavi loans on nominal interest, which the societies have advanced to the cane growers for the purchase of cane seed, fertilizers and agricultural implements. The main consideration had been that the cane growers should not suffer from paucity of funds in the cultivation of high yielding and improved varieties, which were ultimately to feed the sugar factories in the State. The following table illustrates the reaction of the cane cultivators and the sugar mills in bringing the societies in the forefront for the sale/purchase of cane.

Table No. VII - 3

Statement Showing the Progress of Cane Supplied by the Co-op. Societies

<table>
<thead>
<tr>
<th>Range</th>
<th>1936-37</th>
<th>1937-38</th>
<th>1938-39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Range</td>
<td>45,000</td>
<td>1,14,13,295</td>
<td>3,04,87,028</td>
</tr>
<tr>
<td>Eastern Range</td>
<td>16,00,000</td>
<td>69,00,000</td>
<td>1,05,00,000</td>
</tr>
<tr>
<td>Central Range</td>
<td>-</td>
<td>-</td>
<td>66,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>61,05,000</td>
<td>1,83,13,295</td>
<td>4,72,87,028</td>
</tr>
</tbody>
</table>

Total cane crushed by the sugar mills in Uttar Pradesh

| Percentage of cane supplied by the Societies to the total cane crushed. |
|---------------------------------|-----------------|
| 1%                              | 12%             | 50%             |

Source: Report of the Enquiry Committee (Khalta) Vol. I-8

How the cane growers had accepted the medium of the societies is apparent from the fact that in 1948-49, out of the total area of 10.57 lakh acres reserved for sugar factories, 9.67 lakh acres were under the control of the co-operative societies. Out of the total amount of 1446.46 lakh maunds of cane crushed by the factories in Uttar Pradesh in 1948-49, the societies had supplied 1218 lakh maunds of cane, which roughly worked out to 84 per cent of the total cane crushed by the factories. By 1953-54, the co-operative societies supplied about 95 per cent of the cane crushed by the sugar mills in Uttar Pradesh. Prior to 1947-48, the rate of commission payable by the sugar factories to the cane growers' co-operative societies on the cane supplied by the latter was 3 paise per maund. This rate was increased to 9 paise per maund from 1948-49. Presently the rate of commission is 48 paise per quintal. In this way the State Government helped the cane growers co-operative societies to raise funds for effecting improvement in cane cultivation.

CANE CESS: The State Government had anticipated expenditure by the co-operative societies in carrying out their development
programmes. To enable them to raise finances for meeting this expenditure, the Government of Uttar Pradesh made a provision in the Sugar Factories Control Act, 1938, for levying of a cess on the sugar cane delivered to vacuum pan sugar factories in the State.

Accordingly, cane cess was levied from 1938-39 season at the rate of 6 paisa per maund of cane delivered to the sugar factories. The rate of cane cess was increased by the State from time to time. During the thirteen ending 1950-51, that is, on the eve of the First Five Year Plan, the Government of Uttar Pradesh and Bihar had collected Rs. 1587 lakhs and Rs. 536 lakhs respectively from the factory owners and had spent Rs. 254 lakhs and Rs. 175 lakhs respectively, out of this amount, for the development of cane. During the years 1952-53 and 1953-54, an amount of Rs. 315 lakhs and Rs. 375 lakhs was collected by these States respectively. The rate of cane cess at present is 51 P. per quintal. No authentic data is available on the amount actually spent out of the cane cess by the State Government in the later years. Since 1948-49, State Governments have started a scheme of intensive development of sugarcane, with the help and assistance of the Government of India. Road communication linking the cane fields with sugar factories has been given priority. Funds for meeting this expenditure have been provided by the Cane Development Councils and the Cane Co-operative Unions, growers and the sugar factories. It was accepted in principle that the essential role of transport was to permit the exchange of goods between the cultivators and urban centres, whereby it had become possible (and without which it is impossible) for the economic position of the cultivators to rise above subsistence level. It had also been accepted that the first requisite for the improvement of the condition of a subsistence economy was the provision of a secure and sufficient food.
Without an adequate transport system, there could be no economic and social progress. Transportation was in fact accepted as a key factor in the success or failure of the development efforts. These factors were essentially accepted by the State as well as by the Central Government and they have allotted funds for carrying out repairing of roads, repairing of culverts and the construction of feeder as well as village roads, to help the cane growers to bring cane to the factory sites speedily and expeditiously.

STATE’S PARTICIPATION IN THE DEVELOPMENT OF CANE

There is always a juncture in the economic development when a stagnant and a depressed agriculture causes a crisis. Country after country has experienced this juncture at one stage or the other. These are the countries that have concentrated on the expansion of the industrial production, but a monolithic pursuit of industrialisation has not been enough to attain an optimum rate of growth. For want of progress in agriculture, industrialisation of the country has been in jeopardy. This is exactly what has been the position of sugarcane and the vacuum pan sugar industry in Uttar Pradesh. Sugar industry’s main raw material is sugarcane and the quality and the quantity of cane produced by the cultivator was very poor in this State. In the early thirties, a cultivator in Uttar Pradesh obtained a yield of 350 mans of cane per acre and the sugar mills had a recovery of 6 to 8 per cent sugar from cane. It was so, because the agriculture in this State was not only having un-economic farms, but also followed traditional agriculture, which consisted of farming under a long established economic equilibrium and which we had experienced during generations of farming. To obtain better results in the crop, it was necessary to change the way of farming.

necessary that the art of cultivation should digest the improved method of farming. But the problem faced by the State Government in coping with the traditional agriculture required a search of ways of breaking the established economic equilibrium and creating a disequilibrium which called for an approach which was an anathema to most of her economists. This risk was taken and the Government of Uttar Pradesh and the Central Government undertook this most needed job and started well planned programmes to modernise the traditional agriculture and to break the long established economic equilibrium that characterised farming in Uttar Pradesh, to obtain a better quality cane crop with higher yields.

There were two types of planning adopted, which must not, however, be regarded as mutually exclusive. First, the State sought to ensure that the general environment was favourable to growth, and to this end, a wide range of measures were undertaken. Secondly, the Government proposed a certain rate of growth for total output and prescribed rates of growth for the cane and the industry. This was planning by means of targets or programmes. In other words, it was 'Perspective Planning', in which long range targets had to be set up 10 or 15 years in advance.

To make the general environment favourable to the growth, the State Government and the Central Government adopted various practical ways and means. The indigenous varieties of cane being sown by the cultivators in this State were Chin, Dhaur, Natna, Basa, Sertha, etc., and these canes gave poor yields and low sugar recovery. These canes were economically not suited for being utilised in the modernised vacuum pan sugar factories in the State, and efforts were, therefore, started by the Government to undertake research and to supply cane of sound economic value to the cultivator. As early as the latter part of the last century, Shri S.M. Hadi, started a study of the behaviour
of the local varieties of sugar-cane. Between 1910 and 1920, C.A. Barber made many collections of indigenous cane, which he studied and classified. A great deal of work on testing and acclimatisation of cane varieties was done by C. Clarke, who experimented on the possibility of increasing the yield of cane through new varieties and methods, particularly through green manuring. One of the most fruitful lines for crop improvement were effected through the evaluation of new varieties. In India, and particularly in Uttar Pradesh, the commonest enemies are the rats, pigs, jackals, who attack the lowest joints of cane. Fencing was considered too costly for the cultivator and the selection of the cane varieties with hard rinds had to be undertaken. The work of cane breeding at Coimbatore Research Station was, therefore, pursued on lines unfamiliar in other countries, primarily owing to the peculiar conditions prevailing in the sugar industry in India — the majority of the establishment being in the sub-tropical regions of Northern India, that is, Uttar Pradesh and Bihar. The dominating factor in the selection of the seedling was the hardiness rather than for exclusively high sucrose contents in the juice. According to Cane Technologista, "this hardiness, besides indicating adoptability to climatic conditions, which render the growing of crops of tropical canes impossible, included resistance to deficiencies in moisture, plant food, and even cultivation such as is needed by tropical canes."

The greatest advance in sugarcane breeding, in the involvement of varieties adopted to various climatic conditions and tolerant or resistant to the diseases of major importance, has come from hybridisation work. It was found that the wild cane S. spontaneum, which occurs throughout the whole Eastern Hemisphere in tropical and
same time, it was found that it was immune to Sereh and Mosaic diseases and because of its strong root system was resistant to root rot troubles. This cane was crossed with high sucrose large sized S. Officinarum, and P.O.J. 2878, was brought into existence. Similarly, the Coimbatore Station evolved C.o. 205 and C.o.213, C.o.218, C.o.290 C.o.301 and C.o.419, which have given high yields and good recoveries in the sugar mills. Further, a technique involving the rooting of stalks, whereby it was possible to force the development of roots at any node on a stalk was obtained, which was found much economical for the breeding processes.

Sugar cane is propagated by cutting of the stalk with one or more buds. The environment in which the seed is placed is extremely important in germination. Temperature, moisture and seed are the factors which play on the economy of the seed and protection has to be given to the seed till the new shoots establish the selves. It was found that the immersion of cutting for 20 minutes in water at 52°C resulted in a rapid development of all buds and a precious growth of the young canes. It was further found that soaking of succulent cuttings, harvested after rainy weather and planted in wet soil, gave better germination than comparable unsoaked cuttings, harvested and planted under the same conditions. It was further found that soaking in a saturated solution of lime resulted in an absorption of 50 per cent moisture than soaking in pure water. This method is wide spread in the sugar cane industry to-day.

Similarly, research work on Nitrogen manuring of sugarcane in India was started by the State Government long back. Much work on fertilizer application to various soils has been done and the consensus of opinion of a sugar cane agronomists and soil chemists even now is that


one half of the total nitrogen requirements of sugarcane should be given in organic form such as farmyard manure, oil cakes and green manures. In this connection, an analysis of the comparative role of FYM, groundnut cakes, and ammonium sulphate, based on the results of long term field experiments held at the Sugarcane Research Station, Musaffapur from 1949 to 1962, were published in a monoculture rotation. It was further found that since in the ammonium sulphate treated plots, more organic matter was incorporated every year through greater production of root residues, it was inferred that the continuous use of ammonium sulphate gave higher yields and had no deleterious effect on the fertility and productivity of the soil.

The number of insects and low animal forms that feed on sugarcane is very great and the combined damage which they caused in Uttar Pradesh was fairly high. In 1939, an epidemic of an unprecedented magnitude occurred in this State, which wiped out the universally popular variety of sugarcane, Co.213. The Sugarcane Research Station, Shahijahanpur, after cultural, varietal and biological trials, brought forth Co.527, which gave very good results in the fields. The Station also finalised for general cultivation Co.453 and Co.553, which gave 2.5 per cent higher yields as compared to earlier ones. The State Government thus rendered great assistance in tiding over the losses caused by the failure of Co.213 and kept the vacuum pan sugar industry in the State moving smoothly. It was further suggested that to obtain more sugar per acre in Uttar Pradesh, the 3 varieties of sugarcane, that is, Co.313, Co.553 and B.O. 11 should be planted in the proportions of 25 per cent of the first two varieties and 50 per cent of the last variety. It was so suggested because the first two varieties were 'ear cane' with 14 to 15 per cent sucrose or 12 to
13 per cent recovery of sugar and the last being the 'mid maturing' variety, with 11 to 12 per cent recovery of sugar. In river beds, B.0.11 has yielded from 1000 to 1600 mounds cane for an acre and has given good results on all soils except where water remains stagnant.

Not only this, but a technique for growing sugarcane in the alkaline soils and a novel technique for raising planting material in the cold and arid sub-tropical areas, are among the several important technique finalised by the Indian Institute of Sugarcane Research, Lucknow. The result of all these trials were publicly made available to the cultivators. All this was possible, as the State Government and the Central Government encouraged and assisted in carrying out the research on the development of cane varieties, for raising the yields and the consequent economic standard of the cane cultivation. Along with the introduction of high sucrose yielding varieties, the Government announced a scheme whereby cane growers were to be given some additional price for their canes, on the basis of the sucrose contents recovered from them. This was done to infuse a desire in the cultivators for the propagation of high yielding and sucrose contented canes. For example, the usual price was fixed for the cane having at least 9.4 per cent sugar recovery. As the recovery rose, the cultivators became entitled for the receipt of some extra price over and above the one fixed by the State. In this way, the State Government allowed them extra dividends when they produced high yielding and more sugared canes. The cultivators are also being considered for the grant of a share in the profits being earned by the sugar mills.

In this way, all possible efforts are being undertaken to make the cane cultivators to introduce canes which are economical to them as well as to the other agencies. For instance, Cane Acre Prades, with Minimum Cost. S.K. Pradhan Indian Sugar, June, 1959- pages 121-124.
that a self-generating economy needs the development of the technological competence of its own, in as many areas as is possible. Availability of adequate capital, backed by effective interaction of a competent corps of scientists and engineers with the natural resources, results in the development of technology and the creation of national wealth. In fact, the technician is an essential ingredient in the metabolism of industrial growth and literally keeps the wheels of the industry moving. The technician in the industry, with his knowledge of operation of machines and a little creative imagination derived from his familiarity with the working of the equipment, is also in a favourable position to contribute to the designs and improvements of equipment and industry. In keeping with these lines, the Indian Institute of Sugar Technology was established at Kanpur financed by the State and the Central Governments so that it is able to bring forth measures for the benefit of the sugar industry in the State.

In the modern sugar factories, efficiency and economy in operation are pre-requisites for a successful and a profitable work season. Until recently, the most important object in factory efficiency was the extraction of sugar from cane. This still remains an essential factor but in addition, the utilisation of the by-products has been considered necessary for efficient factory practice. In the sugar industry, the rapid development of improved varieties of cane has brought particular stress on the higher efficiency in sugar extraction. With the addition of cane knives, crushers and shredders, more important aid has been given to the milling efficiency. Through a combination of shredding, crushing and milling with saceration,
either simple or complex, high extraction of juices has been secured and at the same time, the residual bagasse has been produced which although has a reduced water content, but it has other higher material values. Again, through the efficient milling and steam economy in factory operation, the factories have been so successful in increasing the fuel value of bagasse and steam economy in operation, that at present a material surplus of bagasse over fuel requirements has been achieved. This bagasse has been utilised profitably in the manufacture of wall and writing papers. Recent developments also point to the displacement of majority of bagasse as a fuel and securing from this by-product, of an improved chemical return from its fibre content.

Another responsibility shouldered by the technicians is regarding the import substitution and the development of our own products and technological know how. They have to make it a point not to depend entirely on foreign technology and have also to ensure the utilisation of the potential of the indigenous technology and the indigenous material for industrial development, to save foreign currency. Indian sugar industry used about 20,000 tonnes of sulphur annually at a cost of Rs. 50 lakhs of foreign exchange. There are no significant sulphur deposits in India and almost the entire quantity of sulphur required not only for sugar industry but also for other industries, has to be imported from foreign countries. Due to the acute shortage of foreign exchange, it had been found essential to replace the use of this material with the one available in India. The technicians looking after the affairs of the sugar industry have found out a new process which completely eliminates the use of sulphur in the manufacture of white sugar by the vacuum pan sugar factories in this country.

Manufacture of raw sugar by defecation process, melting the
same and using the melt for crystallisation, forms the basic principle of the 'DEPECO LEA'M CRYSTALLIZATION PROCESS' for the manufacture of white sugar without the use of sulphur. The preliminary trials on this process carried out at the Hindustan Sugar Mills Ltd., Gola Gokarama Kheri in Uttar Pradesh, in May, 1965, gave remarkably good results. The technological feasibility of this process was examined in a commercial factory at PANDAVAPURA in Mysore in September – October, 1965. During the crushing season 1965-66, trials were made in the following factories to find out the success of the method evolved by the technicians for the manufacture of white sugar without the use of sulphur. The white sugar obtained by this method was found to match very well with the white sugar produced with the use of sulphur:

1. The Balrampur Sugar Co. Ltd., Balrampur
   Uttar Pradesh
2. The Sarayu Sugar Works Ltd., Sardarnagar
   Uttar Pradesh
3. K.M. Sugar Mills Bhatni
   Uttar Pradesh
4. Shri Khedut Sahakari Shakar Karkan
   Mandoli, Bardoli
   Gujarat
5. Shri Hiranyakshi Sahakari Shakar
   Karkhana Ltd., Sankeshwar
   Mysore
6. The Amadalavalasa Co-operative Agricultural
   and Industrial Ltd., Amadalavalasa
   Andhra Pradesh

During 1966-67, M/s Aruna Sugar Works Ltd., Pennadu (Madras) adopted this process throughout the crushing season and produced 10,000 tonnes sugar without the use of sulphur. Thus even in the milling processes, the Government aided institutions solved the economic (19) difficulties encountered by the factories.

STATE AND THE NATIONAL ECONOMIC PLANNING:

The most important requisite in State policies is the common understanding that the States should, each and all, have a National Economic Development Policy. The policy must underlie the introduction of planning with short run and long run plans. At the same time, the plans must determine overall amounts to be spent and must, in

(19) Defeco Mel at on process of e manufacture
White Sugar without Sulphur - J.C. Gupta - National Sugar Institute, Kanpur.
addition, determine the proportion of the capital to be allocated in
different directions. The capital should again be so distributed as
to increase facilities in transport and power production, construction
of new plants, acquisition of machinery for heavy and light industries
and to raise the level of productivity in agriculture by long-term
investments. The idea underlying the 'Development Policy' is that
"if a country succeeds in starting, and sustaining by its policy in
references, an upward cumulative process of economic development, this
will provide more and not less space for what of private enterprise
the country possessed or is able to foster. And the central planning
will constantly have at aim at breaking the rigidities, which are the
mark of under-development, and to seek to establish greater flexibility
in the entire economic and social fabric."

Events in India have shown that there was a fundamental defect
in the approach of the Indian Tariff Board to the problems of protec-
Protection was not envisaged as an instrument of general economic
development, but was viewed as a means of enabling the home industries
to withstand foreign competition. This had resulted in a lopsided
development and with such an approach, it had not been possible to
develop basic and key industries. It was thus felt in the circumstan-
ces that the problem was not merely one of making the existing econom
units work more efficiently, or making small adjustment in them, but
what was required was a transformation of that system, so as to ensure
(21) greater efficiency as well as quality. Industrialisation is a process
of growth which is basically linked both to the social and economic
past and to the parallel process of social and economic development.
Development plans for industry, however, could not be framed in
isolation. These had to be co-ordinated and adjusted with other secto

(21) Industrial Enterprise in India, 1956, Nabagopal Das Ph. D(3oon)
London, I.C.... Page 11.
of the economy. It has also to be understood that it is unreal to consider agricultural development and industrialization as separate or conflicting. On the other hand, they are found to be closely interrelated. Improvements in the productivity of agriculture have been accepted to be the most important means of promoting industrialisation. The Panel on Sugar Industry had also accepted the fact that before new units were allowed to be set up, effort should be made to make the existing weak units work economically, and if necessary, they should be remodelled and shifted to other places where sufficient sugarcane was available to feed the factories. "Another part of the development programme", the Planning Commission recommended, "should consist in enabling some of the sugar factories at present located in areas where sufficient cane supplies are not available, to be shifted to other areas in the same State or even outside the State depending on the facilities for the supply of cane."

Again the rate at which an economy grows depends on the relative role of growth of production and population. In a sense, economic progress is a race between two powers, the power to increase population and the power to increase production. If production increases at a more rapid rate than population, there is an economic progress and in the alternative case the economic progress is retarded. This in fact is a race between the population and the production of goods and is usually won by population unless positive steps are taken to control population. That is what is actually happening in India. Not only the rural growth, but the overflow of the urban population growth is also finding its way to agriculture which is being compelled to work as an un-employment insurance system. Although the agricultural economy demands that some of the labour force should be thrown
away from the land, it is facing ever increasing pressure. How the population pressure has affected the production of goods in the country is evident from the fact that although sugar production in recent years has increased three folds as compared to the production achieved in 1947, the increase in population coupled with the change of habits has kept sugar supply short of its demand. Thus the need of the growing multitude of masses called for the well balanced economic planning in the agriculture and in the industrial field, both by the Central and the State Governments and the Five Year Plans sponsored by the Central Government and executed by the State Governments, undertook to take every step to rationalise the economy in both these fields. At the same time it took steps to control the growth of the population.

In the circumstances, the Industrial policy of Independent India announced in 1948, envisaged a mixed economy with an overall responsibility of the government for the planned development of the industries and their regulation in the national interest. In keeping with this policy, the Industries (Development and Regulation)Act, 1951 was enacted. In July, 1948, the Industrial Finance Corporation had also been set up for giving assistance in the form of advances and long term loans to industrial concerns. Again on the recommendations of the productivity delegation, which had visited Japan in October, 1956, with the object of inculcating productivity consciousness in country by applying the latest techniques of increasing productivity in the industries, a 'National Productivity Council' was set up in India. This was the first direct aid given to the industries by the Central Government.

With a view to keeping an all round watch on the activities and the performances of the big industries, including the sugar
industry, provisions of the Industries (Development and Regulation) Act, 1951, were enforced from 8th May, 1952. Under them, Central Advisory Council and Development Councils were constituted to advise the Central Government on matters concerning the development and regulation of the scheduled industries. The members of these Councils were the owners of industrial undertakings/persons of capabilities representing the interest of the undertakings. The Central Government required every undertaking to get itself registered with them under the provisions of this Act. The Act also empowered the Central Government to take over an undertaking in the national interest. It was made clear in the Act that no one could raise funds, construct building or place an order for any machinery till he had been granted a license for the establishment of a factory or the expansion of an existing factory. The location of the factory was also not changeable without the consent of the Central Government. This meant that on one hand the Government kept control central on the existing industry, and at the same time it distributed new units of the industry in accordance with the wider interest.

Under this Act, licenses were granted by the Central Government on the recommendation of the Licensing Committee which included members from the Railways, Finance etc. A sub-committee of the Central Advisory Council reviewed all licenses issued, refused, varied, amended or revoked from time to time and advised the Government on the general principles to be followed in the issue of licenses. The Central Advisory Council was formed to advise the Government on the more suitable location of the un-economic sugar factories with regard to the demand and consumption of the product, availability of cheap cane and labour supply and above all, the economy in the transport of the product. The question of even distribution of sugar mills in the tropical and sub-tropical tracts of the Indian Union, was also given
due consideration by the council, prior to the finalisation of their recommendation for the location of new units. Again, the fulfillment of some of the specified aims of social and economic justice incorporated in the Constitution of India, such as labour welfare, equal distribution of wealth are some of the points which had to be considered by the Council, before giving their recommendations for the grant of licenses for the establishment of new sugar factories in India or in a particular State. In this manner, the sugar industry in India received the best talented advice for its economic location and efficient functioning. When it was found in 1959-60 and 1960-61 that there was over-production of sugar in India, the Council decided to suspend the issue of further licenses to the sugar factories. At the same time when the demand for sugar again bypassed the sugar production in 1962-63, they immediately responded to this economic development and decided to release further licensing capacity up to 8 lakh tonnes sugar production. While releasing the additional capacity first preference was given to the expansion of the existing units so that they are able to improve their economy, by making uneconomic units economic or less uneconomic units, and by making economic units more efficient.

The State not only controlled the distribution of licensing capacity, but also steered the industry to overcome glut of sugar in the market, or to tighten the sale or distribution of sugar, when so demanded in the national interest. Statutory control on sugar was imposed for the first time in April, 1942, to distribute the available sugar rationally. The control was removed on 6th December, 1947. When again sugar prices began to rise after the middle of April, 1958, due to short supply, the Government immediately decided to requisition and distribute sugar at fixed prices to avoid difficulties to the general consumer. Other measures adopted by them were, (i) tightening
of bank advances, (ii) licensing of wholesale dealers in sugar by the State Governments, (iii) banning of movement of sugar from Delhi and Greater Bombay, (iv) assignment of specific quotas to individual States and (v) banning of the inter-state movement of sugar. Finally, with effect from 1st July, 1959, Government took over the entire production of sugar for direct allocation to different consumers.

With a view to maximising the production of sugar during the season 1959-60 and 1960-61, Government announced for the first time certain incentives such as (i) concession of 31 paisa per maund (83 paisa per quintal) in the minimum price of cane to factories in Uttar Pradesh and Bihar, (ii) rebate of 50 per cent in the basic excise duty on all sugar produced in excess of the average of the previous two seasons. Similar concession in the excise duty was also allowed by the Government on the sugar produced during 1963-64 crushing season. When the sugar production again fell in 1966-67 the Government announced a policy whereby they allowed the factories to sell in the open market 40 per cent of their sugar production of 1967-68 season. This measure was taken to encourage the factories to manufacture more sugar, which had registered a sharp fall during 1966-67 season.

Thus the history of the Government assistance is inevitably related to the growth of the State intervention and the present position is the outcome of the Industrial Resolution of 1948 and the Industrial policy resolution of 1956. The modern economy has inevitably to be a planned economy and as planned economy, the national responsibility of planning is something that cannot be assumed or discharged by any authority finally other than the Government, which the people have elected to office to look after the affairs of the country. Again, the fulfillment of some of the
specified aims of social and economic justice incorporated in the Constitution of India, such as labour welfare, is another reason for the State embarking upon the commercial and industrial enterprises themselves in certain fields and supervising the affairs of other industries and establishments. In matters like these, "the Government is in a position not merely to guide the industries in the country, but actually to act as the industrial leader".