CHAPTER - 1

THE SIGNIFICANCE AND SCOPE OF THE STUDY

1.0 SIGNIFICANCE OF ECONOMIC HISTORY

"Economic History describes the economic phenomena existing at any given period in the past and traces the actual progress of such phenomena over successive periods. It seeks to determine the uniformities of co-existence and sequence to which economic phenomena are subjected. The propositions of economic history are accordingly statements of particular concrete fact; economic theory on the other hand is concerned with the establishment of general laws".¹

"Economic History traces the organic growth of the economy and its maturation process, whereby knowledge gradually advances from the superstitious, myth-addicted infancy of early civilisations to the modern state of the present day world."²

Neither the economic historians nor the economic theorists can interchange their place, for on the one hand, mere historical research cannot by itself suffice for the solution of theoretical problems, nor on the other hand,

the actual evolution of economic habits and conditions can be constructed a priori. At the same time economic history and economic theory in different ways assist and control each other thereby rendering special significance to their mutual relations, especially when history approaches the period with which the theory is more particularly concerned.

Economic history is generally destitute of striking occurrences. The details of the manner in which the various sections of the community obtain their living are necessarily dull and drab. Progress is so gradual as to be hardly perceptible except over long periods, and the factors that bring about changes are remarkable not for their spectacular nature, but for the "slow intensity" of their cumulative effects. It is for this reason that the study of economic history has so long been neglected. Lately, however, it has come into its own, and economic historians have no longer to indicate its claims "against bold, baldmen who would question its primacy".3

Historians of economics, or in other words, economic historians should necessarily be both historians and economists. As economists they are interested in theoretical propositions and consequences of human decisions and as historians they are the "Chroniclers of these Events".4 Modern economists who do not have any historical lineage seek to enumerate scientists, whose primary interest is their concern for the present. Yet,
historians are necessarily stationed at the border between the past and the present. They are as much concerned with the mistakes of the past as they are with its advances. Is this involvement an intellectual gainsay or is it bound to produce any constructive results? In other words is there a positive pay off to studying the history of an economy? The answer to the questions posed above have proved that these exercises are bound to produce constructive results.

"Distinct from the history of economic facts, but closely related thereto is the history of ideas and theories concerning the facts. In the industrial sphere as in other departments of human action, facts and ideas, act and interact with each other in such a way that the resultant effect is the creation of a complex bond of connection between the historical succession of phenomena and theories. Economic theories may accordingly be considered not merely in relation to their absolute truth or falsity, but also in relation to the economic facts that helped to produce them and those that they themselves helped to produce".\(^5\)

Economic History was well-practised in India before World War II. All the leading economists invariably took a historical perspective of whatever economic problem they were examining at that particular time\(^6\). "Two major

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5 KEYNES, J.N. - The Scope and Method of Political Economy, p.289.

6 STHANMUGASUNDARAM.V. Papers on the Methodology of Research of Social Science, (Madras 1974), p.29-57
threads that run through nearly all the early works are problems of economic growth and the impact of Government policy."

The argument was that during the British period, economic development was not allowed to take place, Government policy being to make India contribute to British prosperity and British rule had thus actually resulted in impoverishing India. In order to highlight the depredations caused to the Indian economy by the colonial administration, the nationalist economic historians to name a few, R.C. Dutt, and D. Naoroji, had gone back to see the nature of the Indian Economy in the long centuries past and had tried to project the pre-British period as something of an economically prosperous period.

1.1 METHODOLOGY OF HISTORICAL RESEARCH

With the exception of certain subjects like Indo-British trade and other economic events, economic historians of India have had to encounter the serious handicap of not having to work with reliable data. Despite the repeated assertion that Indians are stated to be ahistoric and never believed in written records, a good deal of even quantified information was gathered in the past. However due to the vagaries of tropical weather, records may have perished. Even so a lot of them have survived and this necessitates it to be sought, collected, sieved and processed. The statistics that have been

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7 AMBIRAJAN, S. - The Patterns of Our Past p.8.
generated have been more for administrative purposes rather than for analysis by economists and historians.

This thesis has also made use of the logical apparatus - deductive thinking - to give further scientific interpretation to the economic problems. It has also been based upon the historical method of analysis substantiated with the help of quantitative statements on economic problems.

"The sources are as numerous and satisfactory as the society which makes available the data that has had premium on preserving them". The source material has been categorised into official and non-official, primary and secondary. This thesis is based mainly on these official sources. The study is based almost exclusively on archival materials: the Reports on the Administration of the Madras Presidency, the Census Reports, Statistical Map of the Madras Presidency, Statistical Abstracts of British India and Government Orders of the Departments of Revenue, Public and Development of the Madras Presidency. All these records have been carefully preserved in the Madras Record Office, now known as Tamil Nadu Archives and Historical Research.

The great drawback of all the records is that they were intended for administrative purposes. "Such information as is obtainable regarding economic conditions is merely incidental, and the correspondence has to be carefully sifted before anything of value is gleaned. Occasionally there are reports on special subjects like cottage industries, and state in relation to
industries, which have been very informative. On topics closely connected with the textile industry and particularly the handloom sector, although there is a plethora of material, there are certain aspects of this industry which are covered widely in the Madras Presidency and less in British India, and vice versa. Secondary sources include newspaper reports, articles, in journals, books and other publications relating to cottage industries and handloom industry. The statistical tables taken from official sources and authorised sources are moulded into tables, specially prepared for the purpose of the study.

In reducing large masses of figures to manageable proportions, approximations were in certain cases inevitable. Still the substantial accuracy of the figures has not been sacrificed.

1.2 REVIEW OF LITERATURE

The several monographs, compendia and books published from time to time have provided useful, adequate and relevant material for the preparation of this thesis. The material and intellectual contribution to the development of industries by Alfred Chatterton, Edgar Thurston, N.G. Ranga, M.P. Gandhi, Baliga, B. Natarajan, M. Amalsad, V. Chitra, Tekumalla and Sharada Raju, have served as guidelines in the preparation of the thesis. Contributions of D. Naoroji, R.C. Dutt and Vera Anstey, and following their line Vedagiri Shanmugasundaram's works on the Great Famine of Madras, and Yasodha Shanmugasundaram's work on Slater Villages and Indo-British
financial problems and the works of S. Ambirajan and his research team have provided valuable fount of knowledge.

1.3 AIMS AND OBJECTIVES

The aims and objectives of the study are:

i. to review the political and economic conditions of the Madras Presidency at the dawn of the 20th century.

ii. to assess the impact of the British Policy of laissez-faire on the industrialisation of the Madras Presidency, which was but one of the three Presidencies of the British Indian Empire.

iii. to evaluate a) the role of cottage industries in the economy of the Presidency and b) the extent to which the British India Government could have salvaged these decadent industries from floundering, had there been timely and adequate intervention, and

iv. to trace the growth of the handloom industry (especially cotton), "The Prince of Cottage Industries", and its significant contribution to the economy of this Presidency.
1.4 TIME - SPAN

The modern economic history of India falls into three main periods.

i. 1750 - 1850 - the period of conquest and consolidation under the East India Company rule.

ii. 1850 - 1914 - the development of India as producer of food and raw materials up to the beginning of the First World War.

iii. 1914 - 1950 - this is a period of two World Wars, economic depression, declaration of Indian Independence and the establishment of the Republic of India.

It is against this backdrop of Indian economic history, that the scenario of the thesis has been developed. The period of inquiry chosen, that is 1900 - 1950, has two-fold significance.

i. It covers the forty-seven years of the British Rule in India, till the dawn of Independence in 1947, when the shackles of colonial bondage had been removed, and a few years before the establishment of the Republic of India in 1950.

ii. The period includes the two World Wars, and their impact on the industrial structure - the appearance and disappearance of the "War Babies" of the Madras Presidency.
1.5 HYPOTHESES

The thesis subjects to test the following hypotheses:

i. Government's non-intervention policy had been ineffective and often detrimental to the growth of industries in the Madras Presidency.

ii. The cottage industries had played a significant role in the past, but its neglect by the British India Government's industrial policy had turned them into "decadent industries".

iii. Though the handloom industry of the Madras Presidency had to face a similar fate as the other cottage industries, there was a complete revival of handloom industry made possible by the Government.

1.6 COLONIAL BACKDROP

India provides a classic example of arrested economic development and a significant case history of the difficulties and obstacles in the way of development. India, a vast sub-continent with a great and ancient cultural tradition of its own, in pre-industrial terms had been well-developed for a long time - highly skilled craftsmen, intensive agriculture in the Northern river valleys, and considerable concentration of wealth in the hands of local potentates, and of the bankers who financed trade in luxury goods, and the
personal and military expenses of the Princes. It was the wealth of India which incited West European commercial groups, always expanding beyond their own frontiers, to vie with one another in an effort to capture as much of the Indian trade as possible.

Foreign invasions invariably constitute a challenge to any civilisation. The story of the British adventures is different. They came to trade but stumbled on an Empire. Unlike the Muslim, the British insulated themselves from the Indian population. Though they scrupulously followed an official policy of secularism, rarely "they might have also tacitly conspired at the proselytisation efforts of evangelical missionaries. Thus there was no reciprocal assimilation between the Indians and British either at the cultural or at ethnic levels".8

With British penetration and conquest, the drive for change in India came from without. This fact has had profound results for Indian economic development, because British interest, not Indian has determined the pace and direction of Indian economic development. After England's industrial revolution, the British dream for India became that of the vast market for British manufactured goods and a source of food and raw materials for the West. "In India there is an immense extent of territory and the population of it would consume British manufactures to a most enormous extent. The whole question with respect to our Indian trade is whether they can pay us by the

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products of their soil, for what we are prepared to send out as manufactures."^9

For Britain, however, once the Empire was extended to India the development of an economy complementary to Britain's own was less urgent than the maintenance of political control in India. Just as the British had placed maintenance of political power first, the growing Indian nationalist movement laid primary emphasis on the elimination of British political power, and not to economic development. Along with this desire, came the wish on the part of many Indians to reject the factories, Railways and materialistic values which the British had imposed on India. One way for a subject people to throw off the mental shackles of inferiority and subordination to their rulers is to invoke a past age of independence. Gandhiji with his appeal for a return to the simple life of the spirit of few wants, handicraft industry and village self-sufficiency was doing just this by telling Indians to be themselves rather than poor imitators of the West.

The British advent in India began in the South. The city of Madras has rightly been described by some Englishmen as "The birth place of British India". The place had become a power in the land twenty years before Bombay was transferred to England as a Queen's dower and fifty years before Calcutta was founded or Karachi thought of. Madras was therefore the first of the three Presidencies initially established by the British in India and her

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Governor ranked only next to the Viceroy. By the beginning of the 19th century, at the Fort St. George, the first of the agencies of the East India Company to be made into a Presidency comprised the whole of the present Tamil Nadu, part of Orissa, a large portion of Andhra Pradesh and parts of Kerala and Karnataka.

1.7 CHAPTER OUTLINE

The Introductory chapter contains the research design which deals with the Definitions, Statement of the Problem, Objectives of the Study, Methodology, statement of the Hypotheses, Priority of Areas of Research and Limitations of the study. The following chapter on the Political and Economic Conditions of the Madras Presidency at the the commencement of the 20th century relates to the Indian national movements is an epic story. It is also an intense and unique historical drama that spans about half a century. The theme of the drama is liberation from colonisation through a non-violent struggle by which India was gradually released and given her rightful place in the comity of nations. The Madras Presidency had made no small contribution to this great achievement.

Although the decade which ended in 1890 had been on the whole one of favourable seasons; it closed gloomily owing to widespread failure of crop over the greater part of the Tamil Districts. The change in the Governments attitude brought about the growing protection of the industrialists. Free trade gave way to some degree of protection.
Has our country always been backward, industrially? "No", will be the emphatic answer. This is because in the earlier times people achieved a great deal in every sphere of life. The glory that was India\textsuperscript{10}, is what is said today proudly and sadly: Our country had made such progress in various fields, that the world was looking at us with curiosity and envy. Let us try therefore, to picture India's industrial progress in the past before we consider what has been achieved industrially.

"At a time when the rest of Europe, the birthplace of the modern industrial system, was inhabited by uncivilised tribes, India was famous for the wealth of the rulers and for the high artistic skill of her craftsmen\textsuperscript{11}". So begins the Report of the Indian Industrial Commission (I.I.C.) appointed by the Government of India to inquire into Indian Industries. The story which this Chapter tells relates to the fact that many of the Indian industries had their origin in ancient time. "The spinning and weaving of cotton yarn were known to Indians as early as an the Mohanjo-Daro civilisation which according to experts flourished about 5000 years ago\textsuperscript{12}.

State policy and industrial development of the Madras Presidency - the title of the following Chapter relates to the policy of open door and absolute non-interference by the government which has been tried for over a

\textsuperscript{10} BASIAM, A.L. - \textit{The Wonder that was India}, (Ed), (London 1967). p.3


\textsuperscript{12} SALGAONKAR V.D., AND GOGTE, G.R. - \textit{The Romance of Indian Industries}, (Bombay 1947), P.1.
century. The result has been the complete effacement of several indigenous industries, the partial displacement of many and the non-introduction of any new industry or new processes and methods worth the name.

The attitude of government towards industry in the past was for many years one of \textit{laissez-faire}. Till the war of 1914-1918, this policy was maintained in the belief, which was in accordance with current economic doctrine, that industrial progress was best achieved by unregulated private enterprise. This attitude underwent some modification after the last war through the adoption of the policy of discriminating protection. Edwin Montagu, who was then the Secretary of State in a Despatch to the Government of India in 1919 on the Fiscal Commission Report announced a new policy. If the active participation by government in industrial development is to be accepted as one of its legitimate functions, a new policy is required\textsuperscript{13}.

The untiring efforts of the architect of early industrialisation of the Madras Presidency, Alfred Chatterton at the beginning of the 20th century had put this Presidency on the industrial map of the British Empire by creating the Department of Industries in 1906 - the first of its kind in the entire Imperial Government, to develop, organise and direct the industrial growth in an organised manner and have carved a special niche in the list of the industries of the Madras Presidency.
Industrial development in this country and particularly in this Province was mainly hampered by lack of business, banking and industrial experience, absence of technical knowledge, as well as timidity and conservatism of the investing public; all these called for remedial measures. In Nov.1922, a Bill for the development of industries, the first of its kind was introduced by Sir K.V. Reddy in the Legislative Council. Presenting the Bill he said that "it was an earnest endeavour to create confidence so very essential for concerted action, without which organised industrial enterprise was an impossibility\textsuperscript{14} ". It was hailed by the House as a forerunner of a great and successful scheme of industrialisation, and there was considerable satisfaction that the principle of State encouragement to industries was at last recognised. This Bill was passed in the Council and became the Madras State Aid to Industries Act 1922 (Madras Act No.V of 1923)

Most of the industries were essentially rural. India had always been a land of villages and even on the eve of the India's five-year plans, inspite of the rise of so many large towns, a very large proportion of the people lived in 7 lakhs of villages. This story is even more true for the Madras Presidency (until the Re-organisation of Madras in 1947, Madras was referred to as Presidency; after 1947 it was changed to Madras Province. Hence the terms

\textsuperscript{14} NATARAJAN, B - \textit{Report on the Working of the Madras State Aid to Industries Act, 1923}, (Madras 1949), P.3.
are used interchangeably) which even by 1951 had 37,096 villages, with a concentration of 80.4% of the population of the state\textsuperscript{15}.

Of the three general classes of industries large, medium and small the connotations of the first two are clear, but there seems to exist much controversy or confusion among the general public with reference to the last which comprises at least five different types, which representing more or less varying characteristics - handicrafts, home industries, cottage industries and small scale industries. Many have treated these terms as synonymous out of confusion, evidenced by the general usage of the terms obviously necessitating the definition of the term "Cottage Industries".

The expression ‘Cottage Industry’ cannot be easily defined. It is a comprehensive term. Although many committees and individuals have attempted at defining the concept, they have taken into account only the place of work, and the question of the use of power but have ignored the human aspect - the nature of work and employment which may guide one in distinguishing Cottage Industries. The State Aid to Industries Act (Madras) defines cottage industry as an "industry carried on by a worker in his own home". The Indian Industrial Commission of 1916 - 1918 defines it as "industries carried on in the homes of workers. In them is but little organisation so that they are, as a rule capable of supplying only local needs\textsuperscript{16}".

\textsuperscript{15} Statistical Atlas of the Madras Presidency 1950-51 P.11

Against this scenario, Chapter III analyses the significance of Cottage Industries, and their decline in the Madras Presidency. "In India there was a much more definite hiatus than in the West between the decay of the handicrafts and the establishment of factories, during which certain types of demand were largely met by imports". Former hand-workers had to fall back upon the land, while the new industries, when at last they arose had to obtain the bulk of their labour from the agricultural classes. The most important groups of indigenous industries affected were the textiles (especially cotton spinning) and the associated dyeing and tanning industries, mineral and metallurgical industries.

While the establishment of large scale industries should be encouraged not only for the direct employment which they provide, but also because they will render possible, development and greatly facilitate the development of new, medium or small scale industries - the finished products of the former functioning as raw materials in the processes employed by the medium and small scale industries. It is generally recognised that no scheme for the economic reconstitution of a great agricultural country like India can be complete without adequate provision for the introduction and development of rural industries. It is a truism that India dwells in the villages and in the Madras Province 80.44% lived in villages. Only a small percentage of population find employment in factories. The rural population has been severely affected by the economic depression, and the fall in agricultural values, while the decay of local industries in some areas had left the rural
population with no supplementary source of income, outside the seasonal periods of their agricultural work. It has become very necessary therefore to attempt to revive and develop rural industries which would provide for the people, the articles of daily use they require. Thus the very roots of Madras social and economic life lie in her villages. These villages cannot thrive on agriculture alone and if the conditions of the villages are to be improved and if they are to lead a happy, free and prosperous life, cottage and rural industries had to be revived and developed.

For well over quarter of a century attempts had been made by the Provincial Government as well as by some public bodies to revive cottage industries. Such steps as were taken to improve cottage industries have failed to yield practical results as no attempt was made to relate the plans for the rehabilitation of cottage industries to a pre-determined objective. Failure was inevitable when the whole approach to the question was fundamentally unsound.

Alfred Chatterton observed in 1925 that, "the handloom weaver still survives to-day because there is no alternative open to him, he can easily hold his own for a long time to come .... since he is content to exist on but little more than the bare necessities of life\textsuperscript{17}. It is not so much a question of the handloom industry surviving as of the handloom weaver himself. Chapter V relates to the cotton handloom industry and its development and survival.

\textsuperscript{17} CIITRA V. Cottage Industries in India, 1948 p.70.
Handloom industry is next to agriculture the largest single industry of the country. It is the main occupation of several millions of people and for most of them there is no subsidiary occupation nor is hand-weaving a handmaid to agriculture, but the sole occupation of a large class of people. It is the mainstay of many towns and numerous villages scattered all over the country. Although this industry had been responsible for about 25% or 30% of the total cloth consumed in the country, it employs over 85% of the textile workers. "If for any reasons the handloom industry collapsed, the resultant misery was bound to be serious, as it would result in the pauperisation of a large population which in turn would be a heavy burden on the State. Many flourishing towns and extensive rural areas would thereby be deprived of their bread which may lead to ugly social and economic consequences."18

Handlooms are woven in Indian history and fluctuating fortunes are woven in the history of handlooms, especially in their history of a century that is between 1850-1950. But at no time was their future so uncertain as it had been in the last fifty years of the past century i.e. 1850 - 1900; but all the same they made a quick recovery, and revival was made possible, because of their continued contribution to exports and employment (especially in the Madras Presidency) of the poorer sections of the society, and the industry was holding out the promise of much more.

In short, the situation was thus: "an economic revolution is in progress in the land. The old national industries are dead or dying. New ones have not yet taken their place. The competition around us is keen and killing poverty and ignorance stalk over the land. Conscious of their helplessness, and yet awakened to a sense of duty, people are doing what they can to relieve the gloom that surrounds them. A ray of hope cheers their way and the government is showing its interest in their efforts to revive old and start new industries.\(^{19}\)."