GROWTH OF INDUSTRIES IN INDIA

S. UPADHYAY

NATIONAL PUBLISHERS
206, BIDHAN SARANI, CALCUTTA-6

GROWTH OF INDUSTRIES IN INDIA

December, 1970

Published by :

Ganendra Nath Banerjee
National Publishers
Calcutta-6

Cover designed by .

Sukhen Gupta

Printed by :

S. N. Ghosh
Print Wing
209/C Bidhan Sarani
Calcutta-6

By the author :

Foreign Investments in India

PREFACE

End of the empire quickened the pace of industrialization in India and as various plans progressed problems of growth and control challenged attention of economists. Economists have produced a huge body of studies on Indian economy. Illuminating, yet the studies are limited to the developments in the post-British period and do not afford an analysis of basic problems. Basic problems are rooted in the colonial economy and any analysis without reference to the background is likely to yield little. I have made an attempt to furnish the background to major industries in the private sector. The background reveals crude exploitation. Workers were subjected to inhumanity of the nascent industrial system. Low wages and sweating were the rule while industries earned fabulous profits. To the profits must be added the huge sums the managing agents were paid in commission from year to year, for there is hardly any sector of economy over which the houses do not exercise control. I have tried to piece together details of wages and profits. Wages and profits are two themes on which economists throw little light and without a comparison of the two benefits of capitalist enterprise cannot be assessed.

Four decades back the Indian National Congress adopted a programme of economic reconstruction and tried to translate the programme into actuality when British rule ended. Thus the state sector came into being and India owes the state sector to the Karachi resolution. The state sector is an attempt at transforming the colonial economy into welfare economy. Progress of the state sector has not been rapid nor satisfactory. Causes are many. Pandit Nehru who had fathered the concept entrusted the execution of plans to civil servants who were instruments of repression and of bureaucratic control when Britain ruled. The bureaucrats could not identify themselves with the objectives of plans nor did they pay heed to criticism. In fact, the bureaucrats were incapable of carrying out the essential tasks and many projects were lamed. National plans can succeed when the people develop a sense of oneness with the things being created. This can be done by releasing the creative energy of the people. I have summed up the evolution of the state sector and progress of some important industries in the state sector during the three-plan period.

In India growth of monopoly is associated with the rise of managing agency houses. I have presented an account of activities of twenty houses and pointed out limitations of the recent legislation on monopoly.

It is difficult to name numerous friends without whose active assistance it would not have been possible to complete the MSS and to them all I acknowledge my debt gratefully.

Calcutta
December, 1970.

S UPADHYAY

CONTENTS

Part One

PRIVATE SECTOR

Chapter 1

HISTORICAL BACKGROUND

In 1948-49 the value of industrial products (factory and mine) in India totalled Rs. 340 crores and the figure represented 7.3 per cent of the total national income of India. While the value of industrial products was small, employment in industries was meagre. Of the total population of India a very small per cent was employed in industries and the total came to 39 lakhs. (*Report of the National Income Committee*, p. 34.)

What are the causes of slow progress of industrialization? Causes are many and these are bound up with the rise and consolidation of British rule in India. The story of British rule is long. It began when the East India Company established trade relation with India. By exporting Indian merchandise to the continent of Europe the Company made huge profits. The vast wealth acquired by the Company was not the result of fair trade. In fact, the Indian producers were compelled to sell their products at the lowest price and the Company in its turn sold them at the highest price in Europe. This was the period of pillage and plunder by the Company and its servants.

The second period began with the Industrial Revolution in England. The Industrial Revolution accentuated and hastened the conflict between the merchant capital and the industrial capital. In the struggle the industrial capital won and the monopoly of private trade by the Company ended. The second period was marked by the sharp decline in Indian exports to Great Britain and steady rise in British exports to India. Thus India was converted into a market for the British manufacturers.

The third period began with the establishment of direct British rule in India. During this period began the organized exploitation of India by British vested interests. British Government withdrew the nominal duty on British goods imported into India and the country was flooded with British goods. In the early period trade was carried on by individual British manufacturers who enjoyed rights of free trade. This gave place to the monopoly trade and the individual capitalists combined together to trade in the most profitable manner. This involved adjustment in the structure of business organization. Proprietory business changed into joint stock companies, and a number of companies came to be controlled by a managing agency. In India 'finance capital, both British and Indian, mainly operates through . . . the managing agency system.' (A. R. Desai, *Social Background of Indian Nationalism*, p. 101.) By the end of 19th century British capitalists were organized into a powerful body to carry on the exploitation of men and materials.

The disintegration of Indian feudal economy did not lead to the consolidation of the native industrialist class. Nor did the British Government render any aid to industries managed and owned by Indians. The British Government permitted setting up of only such industries as were essential to the maintenance of the imperialist order and necessary for the extension of British markets in India. Early construction of railways and establishment of inland steam services were undertaken to further the end. All these were financed by British capitalists. And 'the invasion . . . . of the more highly developed European bourgeoisie, with their superior technical and military and social-political cohesion, thwarted this normal course of evolution, and led to the outcome that the bourgeois rule which supervened in India on the break-up of the old order was not Indian bourgeois rule, growing up within the shell of the old order, but foreign bourgeois rule, forcibly superimposing itself on the old society and smashing the germs of the rising Indian bourgeois class. Herein lay the tragedy of Indian development, which thereafter became a thwarted or distorted social development for the benefit of a foreign bourgeoisie.' (R. P. Dutt, *India Today*, p. 95.)

Both British ruling class and British capitalists combined to drain away the wealth of India. At the end of the last century W. Digby wrote: "Nearly the whole of the wealth remaining in the country a hundred years ago has been drained away that there is now less of pecuniary reserve in India than in any civilized country in the world." (*Prosperous British India*, p. 80.)

Britain's economic and political control of India retarded development of Indian industries. But 'the British conquest had created a bourgeois, which was no longer content to act as the middlemen of British Imperialism, but was determined to build up a competitive industry.' As interests of Indian and British capitalists began to conflict the Indian bourgeois was compelled to wage many a long and bitter struggle for every inch of industrial progress, and 'its former subservience turned to political hostility towards British Imperialism.' The Indian capitalists wrested many concessions from the Government and tried to hold their own against the foreign rivals.

Early Industries: The story of industrialization in India centres round the cities of Bombay and Calcutta. Both are 'essentially the creation of British rule in India.' Bombay witnessed the growth of the Indian capitalists, and Calcutta grew into the principal centre of British vested interests. And 'the first large industries worked by European capital and with European methods appear to have been started, towards the close of the 18th century to meet the requirements of the ships visiting, and consisted chiefly of dockyards and roperies.' (*Bengal District Gazetteers, Hawrah*, p. 105.)

On the Ganges round the city of Calcutta the new factories were built up by 'the British businessmen among whom have figured many Scots.' The capital was furnished by the former servants of the Company who had made fortune by extortion and bribery. In other words, the new industries were built up with the money they had earned in India by unfair means. (W. W. Hunter, *The Annals of Rural Bengal,* pp. 366-68.) And 'these interests represented simply portions of the Indian spoils and revenue reinvested in India. They did not constitute an export of British capital.' (L. H. Jenks, *The Migration of British Capital to 1875,* p. 208). And 'the most important economic development of the period (1833-1857) was, however, the starting of new projects of trade in jute, tea, coffee, hide, raw cotton and oil seeds.' (L. C. A. Knowles, *Economic Development of the Overseas Empire,* Vol. I, p. 306.)

Foreign investments : Into India flowed foreign capital as industrialization progressed. At the end of the First World War the Indian Industrial Commission observed : "A characteristic feature of organized industry and commerce in all the chief Indian centres is the presence of large managing agency firms, which except in the case of Bombay, are mainly European. In addition to participating in the export and import trade, they finance and manage industrial ventures all over the country and often have several branches in large towns. The importance of these agency houses may be gauged from the fact that they control the majority of the cotton, jute and other mills as well as of the tea gardens and the coal mines." (*Report,* p. 12.)

In 1910 Sir George Parish published a paper on British investments in India and Ceylon. He estimated British investments in India at £ 365 million. Prof. K. T. Shah did not accept the figure. According to Prof. Shah's calculation the total foreign investments in India were £ 600 million including the debentures issued abroad. (Shah and Khambata, *Wealth and Taxable Capacity of India,* p. 221.)

Drain : The simple interest on the total amount at the rate of 6 per cent came to £ 36 million or Rs. 54 crores. To this must be added the interest on British investments in India under the Indian Companies Act. Prof. Shah put the amount at Rs. 5 crores and the total came to Rs. 59 crores. And profit at the rate of 10 per cent brought the total to Rs. 95 crores. There were other sources of drain. The British companies ran the coastal and continental shipping services and the total charges on shipping services were estimated by Prof. Shah at Rs. 22.15 crores. Freight and passenger carriage paid to the British companies amounted to Rs. 41.43 crores. Foreign exchange was the monopoly of the British banks and commissions amounted to Rs. 15.0 crores. Profits of the British businessmen and professional men in India averaged Rs. 53.25 crores. And the Home Charges amounted to Rs. 50 crores per year, and the total tribute paid to Great Britain amounted to Rs. 219.88 crores or £ 146.5 million. This was Prof. Shah's estimate and the figures referred to 1921-22. The total annual tribute paid by India was about one-tenth of the net produces of British India after deducting the revenues of the Provincial and Central Governments.

In 1934 Sir M. Visveswarya calculated the total tribute India paid to Britain on different accounts on the basis of the falling prices at the level of 1921 and it came to £ 121 million or Rs. 161 crores. This did not include the Home Charges that amounted to £ 14 million, and the total was £ 135 million. (*Planned Economy for India*, p. 172.)

Between 1920-21 and 1940-41 the paid-up capital of the companies working in India but registered elsewhere had gone up by £ 254 million. (*Recent Social and Economic Trends in India*, issued by the Government of India, p. 65.)

In 1933 the Associated Chamber of Commerce estimated foreign investments in India at £ 1,000 million. Of the total, a sum of £ 379 million formed the sterling debts of India Government, and the rest investments (£ 621 million) in the private sector. As the sterling debts were wiped out during the Second World War what was left out represented private investments. In 1943, the *Financial Times,* a London Daily, calculated British investments in India at £ 616 million divided into sterling debts (£ 376 million) and private obligations (£ 240 million).

Collaboration : End of the empire put an end to the conflict between Indian and foreign capital. Collaboration came into being and Indian and non-Indian investors combined to translate collaboration into actuality. During 1948-55 foreign investments rose to Rs. 442.4 crores. By the end of 1961 foreign investments rose by Rs. 238 crores to Rs. 681 crores. (The total sum includes private investments in the official sector. There were 142 Government undertakings at the end of 1961 and companies numbered twenty-nine and statutory corporations four. Foreign liabilities of these undertakings stood at Rs. 45.3 crores.)

During 1961-65 foreign investments increased by Rs. 38.8 crores. The sum represented investments in joint ventures during the period. (Reserve Bank, *Bulletin,* June 1967.)

A Reserve Bank study has pointed out the implications of the rise in foreign investments :

"The changes in the flow of international capital between 1948 and 1961 have been considered to be among the most far-reaching the world has known in regard to motivation as well as size

"The movement of international capital during the period not only assumed a new order of magnitude, but virtually carved out new channels. Joint ventures in which foreign capital went to partnership with local capital became important medium for international transfer of resources, techniques and skill." (*India's Foreign Liabilities and Assets 1961,* p. 12.)

During 1955-61 the book value of direct investments increased from Rs. 386.5 crores to Rs. 528.4 crores while investments of foreign companies registered in India rose from Rs. 114.0 crores to Rs. 257.0 crores at the end of 1961.

How did the rise in foreign investments take place? Did the rise mean export of foreign capital to India or ploughing back of profit? The Reserve Bank study has analysed the nature of increase in foreign investments :

"In the thirteen years and a half period to end-1961, the inflow of foreign capital from private sources contributed an estimated Rs. 244.0 crores to the increase in investments in business enterprises in India while profits retained accounted for about Rs. 173.0 crores or 41 per cent of the gross inflow of private capital. A feature in regard to capital inflow has been that much larger part is in the form of non-cash investments. Fresh investments in branches are usually non-cash investments e.g. supply of machinery and plant by the Head office. . . In the thirteen years and a half period, the cash composition of the fresh flow was Rs. 45.0 crores while the non-cash element was estimated to be of the order of Rs. 199.0 crores." (*Ibid.* p. 18.)

TABLE 1

FOREIGN INVESTMENTS DURING 1955-61

Countries	*1955 (Rs. crores)*	*1961 (Rs. crores)*
U. K.	365.9	447.6
U. S. A.	39.6	95.9
Canada	2.3	6.5
Switzerland	5.7	9.3
West Germany	2.4	10 5
Japan	0.02	3 2
Others	26.3	108.0
Total	442 4	681.0

Great Britain topped the list, and during 1955-61 direct British investments rose from Rs. 331.0 crores to Rs. 419.0 crores. During the same period direct U.S. investments went up by Rs. 29.0 crores to Rs. 76.0 crores. The U.S.A. invested in petroleum and manufacturing industries.

During 1951-61 investments in petroleum industry nearly doubled from Rs. 25.0 crores to Rs. 47.0 crores while investments in manufacturing industry almost trebled from Rs. 9.6 crores to Rs. 27.0 crores.

There were 142 Government undertakings at the end of 1961 and foreign liabilities of the undertakings stood at Rs. 45.2 crores.

TABLE 2

FOREIGN INVESTMENTS IN DIFFERENT INDUSTRIES (INCLUDING STATE SECTOR)

Industries	*1955 (Rs crores)*	*1961 (Rs. crores)*	*Increase + Decrease −*
1. Plantation	87.2	103.8	+16.6
2. Mining	9.3	12.4	+3.1
3. Petroleum	104.0	152.5	+48.5
4. Manufacturing			
(a) Food Beverage	29.0	36.1	+7.1
(b) Textile Products	21.8	21.4	−.04
(c) Transport equipment	3.6	13.0	+9.4
(d) Machinery, machine tools	5.0	14.0	+9.0
(e) Metal & metal products	11.1	95.1	+84
(f) Electrical goods & machinery	14.6	14.8	+0.2
(g) Chemicals & allied products	20.3	54.1	+33.8
(h) Miscellaneous	23.7	46.5	+22.8
5. Services	112.8	117.3	+4.5
Total	442.8	681.0	+238.6

(*Ibid.* p. 37)

"Services" include the following: distribution trades, agency services, utility and transport.

Towards the end of 1961 foreign-controlled companies numbered 815 and branches 336. Besides branches, there were many subsidies of foreign companies and 78 per cent of shares in subsidies were held by the parent companies.

Of the total direct American investments, 42 per cent was in branches, and 53 per cent in undertakings with absolute American control.

Half of British investments was in British-owned branches while a third was in enterprises where British holding averaged 76 per cent and the rest was in undertakings where average British equity was 36 per cent.

Direct investments by Switzerland are in undertakings controlled by companies incorporated in Switzerland. West Germany, Canada and Italy have a part of equity investments in joint ventures with limited foreign participation.

In manufacturing industries, foreign control averaged 61 per cent, but within the manufacturing group were industries with greater foreign control. In cigarette industry foreign control was 91 per cent, in toilet preparations 89 per cent, in pharmaceutical industry 83 per cent.

Collaboration flourished and foreign capital was associated with 34 per cent of consents for new capital issues between 1951 and 1963, and with 45 per cent of consents for new issues in the private sector during 1957-63. Very few new foreign ventures have been undertaken without Indian participation... Financial collaboration is not the only, nor perhaps the most important form. While almost all Indo-foreign joint ventures provide for some element of technical cooperation, the vast majority are for technical collaboration only and "of the 75 agreements finalized between independence and the end of 1949, 41 provided for only technical collaboration. More recently between 1957 and 1963 inclusive, capital issues consent involving new Indo-foreign financial collaboration was granted in 246 cases compared with more than 1,700 involving technical collaboration only." (M. Kidron, *Foreign Investments in India*, pp. 258-60.)

Of the total companies having collaboration agreements the largest number is in Maharashtra, then comes West Bengal followed by Madras and Gujrat. All collaboration agreements fall within manufacturing sector. Machinery and machine tools account for a quarter of agreements. Great Britain is the principal collaborator in the field followed by West Germany. Chemicals and chemical products are two industries being developed on the principle of collaboration. (Reserve Bank, *India's Foreign Liabilities and Assets 1961*, p. 40.)

Cost of collaboration : Private foreign investments cost India a lot. Annual profits (after tax) average 10 per cent. To the profits must be added the cost of technical service, royalties and charges for patents. During 1951-61, profits earned by foreign investors came to Rs. 291.0 crores, royalties and fees amounted to Rs. 164.8 crores, while the value of capital repatriated stood at Rs. 114.1 crores.

TABLE 3

PROFITS EARNED BY FOREIGN INVESTORS (PRIVATE SECTOR) DURING 1948-61

Year	*Retained earnings* (*Rs. crores*)	*Transferred abroad* (*Rs. crores*)	*Total* (*Rs. crores*)	*Corrected total* (*Rs crores*)
1948	12.7	30.1	42.8	52.1
1949	12.7	28.6	41.3	50.4
1950	12.7	31.3	44.0	53.7
1951	12.7	27.4	40.1	48.9
1952	12.7	27.4	40.1	48.9
1953	12.7	18.8	31.5	36.5
1954	12.0	24.0	36.0	48.2
1955	12.0	24.3	36.3	41.1
1956	* 19.5	19.9	39.4	51.8
1957	9.5	24.0	33.5	41.2
1958	9.8	27.1	36.9	42.0
1959	15.3	30.2	45.5	55.5
1960	14 5	33.6	48.1	58.7
1961	15.8	33.0	48.8	59.1

Tea and petroleum yielded high profits. According to the Taxation Enquiry Commission, tea topped all the seventeen industries excluding matches in the matter of net profits between 1946-51. (*Report of the Taxation Enquiry Commission, 1953-54*, p. 123.) During 1950-52 tea was one of the group having a high margin of profit

TABLE 4

BREAKDOWN OF PROFITS, ROYALTY AND VARIOUS KINDS OF FEES (RS. CRORES)

Private Investment	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*	*1961*	*Total*
Profits	28.7	27.4	18.8	24.0	24.3	19.9	24.0	27.1	30.2	33.9	33.0	291.0
Royalty, Fees, etc.	9.99	9.2	8.8	9.1	12.5	16.3	16.1	14.9	17.6	23.6	26.8	164.8
Capital Repatriation	9.0	9.0	9.0	5.0	5.0	6.3	9.1	24.4	14.8	9.1	13.4	114.1
Total :	47.6	45.6	36.6	38.1	41.8	42.5	49.5	66.4	62.6	66.3	73.2	569.9

(Reserve Bank, *Balance of Payments* ; *Bulletin*, August 1960 ; October, 1962 ; *Survey 1961*, p. 89.)

on sale. (Reserve Bank, *Bulletin*, July 1955.) The Plantation Inquiry Commission made a significant observation on the profits earned by tea industry: "The fact that a profit equal to investment was made every five years and repatriated should be taken notice of. (*Report of the Plantation Inquiry Commission*, Part I, p. 325.)

So 'during the fourteen years for which data exist in which the foreign investment stake has more than doubled, foreign investors as a whole have taken out of the general currency reserve nearly three times as much as they contributed directly.' (Kidron, *op. cit.*, p. 310.)

On March 31, 1965, foreign investments in India stood at Rs. 935 crores. The table shows the sums sent abroad in the form of profit, accumulated profits and royalty, fees, etc. during 1961-68.

TABLE 5

SUMS SENT ABROAD DURING 1961-68

Year	*(Rs. crores)*
1961-62	37
1962-63	43
1963-64	34
1964-65	48
1965-66	30
1966-67	42
1967-68 (upto Sept.)	26

(K. C. Pant's Statement in Parliament on Dec. 8, 1968.)

Chapter 2

TEA

Simultaneously with the growth of industries round the city of Calcutta the English started tea plantation in the forests of Assam. In the days of monopoly trade by the Company cultivation of tea had been suggested but the Court of Directors turned it down. For the Company enjoyed monopoly right of trade in Chinese tea. When the monopoly was abolished in 1833 the Parliament set up a committee 'to consider and submit plans for the introduction of tea culture in India.' The Committee recommended cultivation of tea and the industry came into being. In 1838 Indian tea was shipped to London and in 1839 the Assam Tea Company was formed. Of the pioneers of tea industry many were retired government officials or army officers. The planters obtained the lease of land on nominal rent and when sold the prices of land ranged from Rs. 2½ to Rs. 5 per acre. (E. Gait, *A History of Assam*, p. 360.)

Early investments : In 1850 there was one tea estate and the total acreage under cultivation was 1,876. During 1850-71 the number of tea estates rose to 295 and the acreage under cultivation to 31,308. Towards the end of the nineteenth century total acreage under cultivation rose to 467,291. In the early days investment per acre varied between £40 and £70. In 1895, the earliest year for which records of tea plantation workers are available, the average daily number of workers employed was 553,821. As 'many of the early plantations proved too small to occupy economically the full time of a European manager and an assistant, gardens began to be consolidated under the increasing control of companies, the consolidation of smaller gardens into large-scale enterprises was stimulated.... The managing agency, in company form, fulfilled in tea production about the same functions which it has fulfilled in cotton and jute manufacture, and other branches of economic activity in India. Generally, its members knew India and the industry fairly well; several producing units in the same line of industry were often under the control of one agency and it had financial resources or access to them and was continuous. With a group of gardens it always had someone in India at least fairly competent to look after them. These companies were sometimes registered in India . . . and more often they were British, registered in England. Much more home capital was invested in tea. . . This occurred at a later period when England had more to invest.' (D. H. Buchanan, *The Development of Capitalist Enterprise in India*, p. 58.)

The relative importance of tea plantation industry is illustrated by the increase in investments. During the first decade of the present century the total investments in tea plantation stood at Rs. 22 crores—investments of companies registered in India were at Rs. 431 lakhs and of companies registered in London at Rs. 18 crores. But there was a further unknown figure respresenting the capital of private owners who refused to furnish any information of their business, so that the total had been estimated at 20 million sterling. (Sir G. Watt, *Commercial Products of India*, p. 240.) In 1928 the investments in tea plantation rose to Rs. 48 crores—investments of companies registered in India rose to Rs. 12 crores, of companies registered in England to Rs. 36 crores. (*Indian Tea Statistics,* p. 7.) In 1928 the total acreage under cultivation rose to 773,000 and the number of workers to 906,787. In 1942 the total investments in tea plantation industry stood at Rs. 52 crores—Rs. 39 crores formed the capital of companies registered in England. (*Indian Tea Statistics,* 1942.) During the period the acreage under cultivation rose to 836,600.

Oppression : The story of tea industry would be incomplete without an account of hardships and sufferings of the workers who felled forests and raised the crop.

The plantation workers were poor peasants and came from Eastern India. The method of recruitment reveals the low humanity of the British planters who sent agents to the far off villages to entice away the simple folk. The agents were adept in the art of deception and wormed themselves into the confidence of the poor peasants who were tempted by the stories of abundance. The agents succeeded in making them leave their homesteads and the human cargo was transported to Assam where sickness and ill nourishment made havoc of them.

Krishna Kumar Mitra was full of righteous indignation against the British rulers who let the planters commit inhumanity against the workers. He wrote : "The English rulers of India, . . . try to put down the terrible oppression. English merchants, . . . do not shut your eyes to so much misery which you in your greed for gold are inflicting upon human beings. For it is impossible that much time can pass in this way. Heaven's justice has overtaken and overwhelmed many powerful nations like yours. Stop in your mad career, for you are sure to be brought to reckoning for this. Try to remove every trace of this demoniacal custom from this country." (*The Sanjivani,* August 20, 1887.)

Agitation against oppression : Repeal of the penal law and free emigration were the correctives to bonded slavery and Bengal leaders were unrelenting in demanding abolition of bonded slavery. Krishna Kumar Mitra and others who had lost faith in British justice suggested direct action against the British planters. On August 14, 1886 the *Sanjivani* sent out a stirring appeal to the young 'to kindle such a fire in the land as will burn coolie act into ashes.' One of its correspondents suggested boycott of tea 'for drinking Assam tea is nothing more or less than drinking blood of the poor persecuted coolie.' The *Sanjivani* stood for self-help when conception of trade union was absent in India. (R. K. Das, *Plantation Labour in India,* p. 34.)

At the turn of the nineteenth century Henry Cotton was the Chief Commissioner of Assam. He belonged to the liberal school of English politics and was not hostile to Indian aspirations. He suggested revision of plantation laws and the Government of India accepted the suggestions. In 1901 a legislation was enacted to fix the wages of plantation workers. The act fixed the monthly wages for men and women at Rs. 5 and 4 in the first year, at Rs. 5½ and Rs. 4½ in the second year and third year, at Rs. 6 and Rs. 5 in the fourth year respectively. The revision did not lead to any increase of wages in the first and the fourth years. The English planters opposed the revision and Lord Curzon, then Viceroy, suspended the operation of the clause on wages.

The press stood up against the abject surrender to the planters and the *Bengalee* wrote: "The primary object of British rule in India is to benefit the European capitalists and merchants, even, if necessary, at the sacrifice of justice and humanity." (March 10, 1901.)

The raging scandal of crude recruitment was revealed in an official report : "The labourers have too often been deceived by the unprincipled recruits ; they have come up expecting much higher wages and a very different kind of life from what they found. From the time they were recruited till they reached their destination, they have been guarded not unlike prisoners. They have been told that they were going to a garden in a country where the means of living were plentiful and cheap ; where they would receive very high wages and have little to do. They found themselves set down in a swampy jungle, far from human habitation, where food was scarce and dear, where they have seen their families and fellow labourers struck down by diseases and death, and where they themselves, prostrated by sickness, have been able to earn far less than they could have done in their own homes.' (*Parliamentary Papers,* 1874, Vol. IIL, pp. 6-7.) In the tea gardens the workers were subjected to most inhuman form of torture. Of this an official report makes a mention : 'In Assam the life of a coolie hangs by slender thread; with a climate that so saps his vitality . . . that it unfortunately takes very little time to kill him; and the shock of such as would be elsewhere borne with impunity might prove fatal... Of the numerous coolies flogged by Mr Dunne, there was possibly not one who, either just before, or at the time, or immediately after, had not been or was not suffering from fever, dysentery, diarrhoea, or spleen, all diseases of which coolies are constantly dying on the plantations.' (*Parliamentary Papers,* 1867, Vol. LVI, pp. 6-7.) When Dunne was arrested on a charge of murder he was released on bail, though murder was a non-bailable offence under the British law in India. His trial took place in the court of a military officer and the entire jury was composed of the English planters. He got off with one year's imprisonment and a fine of Rs. 500.

The plantation worker was put to hard labour. 'His housing was generally inadequate even for his meagre standards, and owing to lack of transport facilities, food was scarce and extremely dear. Undernourishment and disease, working upon an originally weak physique, quite incapatiated many coolies for a day's work. Flogging became common. Many coolies undertook to run away.' The planters took precaution. So 'guards were posted at every possible outlet from the coolie lines, which in some instances were enclosed by high palisades, outside which the coolies were not allowed at night. A reward of Rs. 5 was given to anyone catching a running coolie, and the dislike felt by the native population to the foreigners was enlisted as well as their avarice. The savage hillmen were in special request to track out the fugitives. . . If the coolies were caught they were tied up and flogged, and reward paid to their capturers was deducted by way of fine from their future earnings.' (*Parliamentary Papers*, 1874, Vol. IIL, p. 23.)

The planters were full of racial antipathy. In fact, 'the feeling of the planters as a body towards their imported labourers was most deplorable. The best men looked on them as thankless, discontented lot, for whose good it was almost useless to try to do anything and whom it was impossible not to dislike; while among the worst sort of planters this feeling of aversion deepened into a mingling hatred and contempt that in some instances led to acts of revolting cruelty, in for more cases than even has been publicly known, to systematic and gross ill-treatment.' (*Ibid.*, p. 22.)

Stories of brutalities spread far, and two eminent members of the Brahma Samaj—Dwarkanath Ganguli, Gagan Chandra Home—visited Assam. They collected details of brutalities and tried to organize public opinion against the heinous system of recruitment. Gagan Chandra Home wrote a book on the life of plantation workers—*Coolie Kahani*. *Sanjivani* (a Bengali weekly edited by Krishna Kumar Mitra) and the *Bengalee* (edited by Surendra Nath Banerjee) led a crusade against the evils of emigration system. The British authorities turned a deaf ear to the criticism of the emigration system. Tea industry was developing fast and there was shortage of workers. New legislations were enacted to meet the shortage.

Early in 1886 the Indian Association (Calcutta) presented a memorial on the conditions of Assam plantation workers to the Viceroy. A year later when the Indian National Congress met at Madras, Bengal delegates tried to make the leadership condemn the inhumanity of the English planters. The effort fell through for the leadership was composed of the upper middle class with little sympathy for the common men. The Bengal delegates continued their efforts and the leadership accepted a resolution on the repeal of the emigration acts.

Adoption of the resolution was followed by a conference in Calcutta (October, 1888) to reinforce the movement against emigration laws. The conference was a great success and used to meet every year during the last decade of nineteenth century.

Plantation workers often rose in revolt against the planters though there did not exist any organization. There took place many riots in the tea gardens of Assam. 'Organized opposition and combination among plantation labourers were noticeable as early as 1884, and some of these frictions were originally nothing but industrial disputes and became riots only for the lack of capable leadership among the illiterate and isolated groups of labourers working under the indenture system. The very fact that labourers could be punished for illegal assembly shows that planters took ample precaution to prevent any concerted action on the part of labourers to redress their grievances, and that this provision of the law was effectively utilized by planters is indicated by the fact that in 1902-03, 82 labourers were imprisoned for illegal assembly including rioting.' (R. K. Das, *op. cit.*, p. 95.)

Ownership and control. In 1956 foreign investments in tea amounted to Rs. 63.87 crores (direct) and Rs. 4.3 crores (equity). On the direct investment the profit was Rs. 12.83 crores or 20.1 per cent and on the equity 0.66 per cent. (Reserve Bank, *Bulletin*, January 1956.)

In 1956 thirteen leading houses in Calcutta controlled 75 per cent of tea produced in Northern India, and seven companies controlled half of the production, and five others not less than 36 per cent.

The managing agency houses of sterling and non-sterling companies took a renumeration besides office allowance of Rs. 152.42 lakhs in 1953. It would work out to Rs. 8.4 per cent of gross profits and the average for 1946-51 was 12 per cent. Then came a year of low profits. In 1953 the managing agencies earned remuneration to the extent of Rs. 2.32 crores. (*Report of the Plantation Inquiry Commission, 1956*, Part I, p. 324.)

Expansion : Partition of India reduced the total acreage under cultivation without any reduction in production and by 1964 total acreage exceeded the pre-partition figures. The table indicates the growth of industries during 1875-1964.

TABLE 6

GROWTH OF TEA INDUSTRY, 1875-1964

Year	*Area in acres*	*Production in thousand lbs.*
1875-89	310,519	90,600
1900-1904	223,234	201,326
1910-1914	590,691	289,953
1920	704,059	345,340
1930	803,532	391,081
1940	832,832	463,881
1948	768,000	577,807
1950	779,998	613,354
1960	817,272	707,854
1964	834,906	820,369

In 1965 the total area under cultivation was 341,634 hectares and total production 364,881 (thousand kgs).

In 1956 the total number of workers employed by the plantation industry stood at 1,004,683 and in 1963 the number declined to 847,372. (The Tea Board of India, *Tea Statistics 1965-66*, p. 77.)

Tea is one of the principal foreign exchange earners and accounted for 21 per cent of the total value of exports during the post-war period.

In the post-war period other traditional producers, Ceylon and Japan, entered the world market followed by new ones (East Africa, Japan, Argentina). Pakistan too is in the international market.

Though competition is keen, there has not been any fall in the foreign exchange earned by the Indian tea. Foreign exchange earnings rose from Rs. 124.0 crores in 1961 to Rs. 125.0 crores in 1962 and to Rs. 132.4 crores in 1963. The tenth report of the Tea Board observed: "It is heartening to note that . . . tea exports have been showing a continued better performance." (*Report*, p. 5.)

Devaluation of Indian rupee reduced the total value of tea exports without any fall in total quantity.

Reduction of duty : With the fall in the value of export, the Government of India reduced the export duty twice. In December, 1968, the duty was further reduced by 11 paise a kilogramme. In March, 1969, while presenting the Budget the Finance Minister announced reduction of export duty by 55 paise per kilogramme.

Replantation : Yield of crop depends upon the age of plants. In 1963, age of half of total plants varied between 26 and 60 years. Replantation of bushes is urgent, and a study team of the Reserve Bank observed: "The urgent need for reducing the cost of production to meet the external competition emphasizes the necessity of replacing the existing bushes with newly developed variety and improved technique of agriculture." (Reserve Bank, *Bulletin*, Oct. '68.)

The Government of India renders financial assistance to the industry, and the industry is entitled to development allowance and subsidy on replantation.

WAGES

Earnings of tea plantation workers are lowest in India. In Assam the Act of 1865 fixed the monthly wages at Rs. 5 for a man, Rs. 4 for a woman and Rs. 3 for a child. By the Act of 1872 an increase of one rupee was sanctioned. In 1901 the rates were increased by a few annas. What the workers were paid was far below the statutory standard. For 'payment of the rates was, however, made contingent upon the completion of daily tasks and a considerable number never earned their full contract rates. It was an invariable custom, as conditioned by the law, that when labourers did not perform the full task, corresponding deductions were made from the wages. In practice, the actual amount of wages earned by average labourers, therefore, fell considerably below the standard.' (R. K. Das, *op. cit.*, p. 145.)

During 1905-21 the monthly rate of wages increased from Rs. 7.11 to Rs. 8.97 (23 per cent) for men, from Rs. 5.54 to Rs. 7.46 (36 per cent) for women and Rs. 3.48

to Rs. 4.67 (31 per cent) for children among the workers who were not employed under contract system. During 1921-29 the monthly rate of wages rose from Rs. 10.57 to 14.08 (38 per cent) for men, from Rs. 8.11 to Rs. 11.26 (38 per cent) for women, from Rs. 5.40 to Rs. 7.38 (35 per cent) for children in the Assam Valley and from Rs. 8.04 to Rs. 10.69 (34 per cent) for men, from Rs. 6.42 to Rs. 8.69 (35 per cent) for women, from Rs. 3.89 to Rs. 5.49 (39 per cent) for children in the Surma Valley. (Das, *op. cit.*, p. 149.) The Royal Commission on Labour estimated the monthly earnings, for 1929-30 at Rs. 13-8-7 for men, at Rs. 11-1-7 for women and at Rs. 7-8-6 for children in the Assam Valley and in the Surma Valley the corresponding figures were Rs. 11-11-0, Rs. 8-6-1 and Rs. 5-6-2 respectively. (*Report of the Royal Commission on Labour in India*, p. 387.) Earnings of plantation workers began to decline when the world depression (1930) set in. The downward trend was further accelerated with the introduction of international control order in 1931. The control restricted production and led to a sharp fall in the earnings of plantation workers. In 1939 monthly earnings were Rs. 8-15-6 for men, Rs. 7-10-2 for women in the Assam Valley and the corresponding figures in the Surma Valley were one rupee less.

War-time wages : When the Second World War broke out prices began to rise steeply. The Assam Tea Association decided to keep wages low. Here is an official analysis of movement of prices and wages in the Assam tea gardens during 1939-44 : "The general policy followed in Assam by the Indian Tea Association on the question of giving compensation to labour for the stupendous rise in the prices during recent years was to leave the basic wage rates alone, to give no dearness or any other allowance, but to supply foodstuffs at concession rates and offer increased opportunities for earning by doing more work. A few gardens have also decreased the task. Increasing the cash wages would have, in its opinion, strengthened the inflationary tendencies which work with particular force in tea gardens where the ordinary number of channels of supply is very limited.

More pay in the hands of the labour force means that the local shopkeeper puts up his prices still more, and so the last state of the labourer is worse than the first. It is also desirable that a measure designed to meet a purely temporary need should be of such a nature that it can be easily discontinued or modified when that need has passed. Only rice is sold at pre-war price and other commodities are generally sold at cost price or at a small concession. This ration and prices prescribed by the Indian Tea Association are not strictly followed by all the member-gardens. Making more work available to labour does not, of course, mean the same thing as giving a higher wage to meet the increased cost of living. On the basis of the 1939 ratio, there has been an increase of 2 annas 4 pies in the rupee in actual cash earnings of the labour force between 1939 and 1943. The value of foodstuffs and cloth concessions in 1943, according to the Indian Tea Association, was roughly Re. 0-10-9 for every rupee of total wages. If to this is added Re. 0-2-4 in the rupee increase in cash earnings, it will be seen that the labour received in 1943 cash or commodities at concession rates to the extent of Rs. 0-13-1 for every rupee of his wages in 1939. There is no official cost of living index number for Assam. Recently, however, under the Government of India scheme family budget enquiries are being conducted by the Director of Cost of Living Index Scheme in Silchar, Gauhati and Tinsukia with a view to compiling cost of living index numbers for these centres. In the plantation areas, however, no such enquiries have so far been undertaken and the absence of an authoritative cost of living index in Assam makes it difficult to assess accurately the fall in real wages of the plantation workers. In the opinion, however, of experienced Revenue officers and planters, the cost of living in plantation areas has gone up by at least 200 per cent since the beginning of the war. This is also supported by the table supplied by the Director of Cost of Living Index Scheme. Though the table shows prices of certain articles in non-plantation centres, it gives a general indication of the movement of prices in Assam. It is therefore clear that though the cost of living has gone up by at least 200 per cent the earnings (including cash value of concessions in foodstuffs and cloth) of labourers in Assam tea gardens have been gone up only by 82 per cent. It is true that in most industries the increase in the cost of living is not completely set off by the extra emoluments offered but it is generally conceded that there should be full compensation to labour which is on the marginal level of subsistence as is the case with the Assam plantation labour. The standard of living of tea garden labourers in Assam is appallingly low. They merely exist. They have hardly any belonging except a few clothes (mostly tattered) and a few pots (mostly earthen). Their womenfolk have no jewellery except German silver bangles in a few cases. Their houses presented a picture of stark poverty. As some labourers said, 'This has become our way of life'." (D. V. Rege, *Report on an Enquiry into Conditions of Labour in Plantations in India*, pp. 53-56.)

Post-War wages : When the War was over the Government of India conducted an enquiry into the cost and standard of living of tea plantation workers in Assam and West Bengal. The weekly earnings, according to the enquiry, of tea plantation workers varied between Rs. 5.0 and Rs. 15.0 in 1947. A family was made up of 4.57 persons and 2.27 persons were earners, and the weekly earnings averaged Rs. 11.0. To the earning was added the value of subsidy on food grains—Rs. 23.0 a month.

In 1948 the daily earnings (inclusive of dearness allowance, the value of subsidy on food) of a man stood at Rs. 1-1-6, of a woman at Re. 0-15-6 and of a child Re. 0-8-0 in Assam. In Cachar workers earned less.

Enforcement of the Minimum Wages Act 1948 led to a revision of wages of tea plantation workers. The revision was perfunctory and added little to the earnings of workers.

1952-53 was a lean year for the industry. Profits fell. Fall of profits led to a suspension of subsidy on food.

Subsidy on food is a cunning device to keep the wages static and the value of subsidy falls when prices fall. The device worked many years and in 1954 the Industrial

Committee on Plantations suggested conversion of subsidy into cash wages. So daily wages went up by nine annas in Assam and the price of cereals was fixed at Rs. 20.0 a maund. In fact, the gain was negated by the rise in the prices of cereals. The table furnishes details of earnings of tea plantation workers in Eastern India.

TABLE 7

MINIMUM RATE OF WAGES IN 1965

State	*Area*	*Category of workers*	*Total daily earnings*	*Concession*
Assam	Zone—A	Male Female Child	Rs. 2·07 Rs. 1·92 Re. 1 00	Food grain supplied at the rate of Rs. 20·00 a maund.
	Zone—B	Male Female Child	Rs. 2·00 Rs. 1·86 Re. 0·97	At the rate of Rs. 17·50 a maund.
	Cachar	Male Female Child	Rs. 1·60 Rs. 1·53 Re. 0·86	Food grain supplied at the rate of Rs. 20·00 a maund.
West Bengal	Darjeeling (Hill area)	Male (Field) Male (Factory) Female (Field) Femal (Factory) Child (Field) Child (Factory)	Rs. 1·60 Rs. 1·65 Rs. 1·52 Rs. 1·57 Re. 0·87 Re. 0·92	Food grain supplied at the rate of Rs. 15·00 a maund.
	Terai gardens 500 acres and above in Dooars.	Male Female Child	Rs. 1·98 Rs. 1·84 Rs. 1·07	Food grain supplied at the rate of Rs. 15·00 a maund.
	Gardens below 500 acres in Dooars and Cooch Behar	Male Female Child	Rs. 1·95 Rs. 1·81 Rs. 1·07	Food grain supplied at the rate of Rs. 15·00 a maund.

State	*Area*	*Category of workers*	*Total daily earnings*	*Concession*
Tripura		Male Female Child	Rs. 1 41 Rs. 1'25 Re. 0'69	Food grain supplied at the rate of Rs. 20'00 a maund.

(Tea Board of India, *Tea Statistics 1965-66*, p. 97.)

In April 1966, the Central Wage Board recommended the following increases in the wages of field workers :

TABLE 8

WAGE BOARD RECOMMENDATION FOR TEA PLANTATION WORKERS, 1966

	Men	*Women*	*Children*	*Payable from*
			(*in Rupee*)	
(I) Estates of more than 150 acres in Excise Zone V (which includes Assam Valley except Nowgong, Mangaldai, Kamrup and Goalpara).	0'16 0'18	0'13 0'15	0'08 0'09	1-1-1966 1-4-1966
(II) Estates of less than 150 acres in Excise Zone V (which includes areas referred to in I above) and areas in Excise Zones III & II (i. e. Dooars, Darjeeling Hills, Nowgong, Mangaldai, G o a l p a r a, Kamrup).	0'13 0'15	0'10 0'12	0'07 0'08	1-1-1966 1-4-1966
(III) All Estates in Excise Zone I (which includes Cachar, Cooch Behar, Terai and Tripura).	0'10 0'12	0'07 0'09	0'05 0'06	1-1-1966 1-4-1966

In October 1968, the Government of India asked the State Governments to revise the dearness allowance of tea plantation workers in accordance with the formula laid down by the Central Wage Board for the industry.

PROFITS

Of the profits earned by the companies there is no systematic account. 'The earliest English joint-stock companies produced no earnings for some thirteen years but showed handsome profits from then onward. The Jorehaut Company paid an average of 15 per cent dividend during the first 30 years of existence, and ten London companies earned an average of 9 per cent during the nine years 1878-1886.' (Buchanan, *op. cit.*, p. 68.) The First World War ushered in a new period of prosperity and in the post-War period the industry earned high profits. Of 139 companies registered in India (capital Rs. 5 crores) 123 companies declared dividends of 32 per cent on their aggregate capital of Rs. 4.53 crores in 1927, and 95 companies declared dividends of 23 per cent on their aggregate capital of Rs. 3.28 crores. (*Indian Tea Statistics*, p. 7.) In 1928, 98 companies incorporated in India, paid dividends at the rate of 23 per cent. In 1929, 74 companies paid dividends at the rate of 20 per cent. And 'the oldest company registered in England, the Assam Company, paid an average of 22 per cent dividend during the ten years 1917-26, while for the same period the Jorehaut Company, founded in 1859, paid an average of 30 per cent annually.' (Buchanan, *op. cit.*, p. 69.)

While the depression lasted the rates of profits were low. With the outbreak of the Second World War the industry entered a new period of prosperity. For 1939, 128 companies declared dividends of 15 per cent on their aggregate capital of Rs. 531 lakhs. For 1940, 123 companies declared dividends of 15 per cent on their aggregate capital of Rs. 508 lakhs. For 1941, 142 companies declared dividends of 18 per cent on their capital of Rs. 584 lakhs. For 1942, 147 companies declared dividends of 28 per cent on their aggregate capital of Rs. 595 lakhs. (*Indian Tea Statistics, 1942.*)

And 'the outbreak of the war with Japan had far-reaching repercussions on the position of the tea industry. The supplies of tea normally obtained from China, Japan and Formosa were no longer available and with the fall of the Dutch East Indies, another important source of supply was closed to the United Nations. In the aggregate, Japan and other countries under her occupation used to contribute approximately 31 per cent to the world's exportable supplies of tea. The loss of this quantity meant a corresponding increase in the demand for tea from India and Ceylon, and the industry in both the countries was called upon to expand its output to the maximum extent. The tea industry in India responded to this increased demand by increasing its output to the record figure of 564 million lbs.' (*Review of the Trade of India in 1942-43*, p. 32.)

In 1943, 128 tea companies earned profits of Rs. 233 lakhs. In 1944, 126 companies earned profits of Rs. 112 lakhs. In 1945, 125 companies earned profits of Rs. 202 lakhs. The relative index of profits rose from 96 in 1939 to 219 in 1946. 'With larger production and better prices realized, the Indian tea industry enjoyed increasing prosperity during 1945 and 1946.' (*Review of the Trade of India in 1945-46 and 1946-47*, p. 29.)

Of the total tea gardens in Assam 90 per cent are owned by companies and not private persons. The companies are managed by the big and powerful agency houses in Calcutta which lay down the policy, control the expenditure, appoint the manager and his European assistants. The manager has a free hand in the internal administration of the estate. The average pay of a manager is about Rs. 800 to Rs. 1,000 a month, but he gets a substantial amount by way of commission which is usually 5 per cent of the net profits. One superintendent of a big company is said to have received £10,000 by way of commission alone in one of the pre-slump years. In 1945 there were 1,128 gardens in Assam. Of the total, 270 gardens were Indian-owned. The Indian-owned gardens are small and the average size is 100 acres. The total area of Indian-owned gardens is 15 per cent of the area under tea in Assam. Most of the Indian-owned gardens were started within the last 25 years. Some of these gardens are like zamindaries. A small portion is under tea and the rest of the area is given out for cultivation to tenants. (Rege, *op. cit.*, pp. 12-13.)

Termination of the war did not lead to a diminution of profits. Tea, according to the Taxation Enquiry Commission, was one of 16 industries (excluding matches) that earned high profits during 1946-51 (*Report*, Vol. I, p. 123.) The Plantation Inquiry Commission observed: "The fact that a profit equal to investment was made every five year and repatriated should be taken note of." (*Report*, Para 1, p. 324.) The table shows the ratio of profits to the total capital. The figures within bracket indicate the number of companies :

TABLE 9

RATIO OF PROFIT TO CAPITAL, 1946-51

1946 (77)	17.4 per cent
1947 (77)	20.5 per cent
1948 (77)	11.5 per cent
1949 (77)	12.5 per cent
1950 (77)	17.9 per cent
1951 (77)	10.4 per cent

During 1946-51, 76 tea plantation companies paid Rs. 1,99 lakhs to the managing agents. Managing agents' remuneration worked out to 12 per cent of profits (before taxation).

In 1953-54, 113 tea plantation companies gave Rs. 10,37 lakhs in dividend and retained Rs. 7,25 lakhs. These companies paid 2,85 lakhs to the managing agents.

In 1955-57, 167 tea plantation companies distributed Rs. 7,01 lakhs. Retained profit was none, yet the managing agents were paid Rs. 1,76 lakhs.

In 1958 there was a fall in profit and 167 companies distributed a sum of Rs. 1,78 lakhs. Managing agents' remuneration amounted to Rs. 47 lakhs.

In 1959 there was a marked rise in profits. 166 tea plantation companies distributed Rs. 2,61 lakhs and retained Rs. 1,38 lakhs. Managing agents earned Rs. 58 lakhs.

In 1960, 136 tea plantation companies distributed Rs. 2.5 crores and retained Rs. 0.8 crore.

In 1961, 149 tea plantation companies gave Rs. 227 lakhs in dividend and retained Rs. 7 lakhs. Managing agents earned Rs. 60 lakhs.

In 1962, 148 tea plantation companies distributed Rs. 209 lakhs and retained a sum of Rs. 8 lakhs. Managing agents' remuneration amounted to Rs. 58 lakhs.

In 1963 these companies gave Rs. 181 lakhs in dividend and retained Rs. 18 lakhs. Managing agents earned Rs. 46 lakhs.

In 1963-64, 142 companies distributed Rs. 1,63 lakhs and retained Rs. 38 lakhs. Managing agents' remuneration amounted to Rs. 43 lakhs.

In 1964-65 profits rose and these companies distributed a sum of Rs. 1,70 lakhs and retained an equal sum. Managing agents earned Rs. 44 lakhs.

In 1965-66, 139 tea plantation companies distributed Rs. 1,79 lakhs and retained Rs. 18 lakhs. Managing agents' remuneration amounted to Rs. 44 lakhs. (Reserve Bank, *Bulletin*, May 1962; June 1963; November 1965; November 1966; December, 1967.)

TABLE 10

PERCENTAGE OF TOTAL DIVIDENDS TO THE PAID-UP CAPITAL

Year	*No. of companies*	*Percentage*
1960-61	142	14.5
1961-62	142	11.8
1962-63	142	10.6
1963-64	142	8.8
1964-66	142	9.2

(Reserve Bank, *Bulletin*, Nov. 1966.)

TABLE 11

PERCENTAGE OF CAPITAL FORMATION

Year	*No. of companies*	*Percentage*
1961-62	142	4.2
1962-63	142	6.0
1963-64	142	4.6
1964-65	142	4.1

(*Ibid.*)

The table shows the ratio of dividend to profits after tax as well as the ratio of retained profits to profits after tax.

TABLE 12

Year	*No. of companies*	*Ratio of dividend to profit after tax*	*Ratio of retained profits after tax*
1960-61	142	81.2 per cent	18.8 per cent
1961-62	142	95.8 per cent	4.2 per cent
1962-63	142	97.6 per cent	2.4 per cent
1963-64	142	81.1 per cent	18.9 per cent
1964-65	142	72.4 per cent	27.6 per cent

(*Ibid.*)

Tea procession is a British monopoly. Two British firms, Lipton and Brooke Bond, handle 85 per cent of retail distribution in India. Brooke Bond heads the list of ten foreign companies with assets worth Rs. 18.32 crores each while its paid up capital is only Rs. 1.67 crores. (*The Statesman*, July 22, 1967.)

Chapter 3

JUTE

The Acland Mill was the first jute mill founded in 1854 by Mr George Acland, an Englishman, who had left the British navy to settle down in Ceylon. He achieved some success as a planter there. He came to Bengal and 'undertook an experiment with rhea grass' to replace flax and hemp. In Scotland he was advised by manufacturer of jute machinery . . . to take jute machinery to India and manufacture jute where it was produced.' Parts of the original Acland Mills are included in the Wellington Mill. At the instance of Mr George Henderson, a Scot, the second jute mill was started by the Borneo Company. Within 'five years the mill doubled its plants and within 13 years it had cleared its capital twice over.' All these mills 'coined money.' With the shortage of supply of hemp from Russia caused by the Crimean War there was a growing demand for jute and at 'Dundee a number of experiments on jute had been carried out and pure jute yarn had been produced. 'With the perfecting of its machinery and organization, and the increasing ease of communication, this industry . . . migrated to India at the beginning of the second half of the 19th century. With the introducion of power looms in the jute mills a real boom set in.'

In 1875 there were 17 jute mills owned and managed by British agencies. The expansion of jute mills round the city of Calcutta was undertaken by the English residents of the city including a physician. (P. S. Loknathan, *Industrial Organization in India,* p. 33.)

Andrew Yule is another name associated with the development of jute and other industries in eastern India. When Andrew Yule arrived in India construction of the Suez Canal was in progress, and railways and post and telegraph services had opened up the country. The Yules took an active part in developing the jute industry and at the turn of the nineteenth century they managed four jute mills and soon the number rose to eight. When King George V and Queen Mary visited India in 1911-12, they went round one of the jute mills (of the Andrew Yule group), Belvedere Jute Mills, now amalgamated with the Delta Jute Mills. (*Andrew Yule and Co.,* p. 12, Printed for private circulation)

Expansion of the industry : In 1891-92 there were 26 jute mills with a capital of Rs. 137 lakhs plus £ 1.7 million. There were 65,428 workers employed. Ten years later (1901-2) the number of jute mills rose to 36 with capital of Rs. 435 lakhs plus £1.7 million. The total number of operatives rose to 114,785. In two years the number rose to 38 employing 133,162 workers. (Watt, *op. cit.,* p. 424.) As the first decade of the present century closed the total number of jute mills rose to 59. The First World War gave a fillip to the expansion of the industry. The number of mills rose to 73 while looms were almost doubled. In 1923-24, total investments in the industry rose to Rs. 17,31,89,695 plus £ 4,355,667. (*Statistical Abstract for British India, 1923-1932,* pp. 740-45.) In 1932 there were 103 jute mills and the total investments stood at Rs. 18,58,20,792 plus £2,752,778. (*Ibid.*) When the Second World War broke out there were 108 jute mills and operatives numbered 3,02,286. The total capital invested in the industry was estimated at Rs. 23.4 crores. During 1939-44 the number of jute mills increased by 4.

Bengal is the principal centre of jute mill industry. There are 11 mills outside Bengal. The owners of the industry are organized into a powerful body. An organization named the Indian Jute Manufacturers' Association was formed in 1884. Its objects were :

to encourage and to secure united feeling and action,
to collect and classify facts and statistics,
to open new markets,
to fix points of custom,
to work on one form of contract,
to obtain the removal of grievances,
to arbitrate on matters of dispute,
to communicate public authorities or kindred associations, and generally to promote and protect the interests of those engaged in the industry in all matters touching the interests of the members.

In 1902 the name of the association was changed to Indian Jute Mills Association. In 1945, 103 mills were members of the IJMA. Of these, 97 mills are in Bengal and the rest outside Bengal.

In 1962 the jute mills numbered 109 and looms 69,140. Of the total mills, 97 are members of the Indian Jute Mills Association and others are not within the control of IJMA.

In 1947 the total value of jute manufactures was estimated at Rs. 127 crores. Of the total, more than half was exported. In 1946-47, the total value of exports of jute manufactures aggregated Rs. 70 crores, in 1947-48 Rs. 127 crores, in 1948-49 Rs. 146 crores, and in 1949-50 Rs. 127 crores. Export of jute manufactures accounted for 60 per cent of India's earnings in hard currencies.

During 1950-63 jute was the principal earner of dollars and table 13 points out the relative importance of jute products in the external trade of India with hard currency areas.

In 1964-65, the value of export of jute manufactures amounted to Rs. 171,7 crores and to Rs. 196.9 crores in 1965-66 (according to preliminary calculation). The devaluation of Indian currency reduced the value of exports of jute manufactures by 82 million dollars (Reserve *Bank, Bulletin,* November 1967.)

TABLE 13

Year	*Total foreign exchange earning by all commodities in the dollar area*	*Earnings in the dollar area by the export of jute goods only*
	(*Rs. crores*)	(*Rs. crores*)
1950-51	152.43	54.73
1951-52	180.48	87.38
1952-53	138.79	57.95
1953-54	111 7	39.94
1954-55	113.64	42.55
1955-56	112.39	44.51
1956-57	118.10	49.97
1957-58	161.21	45.48
1958-59	107.22	44.79
1959-60	116.75	46.54
1960-61	126 82	62.67
1961-62	140.59	66.94
1962-63	144.59	75.15

(*Report of the Central Wage Board for Jute Industry*, p. 12.)

The industry consumes 7.5 million bales of raw jute every year. The partition cut off the industry from the source of supply of raw jute. East Pakistan grows the best quality of jute. The quality of raw jute is determined by the colour of the fibre and strength of the staple length. In the post partition period the industry was exposed to an acute shortage of raw jute, and was compelled to reduce weekly working hours and to seal looms.

The Government of India took measures to grow more jute and 'grow more jute' campaign yielded quick results. The total acreage increased from 0.65 million (1947-48) to 2.28 million (1961-62) while the production of raw jute increased from 1.66 million bales to 6.5 million bales. At the end of the first year of the third plan total production of raw jute rose to 7.5 million bales, though in the second year it fell to 6.89 million bales. Thus India achieved quantitative self-sufficiency in raw jute.

Though the production of raw jute continued to rise yet the industry faced periodic shortage. In 1960-61 the industry sealed a certain percentage of looms and reduced the working period. Towards the end of 1961 the crisis was over and the normal working was restored. In 1962 the industry worked to full capacity and 'for jute industry, 1963 was a year of record production and exports.' Jute mills assured of plentiful supply of the fibre and stimulated by the marked buoyancy in export demand, worked at near full capacity through the year. Export earnings from jute manufactures went up by Rs. 10 crores to Rs. 160 crores. In 1964, the industry set up a new record of production and export. In terms of value export earnings at Rs. 176 crores in 1964 were higher than in 1963 by 19 crores. In 1965 production of jute manufactures registered further increase. The industry worked at maximum capacity and set a new record. Earnings from export were higher at Rs. 184 crores as compared to Rs. 164 crores in 1964. (Reserve Bank, *Report on Currency and Finance, 1961-62 ; 1962-63 ; 1964-65 ; 1965-66.*)

The partition put an end to India's monopoly in the world trade of jute manufactures. When the Second World War was over the jute industry at Dundee and on the continent introduced advanced methods of production and India began to lose the advantages of cheap raw jute and cheap labour. All these compelled the industry to adopt advanced methods of production and the industry spent Rs. 30 crores on the modernization of plant and machinery. The Government of India rendered assistance to the industry by reducing tax by 25 per cent.

Ownership : Transfer of power brought about a change in the ownership of jute and other industries owned and controlled by British managing agencies. A section of the British businessmen were unable to reconcile themselves to the political change and chose to sell their interests. The Indian industrialists who had amassed fortunes during the years of the war offered fabulous prices and the British businessmen were quick to part with their interests. Thus the Soorajmull Nagarmull group came into possession of Macleod & Co. The Goenka group bought controlling shares in two British managing agencies—Duncan Brothers & Co. Ltd., Octavius Steel & Co. Ltd. The Bangur group acquired Kettlewell Bullen & Co. Ltd. and some British companies.

All these led to a concentration of control over jute textile industry by some Indian groups. There are 75 groups who represent the monopoly capital. Of the seventy-five groups, some are in jute textile industry and an analysis of their activities will explain the nature of control.

The Soorajmull Nagarmull group controls ten per cent of the jute textile industry and the jute mills of this group did business to the amount of Rs. 21 crores in 1964.

The Birlas did not add any new unit to jute textile industry and five companies are engaged in the production of different types of jute products. The companies turned over Rs. 11 crores in 1964.

The Bangur group is in a commanding position in jute textile industry and its turnover came to Rs. 16 crores in 1964.

Though the number of jute mills controlled by the Goenka group is small, it did business to the extent of Rs. 14 crores in 1964.

The Singhania group controls two jute mills and the total turnover amounted to Rs. 8 crores in 1964.

Besides these the following are engaged in the production of jute goods : Sahu Jain (1182), Jatia (168), Bhagirath Kanoria (381), D. G. Kothari (325), Mafatlal (273). The figures within bracket indicate the amount of business (in lakhs) done by each in 1964.

Foreign control over jute textile industry is exercised by managing agencies. Bird-Heilgers controls eight jute mills and the jute mills did business to the amount of Rs. 21 crores in 1964. Andrew Yule & Co. manages four jute mills and the mills turned over Rs. 9 crores in 1964. Jardine Henderson is another British managing agency with interests in jute textile industry and the turnover of 5 mills (managed by the group) amounted to Rs. 11 crores in 1964. Macneill and Barry, a subsidy of the Inchape & Co. U. K. manages two jute mills and turnover of the jute mills was Rs. 9 crores in 1964. James Finlay & Co. Ltd. manages two jute mills and the mills did business to the amount of Rs. 4 crores in 1964.

WAGES

There are no statistics on the earnings of jute mill workers during the early days of the industry. The jute mill workers were made to work unlimited hours, and 'some of the mills with the object of conserving their labour

TABLE 14

Year	Carding	Rovers	Spinners	Shifters	Winders	Beamers	Weavers
1896 ...	Rs. 1·37	Rs. 2·19	Rs. 2·5	Rs. ·87	Rs. 2·50	Rs. 2·75	Rs. 4·75
1897 ...	,, 1·41	,, 2·19	,, 2·75	,, ·87	,, 2·50	,, 2·75	,, 5
1898 ...	,, 1·41	,, 2·19	,, 2·75	,, ·87	,, 2·75	,, 2·75	,, 5
1899 ...	,, 1·41	,, 2·19	,, 2·75	,, 1	,, 2·75	,, 2·75	,, 5
1900 ...	,, 1·44	,, 2·25	,, 3	,, 1	,, 3	,, 3	,, 5·25
1901 ...	,, 1·44	,, 2·25	,, 3	,, 1	,, 3	,, 3	,, 5·25
1902 ...	,, 1·44	,, 2·25	,, 3	,, 1	,, 3	,, 3·25	,, 5·25
1903 ...	,, 1·44	,, 2·37	,, 3	,, 1	,, 3	,, 3·25	,, 5·25
1904 ...	,, 1·47	,, 2·37	,, 3·25	,, 1·12	,, 3·25	,, 3·25	,, 5·37
1905 ...	,, 1·47	,, 2 37	,, 3·25	,, 1·12	,, 3·25	,, 3·50	,, 5·37
1906 ...	,, 1·47	,, 2·5	,, 3·25	,, 1·12	,, 3·25	,, 3·50	,, 5·37
1907 ...	,, 1·47	,, 2·5	,, 3·25	,, 1·12	,, 3·25	,, 3·50	,, 5·37
1908 ...	,, 1·5	,, 2·75	,, 3·5	,, 1·25	,, 3·5	,, 3·75	,, 5·50
1909 ...	,, 1·5	,, 2·75	,, 3·5	,, 1·25	,, 3·5	,, 3 75	,, 5·50
1910 ...	,, 1·5	,, 2·75	,, 3·5	,, 1·25	,, 3·5	,, 3·75	,, 5·50
1911 ...	,, 1·5	,, 2·93	,, 3·35	,, 1·35	,, 3·5	,, 4·1	,, 5·75
1912 ...	,, 1·5	,, 2·75	,, 3·2	,, 1·23	,, 3·2	,, 3·42	,, 5·65
1913 ...	,, 2	,, 3·35	,, 3·44	,, 1·75	,, 3·45	,, 4·64	,, 5·6
1914 ...	,, 2	,, 3·3	,, 3·45	,, 1·76	,, 3·6	, 4 7	,, 5·65
1915 ...	,, 2	,, 3·32	,, 3·48	,, 1·8	,, 3·6	,, 4·72	,, 5·6
1916 ...	,, 2	,, 3·3	,, 3·5	,, 1·75	,, 3·6	,, 4·7	,, 5·65
1917 ...	,, 1·94	,, 3·8	,, 3·35	,, 1·56	,, 3·65	,, 4·8	,, 6·14
1918 ...	,, 2	,, 3·9	,, 3·37	,, 1·5	,, 4·35	,, 4·85	,, 5·85
1919 ...	,, 2·18	,, 4·25	,, 3·75	,, 1·65	,, 4·55	,, 4·49	,, 6·75
1920 ...	,, 2·75	,, 5·4	,, 4·33	,, 2	,, 5·88	,, 7·29	,, 8·75
1921 ...	,, 2·9	,, 5·75	,, 5	,, 2·2	,, 6·3	,, 7·6	,, 9·20
1927 ...	,, 2·87	,, 4·75	,, 4·50	,, 2·19	,, 5·1	,, 6·5	,, 7·50

(*Prices and Wages*, 36th Issue.)

supply from encroaching new mills decided to run their machinery 22 hours.' (Wallace, *The Romance of Jute*, p. 54.) When commercial competition between Calcutta and Dundee became keen the Dundee millowners led a movement against the inhuman conditions of employment in the Bengal jute mills. A member of Parliament who visited Bengal said : "The cheapness and simplicity of their garments, food and nominal house rent, accounted for their being able to live on small wages. The wages they receive are considerably in excess of their requirements." In 1875 the Government started collecting wage data of heterogenous groups of workers. Early official investigation was neither methodical nor did it include all sections of industrial workers. Table 14 makes an illuminating study in the movement of wages in Bengal jute mills during 1896-1927.

During 1896-1914 wages in jute mills increased by nearly 50 per cent. The figures collected by the Royal Commission on Indian Currency and Finance pointed an advance of 50 per cent over the 1915 level in 1925. Of the earnings of jute mill workers in 1929 the *Royal Commission on Labour* furnishes an approximate estimate. The Commission observed: "No thorough statistical enquiry has been made in the jute mills of Bengal, but we have been furnished with statements of average wages by the Indian Jute Mills Association. The figures relate to 1929 when the mills were working on a basis of 60 hours per week for single shift mills and 120 hours per fortnight for multiple shift mills, the machinery in the latter running 4 days (54 hours) one week and 5 days (66 hours) in the next week. The maximum hours permissible to workers in the multiple-shift mills were thus limited to 44 and 55 respectively, as compared with 60 hours in the single shift mills." The table gives the average weekly earnings.

TABLE 15

Deptt.	Multiple shift						Single shift		
	4-day week			5-day week					
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
Sacking weaving ...	8	2	9	9	3	0	9	8	0
Hessian weaving ...	5	15	0	7	4	9	8	4	6
Sacking winding ...	4	9	6	5	1	3	5	12	0
Hessian winding ...	4	8	7	5	6	0	5	12	0
Sacking spinning ...	2	9	6	3	4	9	4	2	0
Hessian spinning ...	3	0	3	3	14	0	4	2	0
Batching ...	2	12	0	3	9	9	4	5	3

(*Report of the Royal Commission on Labour in India*, p. 198-99.)

When the world depression set in earnings of the jute mill workers fell considerably. For 'the industry adjusted itself to the conditions of depression largely by trenching upon the workers' standard of living by large-scale concerted reduction of the number of working days per week, and sealing 10 per cent of the looms as well as diminution of wage rates, starting with a reduction of about one anna in the rupee and ultimately covering 10 to 15 per cent of the average earnings of the jute workers. The two general strikes in the jute mill industry, the first in 1929 and the second in 1937, were symptoms of acute discontent of the labour force. The demands put forward by the strikers were: a minimum wage of Rs. 30 per mensem, free housing accommodation, doles for the unemployed.' (Radhakamal Mukerjee, *The Indian Working Class*, p. 165.)

When the Second World War broke out prices began to rise. The years of the war were a period of prosperity for the industry. While profits continued to rise earnings of the jute mill workers did not record any marked increase. Towards the end of 1939 wages increased by 10 per cent. Early in 1940 restriction on production created involuntary unemployment. For the period of involuntary unemployment the workers were paid a *khoraki* allowance. The rate of allowance varied between

Rs. 1-8-0 and Rs. 2-8-0 per week. In June 1941 the jute mill workers were granted an amenity allowance of Re. 1 per week. In August the amenity allowance was increased to Rs. 1-4-0. Towards the end of 1942 the industry undertook to supply rice and *ata* at controlled price when the cost of living had gone up by 200 per cent. Thus the compensation for the rise in prices worked out to Rs. 5 per month. By the middle of 1943 there was again involuntary unemployment among the jute mill workers due to shortage of coal and conversion of certain jute mills into military depots. For the period of involuntary unemployment the workers were paid Rs. 3 per week in addition to the allowance of Rs. 1-4-0.

In 1944 the Labour Investigation Committee conducted a wage census in 34 jute mills in Bengal. The census covered 42 per cent of the total jute mill workers. The report sums up earnings of different categories of the mill workers. 'One striking fact,' states the report, 'which seems to emerge from an analysis of the wage data collected in the course of the wage census is that while wages vary between unit and unit in the same centre there is a marked similarity in the basic wage rates in the important occupations in all the centres of the industry.' According to the census, total weekly earnings (including all allowances) of 52 per cent workers varied between Rs. 5 and Rs. 7-8-0. 16-15 per cent workers earned less than Rs. 5 per week. Earnings of 19 per cent workers averaged Rs. 7-6-0 per week. 12 per cent workers earned Rs. 9-0-0 per week. Wages lagged far behind prices. The officer in charge of the investigation concluded: "From such estimates as can be made of the present level of retail prices ruling in and round Calcutta, the cost of living is at least 200 per cent higher than the pre-war period. Taking this into consideration, an amenity or dearness allowance of Rs. 2 per week and a grain concession amounting to Rs. 1-1-0, the increase in the earning would not amount to even 100 per cent of the basic wage. It is thus clear that the jute mill worker in Bengal is very much worse off as compared to the pre-war period in view of the rise in the cost of living. Unlike workers in most organized industries in the country, jute mill workers except those of Cawnpore receive no profit or prosperity bonus." (S. R. Deshpande, *Report on an Enquiry into Conditions of Labour in the Jute Mill Industry in India*, p. 52.)

In 1946 the Indian Jute Mills Association sanctioned an increase of 15 per cent in the basic wages. The amenity allowance was increased to Rs. 4-8-0 per week in May, 1947. In September 1948, the Industrial Tribunal, West Bengal, fixed the basic minimum wage for the unskilled worker at Rs. 26 per month and the dearness allowance at Rs. 32-8-0 including the value of food concession (Rs. 8-10-9). The total amount fixed by the Industrial Tribunal fell far short of the minimum needs of a working class family in the industrial areas. In 1944 the Labour Investigation Committee conducted an enquiry into the family budget of working class round Calcutta. According to the enquiry a working class family was composed of 4.83 persons (men, women, children). Monthly earnings of a working class family aggregated Rs. 80-4-0 while total expenditure stood at Rs. 83-11-7. The cost of living in the industrial areas had gone up more than a hundred per cent since 1944. So the minimum wages fixed by the Tribunal could not relate to the needs of a working class family.

The Tribunal recommended that for periods of involuntary unemployment due to stoppage of work owing to fire, catastrophe, breakdown of machinery, stoppage of power supply, epidemics, civil commotion, shortage of coal or raw materials or of essential stores and other causes beyond the control of employers compensation should be paid. During such periods every worker will be allowed to benefit to the extent of 50 per cent of basic wages and of dearness allowance and the food concession benefit in cash or kind. Such benefit is payable for one month in each half year from January to June and July to December. To qualify for the benefit a worker must answer to a muster-roll call once a day. In the post-partition period when the jute mill industry faced shortage of raw jute due to the breakdown of normal trade with Pakistan the mills reduced weekly working hours and sealed looms.

Thus there was a considerable fall in the earnings of workers and those thrown out of employment were paid a meagre compensation.

Actual earnings of the jute mill workers can be obtained by subtracting the amount of deduction and penalties. Deductions are common, though the amount cannot be determined. 'Enquiries made, however, revealed that the workers, particularly in the weaving department, are frequently fined and the fines imposed are heavy. There are also complaints that the actual amount of fine is not shown in the wage books or that the amounts shown are only permitted under the Payment of Wages Act. The workers do not complain against these fines for fear that they may lose their jobs. Another method adopted by some of the mills for fining is to mark a man absent for a day or two even when he is present. Suspensions are also pretty frequent.' (Deshpande, *op. cit.*, p. 23.)

TABLE 16

Year	*Basic*	*Dearness allowance*	*Total*
Immediately after the First Award	Rs. 18-0-0	Rs. 28-0-0	Rs. 46-0-0
From 20th September, 1948	Rs. 26-0-0	Rs. 32-8-0	Rs. 58-8-0
From 1st December, 1951	Rs. 26-0-0	Rs. 37-6-0	Rs. 60-6-0
From 1st November, 1955	Rs. 34.67	Rs. 32.50	Rs. 67.17
From 1st October, 1960	Rs. 34.67	Rs. 32.50	Rs. 70.02
Interim Relief	Rs. 2.85		
From 1st January, 1961	Rs. 34.67	Rs. 32.50	Rs. 70.59
Interim Relief	Rs. 3.42		

(*Report of the Central Wage Board for Jute Industry, 1963*, p. 40.)

The first tribunal was followed by others and in August 1960 the Government of India appointed the Central Wage Board for Jute Industry (1) to work out a wage structure based on the principles of fair wages as set forth in the report of the Committee on Fair Wages, (2) to consider demands for payments other than wages, (3) to submit recommendations on the demands of workers for interim relief within two months from the date of the Board started work. The Board recommended an interim relief and table 16 points out monthly earnings of jute workers in West Bengal Jute Mills except the Prabartak Jute Mills during 1948-1961.

Though not bound by the term of reference to work out a wage structure based on the principles laid down by the Fair Wages Committee, the Board observed: "The Fair Wages Committee has not . . . prescribed a yard stick by the help of which a fair wage in an industry can be fixed without much difficulty." (*Ibid.*, p. 64.)

So the Board had to devise a wage structure for 'there was a *prima facie* case for an increase in the wages of the jute workers but the main question was how far the Board could go towards the achievements of a need-based wage in view of the limiting factors peculiar to the industry.' (*Ibid.*, p. 67.)

The Board examined all the questions and made certain recommendations, and the recommendations were prefaced with the following :

"The Board is satisfied that the wage structure which it has devised is not such as would affect adversely the industry or the economy of the country. On the other hand, the considerations of social justice require that if there is a genuine case of grievance it should be removed. The wages in the jute industry has fallen short of wages in comparable employments and by its recommendations the Board has now tried to eliminate these disparities." (*Ibid.*, p. 70.)

The Board reduced lower wage groups to three. For the first group of workers the Board fixed the monthly basic wages at Rs. 40.27. The basic wages of the second and third groups were fixed at Rs. 41.17 and Rs. 42.25 respectively.

The Board recommended a monthly increase of Rs. 8.33 (including the interim relief) for all categories of workers. The increment was a part of the basic wages.

The Board recommended revision of dearness (Rs. 32.50) at the rate of 20 p. for the rise of each point in the working class consumer price index for Calcutta and for the fall of each point in the price index the reduction of dearness allowance at the rate of 20 p. The index number for Calcutta stood at 425 (1939 = 100) when the Board concluded deliberations.

For a month (made up of 26 days and 208 hours) and a week (made up of 48 hours) the Wage Board fixed the following rates :

TABLE 17

MONTHLY WAGES

Wage group	*Basic*	*Wage Board increment*	*Variable Dearness allowance*	*Total*
I-IV	Rs. 40.17	Rs. 8.33	Rs. 32.50	Rs. 81.00
V-VII	Rs. 41.17	Rs. 8.33	Rs. 32.50	Rs. 82.00
VIII	Rs. 42.25	Rs. 8.33	Rs. 32.50	Rs. 83.08
		WEEKLY WAGES		
I-IV	Rs. 9.27	Rs. 1 92	Rs. 7.50	Rs. 18.69
V-VII	Rs. 9.50	Rs. 1.92	Rs. 7.50	Rs. 18.92
VIII	Rs. 9.57	Rs. 1.92	Rs. 7.50	Rs. 19.17

In February 1965 the rise in the Calcutta Index number led to a revision of dearness allowance and total monthly earnings of West Bengal jute mill workers rose to Rs. 96.80.

In June 1968 total monthly earnings of a jute mill worker stood at Rs. 127.00. In 1969 August total earnings were at Rs. 142.00 when the workers went on strike. The strike was called off when the millowners agreed to increase monthly wages by Rs. 30.00.

Bonus : The Board was required to lay down the principle that should govern the payment of bonus, if any, to the workers in the industry. The Indian Jute Mills Association opposed the introduction of any scheme of bonus in the industry.

Shortly after the Central Wage Board for Jute Industry started functioning, the Government of India set up a Bonus Commission with wide terms of reference. The Commission was asked to define the concept of bonus and to recommend principles for computation of bonus and methods of payments.

The question of bonus might have been left undecided by the Board had not the representatives of workers asked the Board not to defer its decision. So the Board did not leave the question of bonus undecided : "The Board would have very much liked the question of bonus in the jute industry to be left to be decided by a special body like the Bonus Commission; but because of the past history in respect of bonus demands in this industry, the members representing the workers pressed for a decision on this point, specially as it was a matter specially referred to the Board. There has been much agitation by the workers on this question as is evident from the reference of the question to the Board. This may have given rise to hope and expectation in the minds of workers specially in West Bengal that the question would be given due consideration . . . The Board decided that the question of bonus should not be left open till the Bonus Commission decides it. The Board has carefully considered the question specially as the system of bonus is sought to be introduced for the first time. As mentioned earlier, the members representing the workers are keen on making a beginning in this respect while members representing the employers expressed themselves against it . . . The Board ultimately decided that a scheme should be introduced in the industry but that it should not depend upon profits."

The Board recommended the payment of an annual bonus by the jute textile industry and laid down the following rules to govern the payment of bonus :

(1) Clerical staff, Watch and Ward staff, and other than monthly paid workers, who will be on the roll on 31st December will be entitled to a half month's basic pay inclusive of Wage Board increment, if any.

(2) The qualifying year for the purpose of bonus payment should be the year from 1st January to 31st December preceding the year in which the bonus will actually be payable.

(3) Workers other than those mentioned above will be entitled to bonus at the rate of one day's basic wage for every completed seventeen days on which they actually work in the qualifying year.

PROFITS

In 1872-73 the jute mill industry paid a higher dividend than tea and coal. 'It was only necessary to issue a prospectus of jute mill to have all the shares snapped up in a forenoon.' (Wallace, *op. cit.*, p. 30.) The First World War helped the expansion of the industry, and the number of mills rose to 73 and looms were almost doubled. The share lists included 39 companies with a subscribed capital of Rs. 6,66 lakhs. Of the total, Rs. 2,75 lakhs represented the sterling capital. During 1914-15 the industry earned net profits of Rs. 2,68 lakhs and the rate of dividends varied between 5 and 55 per cent. (*Review of the Trade of India in 1914-15*, p. 60.) A portion of profits was re-invested and in 1915 the total paid-up capital rose to Rs. 6,72 lakhs. During 1915-16 the rate of dividend rose to 110 per cent. An official survey estimated the total profits earned by jute mill industry in four years (1914-17) at £16 million. The analysis was based upon the published account of 42 companies. Of these, 36 were registered in India and the rest abroad. During the first half of 1918 net profits earned by 36 jute mill companies amounted to half a million sterling. In short, the industry returned the capital more than twice during the First World War. In the post-war period a portion of the profits was re-invested, and the number of jute mills rose to 76 in 1920. Profits including reserves (1915-24) had been figured out at £300 million by the delegation of the Dundee Jute Trade Union which visited India to study the life and conditions of jute mill workers. In other words, annual return on the capital was 90 per cent during the period. (Johnson and Sime, *Exploitation in India,* pp. 5-6.)

With the outbreak of the Second World War the jute industry emerged on a high plane of prosperity. 'There was a feverish demand for jute manufactures. So the industry had to take off various restrictions one after another to make the productive machine go ahead with requisite supply . . . Even an increase of working hours to 54 per week, which is the maximum allowed, under the Factories Act, proved insufficient. The Government had, therefore, to relax certain provisions of the Factories Act, by issuing an ordinance to permit the mills to increase the hours to 60 per week.' (*Review of the Trade of India in 1939-40.*) In 1940 profits earned by 60 companies amounted to Rs. 416 lakhs and the relative index of profits advanced to 48 from 13. When the price of jute manufactures began to decline sharply due to fall in exports the Indian Jute Mills Association reduced weekly working hours from 60 to 54. To stop the downward trend of price the Government of Bengal fixed the minimum prices of hessians and jute in the future market by an ordinance. The weekly working hours were reduced to 45 and mills remained closed for one week in every four. 'In 1941 the industry experienced prosperous conditions throughout the year . . . and the general outlook remained hopeful in spite of the adverse developments in the international situation. The factors which contributed to this prosperity were improvement in the shipping position until the outbreak of war with Japan, the reduction in stocks, the increased volume of war orders amounting to Rs. 10½ crores and the resultant increase in working hours . . . The prices fixed for subsequent orders were much better than those for the previous ones. The profits of 60 companies amounted to Rs. 3.59 lakhs.' (*Review of the Trade of India in 1941-42*, pp. 52-57.)

During the early months of 1942 the jute mill industry in India continued to suffer from the repercussions produced by the Far Eastern war. The fall of Burma brought the Japanese army to the frontiers of India and for some time panicky conditions prevailed in Calcutta, the main centre of the industry. There was a marked deterioration in the shipping situation and the activities of the Japanese navy in the Bay of Bengal necessitated the closure of the port of Calcutta for several months. Cessation of trade with the Far Eastern countries meant a heavy loss to the industry and 'there was temporary fall in the exports of jute manufactures. The Indian Jute Mills Association decided to reduce the weekly working hours from 60 to 54 and to seal 10 per cent of looms. Conditions in the jute mill industry showed a marked change from September onwards. In contrast with the dearth of export enquiries in the preceding months, a strong demand for heavy goods developed, particularly from Africa, Australia and the West Indies. The industry received an order from His Majesty's Government for about 25 million yards of hessians and 12.5 million gunny bags. . . . On the whole, the demand for jute goods was heavier in 1942 than in either of the two preceding years. The Government orders for jute goods exceeded Rs. 17 crores bringing the total value of Government orders for the period February, 1939 to December, 1942 to over Rs. 42 crores.' During 1942 there was shortage of workers and total employment in the jute industry fell by 20,000. Wages were low and workers left the jute mills to seek employment in the military depots in and around Calcutta where daily wages averaged Rs. 2. The Indian Jute Mills Association requested the military authorities to reduce daily wages to one rupee. In 1942 profits earned by 61 jute companies amounted to Rs. 423 lakhs. (*Review of the Trade of India in 1942-43*, pp. 28-32.) In 1943 'in spite of the shortage of coal, requisitioning of jute mills by Government and the shortage of labour, the jute mill industry was more prosperous.' There was no fall in profits, though production fell by 16 per cent. 'In order to get over the difficulties, due to coal shortage and requisitioning of mills, a system of pooling was organized among the mills by which the working units would compensate the non-working units, the working mills paid a cess on every loom. The rent paid by the Government for mills and godowns requisitioned was passed to the pool. Out of this pool was paid compensation to the companies, whose mills had been requisitioned.' A meagre compensation was paid to the workers thrown out of employment. (*Review of the Trade of India in 1944-45*, pp. 23-24.) In 1943 profits earned by 61 companies amounted to Rs. 336 lakhs. In 1944 profits earned by 62 companies amounted to Rs. 361 lakhs. In 1945 profits earned by 61 companies amounted to Rs. 379 lakhs.

Post-war profits : During the post-war years profits did not decline. The table below shows the percentage of profits to the paid-up capital. The figures within the bracket indicate the number of companies:

TABLE 18

Year	Percentage to the total capital
1946 (47)	11.3
1947 (47)	9.9
1948 (47)	8.4

Managing agents' remuneration worked out to 20 per cent of profits (before taxation). (*Report of the Taxation Enquiry Commission, 1953-54*, Vol. I, p. 320.)

During four years (1950-54) 47 jute textile companies distributed Rs. 11,30 lakhs and retained Rs. 7,25 lakhs. Managing agents' remuneration worked out to 20 per cent of profits.

In 1955-57 profits declined and 47 companies distributed Rs. 4,14 lakhs. Managing agents' remuneration amounted to Rs. 2,91 lakhs.

In 1958, 44 companies gave Rs. 2,14 lakhs in dividend and retained Rs. 1,15 lakhs. Managing agents' remuneration came to Rs. 53 lakhs.

In 1959 jute textile industry recorded a rise in profits and 44 companies distributed Rs. 3,20 lakhs and retained Rs. 2,44 lakhs. Managing agents earned Rs. 76 lakhs.

In 1960, 49 jute textile companies distributed Rs. 2.5 crores and retained Rs. 1.2 crores.

In 1961, 58 jute textile companies distributed a sum of Rs. 1,86 lakhs and managing agents earned Rs. 48 lakhs.

During 1961-62, 56 companies distributed Rs. 1,82 lakhs and managing agents earned Rs. 48 lakhs.

During 1962-63 profits were higher and these companies distributed a sum of Rs. 3,92 lakhs and retained Rs. 5,13 lakhs. Managing agents earned Rs. 1,41 lakhs.

During 1963-64 these companies distributed a sum of Rs. 3,20 lakhs and retained Rs. 2,28 lakhs. Managing agents' remuneration amounted to Rs. 1,08 lakhs.

In 1964-65 profits declined and these companies distributed Rs. 2,10 lakhs while managing agents' remuneration declined to Rs. 55 lakhs.

(Reserve Bank, *Bulletin,* January 1956; August 1959; September 1960; September 1961; June 1962; June 1963; November 1965; November 1966.)

The table shows the ratio of dividends to profits after tax as well as the ratio of retained profits to profits after tax.

TABLE 19

Year	*No. of companies*	*Ratio of dividends to profits after tax*	*Ratio of retained profits after tax*
1960-61	56	68.1 per cent	31.9 per cent
1961-62	56	62.4 per cent	...
1962-63	56	42.5 per cent	57.5 per cent
1963-64	56	58.4 per cent	41.6 per cent
1964-65	56	137.8 per cent	37.8 per cent

(Reserve Bank *Bulletin,* November 1966.)

The table shows total dividends as percentage of total paid-up capital.

TABLE 20

Year	No. of companies	Percentage
1960-61	56	8.5
1961-62	56	6.8
1962-63	56	13.2
1963-64	56	11.1
1964-65	56	7.1

(*Ibid.*)

The table shows the annual percentage of capital formation.

TABLE 21

Year	No. of companies	Percentage
1961-62	56	3.6
1962-63	56	15.2
1963-64	56	16.3
1964-65	56	6.2

(*Ibid.*)

In 1964-65 the paid-up capital of 30 jute textile companies stood at Rs. 29,32 lakhs and the value of net assets Rs. 52,12 lakhs. Inventories aggregated Rs. 56,76 lakhs.

Chapter 4

COAL

With the extension of the railways the coalfields of Raniganj were brought within the reach of the English businessmen of Calcutta who were fortified in the world of trade and commerce. They owned the major industries of the province and were not slow to exploit the new sources. Because 'each line of business opened the way for another, and the market for the products of one line of business was found in another. Thus the managing agents of jute mills started colliery concerns, and found that the jute mills were good consumers for their coal. Then again when some of them floated boating and inland steamer companies, these latter were able to get their jute mills and colliery companies and tea estates to send their goods by their line of steamers.... Thus one line of activity led to another. (Lokanathan, *op. cit.*, p. 15.)

Coal in Raniganj area had first been discovered towards the end of eighteenth century by Mr Heatly, a former Collector of Birbhum and Chota Nagpur. He formed a company and tried to raise coal on commercial basis. Production was limited and 'unfortunately the coal

Mr Heatly produced was reported as being much inferior to that of England. So the early enterprise in coal-mining was abandoned.' (*Bengal District Gazetteers, Burdwan*, p. 128.) During the early part of the nineteenth century an English coal expert was sent to examine the coalfields of Raniganj. His report 'showed that Bengal coal might very well be used for many of the purposes for which English was being imported.' The English expert was granted a subsidy 'to enable him to work the same discovered at Raniganj, but in 1820 came utterly to grief.' (*Ibid.*) The mine was sold to the late Dwarkanath Tagore, who formed Bengal Coal Company in 1843. The new company took over the property and is now one of the biggest coal-mining companies in India.

Early ventures : The English companies ventured into coal-mining industry and in the succeeding period many new mines were opened by them. In 1824 Jessop and Co. opened the Damulia mine, and in 1830 Mr Homfray of the firm opened two other mines. Every year new mines were being worked, but the progress was slow. For 'the demand for coal was small. Only a few steam-engines were used in India at the time.... Steam tugs were used on the Hooghly at Calcutta and as early as 1831 the East India Company had coal sent to Singapore, Madras, Ceylon, and Penang for its steamships. The water in the Damuder River which carried coal down to the Hooghly was so shallow that it could be used only in the rainy season and then by small boats.' In 1839 the total production of coal was 36,000 tons and with the construction of the East Indian Railways the coalfields were tapped. But even then the progress was but slow until the jute mills of Calcutta had been started and other directions of manufacturing skill originated... Apparently 1857-58 was the first year of specially recorded production, when 293,443 tons were taken from the Indian mines. From that date the prosperity of coal-mining was assured. It became the direct expression of a rapidly expanding modern commerce. In 1885 there were 95 mines and the number rose to 307 in 1906. In 1906 the total output of coal rose to 9,783,250 tons. During the period import of coal began to shrink.

The Indian coal was cheapest in the world. The average pit-mouth price was Rs. 2-15-0 per ton in 1906.' (Watt, *op. cit.*, p. 334.) The number of workers employed averaged 84,805 for the years 1898 to 1903. In 1904 the number rose to 92,740.

On the eve of the First World War the annual production of coal rose to 15 million tons. In fact, 'in this period of rapid growth, by far the greater portion of the output was used for steam raising by the railways and industry... The establishment of the Tata Iron and Steel Co. at Jamshedpur in 1911 was a very important step towards a proper utilization of the coking coal of Jharia. The increased demand for coal during 1914-18 war gave a further impetus to the coal-mining industry. There was a considerable increase in industrial activity throughout the country and the requirements of the railways continued to increase. Towards the end of the war, production had increased to nearly 19 million tons. (*Report of the Indian Coal Fields' Committee, 1946*, p. 19.) In 1914 the paid-up capital of the coal industry stood at Rs. 672 lakhs. There were 554 mines and the total number of workers employed was 128,884.

The war over, there followed a period of depression. It lasted from 1920 to 1926. Production began to fall as internal demand shrank rapidly. The position was further aggravated by the decline in India's export of coal and displacement of Indian coal in the internal market by coal from South Africa and other foreign countries. But 'there is one remarkable feature about this period that must be noted. In spite of the serious fall in production in 1920 and two or three years that followed, the prices, particularly of Behar-Bengal coal, continued to rise.' (*Ibid.*, p. 20.) In 1925 the invested capital rose to Rs. 1,261 lakhs while the number of joint-stock companies increased to 251 from 153 in 1914. The increase in capital was in part due to resale. During the period of world depression (1930) there was a sudden fall in production and the amount of invested capital declined to Rs. 910 lakhs. In 1937 the depression came to an end. So 'the years 1937 to 1942 form another natural period in the history of coal production in the country. These years saw a steady increasing internal demand; and a further fillip was given to the export trade by the grant in 1936 of a special rebate in rail freight and port terminal changes.... From 1938 onwards, special shipments were being made to China, which was facing a critical coal situation with the advance of Japanese westward. The increase in demand during this period produced better prices also and, by 1942 the prices.... had risen nearly 75 per cent over the level of 1936. . . . During the first three years there was a considerable increase in industrial activity; likewise there was some increase in coal production, but there was not enough coal to meet all the needs.... The years 1942-45 brought about a coal famine of unparalleled proportions. There was a sudden drop in production, amounting to over 4 million tons in 1943 over the raisings of the previous year. For this many factors were responsible. The depression years of 1931 to 1936 had left behind a legacy of inadequate plant replacement and renewals were well-nigh impossible after the outbreak of the war. The mines, therefore, had to work ill-equipped. Labour found more attractive and more profitable employment elsewhere, especially on military works. When coal was raised there were not enough wagons to carry it to the consumers, and congestion at collieries reacted on output. Prices naturally rocketed sky-high.... A strict control over prices, though not ungenerous to the collieries, was imposed. In the field of production, special steps were taken to recruit labour for the coalfields, to import machinery through the Government channels or on Government account, and collieries were offered substantial financial inducements in the shape of bonuses on production and concessions in regard to Excess Profits Tax. That the action succeeded to a degree is shown by the fact that raisings in 1945 were nearly 3 million tons over those of 1944.' (*Ibid.*, p. 19.) In 1942 the paid-up capital of joint-stock companies increased to Rs. 1,035 lakhs without any marked increase in the number of companies. To the total investment must be added the capital invested in the private collieries. In 1937 the capital invested in private collieries was estimated at Rs. 4 crores. During 1937-45 the number of private collieries increased by 200.

The important coalfields are concentrated in a small area. The Raniganj, Jharia and Bokaro fields that produce 90 per cent of the total coal lie in a narrow strip running roughly from Raniganj (about 160 miles north-west of Calcutta) westward for about a hundred miles. Adjoining them still further to the west is the less but expanding Karanpura field, while about 50 miles to the north of the Jharia field is the Giridih field. The greater part of the Raniganj field lies in Bengal; the remainder of it and all the other fields are in Behar and Orissa. The Pench Valley fields fall in the Central Provinces. In 1946 the Indian Coal Fields' Committee estimated the known deposits of coking coal (in undivided India) at 750 million tons.

The mineral rights in Bengal, Behar and Orissa were vested in the zamindars while in the Central Provinces mines were property of the Government. The coalfields were leased for periods of 50, 99 or 999 years, and the landlords were paid huge sums in *salami* in addition to the annual royalty. The rate of royalty varied between 2 annas to 8 annas per ton of coal despatched. In 1937 the minority report of the Burrows Committee advocated nationalization of mines. In 1938 the Bengal Land Revenue Commission said: 'We should like to recommend that Government should consider the desirability of legislation declaring that all minerals, including oil, not yet worked or discovered, will vest in the State.' (*Report of the Land Revenue Commission,* Vol. I, p. 56.)

By an act the Government of Behar did away with private ownership of mineral rights. West Bengal too adopted a similar measure.

Coalmine owners are organized into three bodies. Oldest and most powerful of these organizations is the Indian Mining Association. It represents European interests in coal industry and has a membership of 100. These are English joint-stock companies and these control 70 per cent of the total production of coal. The Indian Mining Federation has a membership of 300 and its members own collieries in Raniganj. The Indian Colliery Owners' Association has a membership of 350 and its members are engaged in the production of coal in Jharia.

Control : The industry is controlled by the system of managing agency. The members of the Indian Mining Association are joint-stock companies registered in Great Britain. Collieries owned by the English joint-stock companies are managed by the houses of managing agencies in India. On the functions of managing agency in coal industry the Burrows Committee observed: "Apart from the notorious lack of co-ordination in the coal trade as a whole or even the various groups into which it is divided, the managing agency system, though it may have answered the requirements of the coal trade as distributors and profits producers, has not been an unmixed advantage to the coal industry. In 1935, 74 per cent of the Raniganj and Jharia production was raised by limited companies formed under the Indian Companies Act. ... These companies are directed and controlled by business firms described . . . as managing agents. They are usually remunerated either by a fixed percentage on the gross proceeds on all coal sold plus a percentage on other transactions, or by a commission on raising plus a fixed monthly sum for office expenses. All three methods place a high premium on high outputs, big sales and large profits, and are generally calculated to focus effort on immediate rather than future gain, it being remembered as well that these managing agents also control mills and other industrial concerns which benefits by cheap fuel. ... So far as we are aware, no firm of managing agents has technical expert on its Calcutta staff but it is from Calcutta that the policy of every coal company is directed in detail with primary regard to commercial consideration. . . In short, to use a sporting metaphor, the coal trade in India has been rather like a race in which profit has always come in first, with safety a poor second, sound methods an 'also ran', and national welfare a 'dead horse', entered perhaps, but never likely to start." (*Report of the Coal Mining Committee, 1937*, Vol. I, pp. 21-30.)

Recruitment : The mines lie close to the areas inhabited by the aboriginal tribes. The miners are drawn from the aboriginal tribes, and a limited per cent of them are settled on the coalfields. Many of them were attracted by the grant of land for cultivation. The miners settled on coalfields have no tenancy right. They can be ejected by owners. The Royal Commission suggested abolition of the system : "We recommend that, for the future, the law should prohibit the creation of tenancies with collieries as a condition of the holding. For the rendering of service was a legal obligation in return for the holding of land." (*Report of the Royal Commission on Labour in India*, p. 119.)

The system is almost defunct. Now the coalmine owners employ different methods of recruitment. The system of direct recruitment is simple. The sirdars or other agents are sent out to the villages where they hold feast and induce people to undertake employment in coalfields. In addition to the fixed wages, they are paid commission per tub of coal raised. It varies between Re. 0-1-2 and Re. 0-4-0. The system of direct recruitment functions in Raniganj and Jharia.

When raising of coal declined sharply the Government of India stepped in and set up the directorate of unskilled labour in 1944. Its object was to achieve full power control in respect of unskilled labour. In 1945 the Raniganj Coalfields Central Recruiting Organization was formed to ensure a steady flow of labour in coalfields and to keep down the dislocation caused by seasonal migration. In the Central Provinces there is no uniform method of recruitment. Miners are recruited by both the owners and agents.

Contractor : There is another category of miners called the contract labour employed and controlled by various classes of contractors. Of the contractors the most important is the raising contractor. The raising contractor is 'usually a person who recruits the labour required' for the whole or part of the operations in a mine and supervises their work. His function is to get the coal cut and loaded into wagons at an agreed rate. Many of the raising contractors were formerly landlords who had a certain amount of influence on the villagers whom they brought to the mines for working there. In the early stages of the development of the industry a large part of output of coal was obtained by labour employed by raising contractors... The largest employers of raising contractor are railway collieries at Bokaro and Giridih. ... The railway administrations... appear to be in favour of retention of this system. ... Most of the raising contractors are merely middlemen interested in making the maximum amount of profit for themselves and it is in evidence that although the production of workers employed through the raising contractors is slightly higher . . . this is generally brought about by driving the workers to work overtime often without additional remuneration and in flagrant violation of labour laws in existence.' (Deshpande, *op. cit.*, pp. 34-35). There are other classes of contractors who undertake supervision both under ground and on the surface.

At the end of the Second Five-year Plan annual production of coal (private sector) stood at 52.2 million tonnes (1961-62). With the promulgation of emergency (Oct. '62) miners started working all days in the week.

Programme of mechanization of mines did not make any headway and utilization of the loan ($ 36 million) issued by the World Bank to import equipment was slow. To speed up the programme of mechanization the Government of India reduced the duty on the import of coal-mining machinery by 15 per cent and raised the development rebate to 35 per cent. The Government offered to guarantee loans issued by various credit agencies to the industry.

Ownership : The large producers in the private sector are British managing agencies : Andrew Yule, MacNeill Barry, Shaw Wallace, Jardine Henderson, Turner Morrison, Bird-Heilgers.

The coal companies (of Andrew Yule group) did business to the amount of Rs. 1,207 lakhs in 1964. During the same period the coal companies controlled by MacNeill Barry turned over Rs. 450 lakhs. MacNeill Barry manufactures a number of tools used by coal-mining industry. Turner Morrison manages five coal companies and turnover of the companies amounted to Rs. 513 lakhs in 1964. The turnover of the companies managed by Shaw Wallace came to Rs. 560 lakhs. In 1964, companies of Bird group did business to the amount of Rs. 1,096 lakhs.

There are certain Indian groups in coal-mining industry and the Thappar group is the foremost. In 1964 the Thappar group turned over Rs. 570 lakhs. The Tatas own and control some collieries and did business to the extent of Rs. 106 lakhs in 1964. The Jaypuria group controls two coal-mining companies and these companies turned over Rs. 1 crore in 1964. The Birlas control 3 coal-mining companies and the companies did business to the amount of Rs. 176 lakhs in 1964.

WAGES

Calculation of wages of miners is complicated by diverse operation in mines. The miners are divided into two classes—underground and surface. In India the coal is mined according to stall and pillar methods, and coal-cutting is both mechanical and manual. The miner goes down the pit in a cage or walks down on the incline. The depth of mines varies from one hundred feet to one thousand feet. The coal-cutters, loaders, waterboilers and trammers work underground.

Of the total workers in the Raniganj and Jharia fields 60 per cent work on piece rate. The tub is the unit of payment, and its size is not uniform. If varies from mine to mine. The tub rate does not depend upon its capacity and the rate paid shows wide variations as between mine and mine. In fact, the size of the tubs and their average number raised by the miners or loaders in the week are of greatest significance in the determination of the miners' weekly earnings. In spite of the recommendations of the Royal Commission on Labour about 40 years ago for securing greater uniformity in the size of tubs and of insuring that wages bear a closer relation to the output, there are still found marked variations in the size of tubs in the coalfields and in the amount of coal loaded into these. . . Such variations in the size and load of tubs lead to overloading and underloading which are the fruitful causes of disputes in the coalfields. Miners' wages are cut for underloading. Deductions in most of the coalfields owned by Bird-Heilgers and Co. are made for loading below the flush line of the tub. Up to a portion of the depth below the flush line one quarter of the rate is deducted; when the deficiency is more than quarter, half the rate is deducted. In most coalfields underloading is ascertained by visual observation although a measure stick is used here and there. In some coalfields, as for example, Serampure colliery, Giridih, run by the State Railways' Coal Department, half tub and in some places one-fourth of a tub is deducted if the tub be underloaded below 6 inches. But penalization seems to be most unjust in the coalfield at Bokaro where the miners are compelled by the raising contractor to fill one extra tub for every ton of coal raised, to allow for underloading. Thousands of miners are daily deprived of their legitimate earnings.' (R. Mukerjee, *op. cit.*, pp. 125-126.)

Numerous other deductions are made. 'In the Jharia and Raniganj coalfields deductions are made on account of supply of gun powder and fuses, baskets and implements. . . . Deductions for the supply of gun powder and fuses amount to 2½ annas to 4 annas per ton of coal raised. In the Central Provinces deductions are made on account of kerosene oil and explosives. Explosives are charged at the rate of five annas a pound in mines managed by an important group of collieries and at rates somewhat higher in other mines. The rate charged for kerosene oil is Re. 0-3-6 per seer in an important group of collieries and it varies from four to five annas per seer in other collieries. On an average, the deductions on account of explosives and kerosene come to four to five annas per day from the wages of the coal cutters. . . . Both in Jharia and Raniganj wherever the working is *Sarkari*, coal cutters and loaders work in pair. The cutter cuts the coal by hand and the loaders fill it in the tub made available to him nearest to the working place. The basis of payment in the case of both is a tub. Where the contract system prevails a gang of workers varying 2 to 30 are paid on the basis of their production through the contractor, sirdar or headman. ... In regard to the actual payments, where these are made by the companies' clerks one usual method adopted for short payments is to pay the wages in round figures and to pocket the differences. Sometimes the payments drag on till late in the evening or night and the workers are told that change is exhausted and if they want immediate payment it should be taken in round figures only. Where payment is made by the sirdars, or gangmen or by contractor's servants short payment is the rule rather than an exception. Deductions of all conceivable kinds are made such as different types of commissions, allowances, conventional gifts. The gangman in addition to getting his commission often pockets his share as one of the gang responsible for its production. It is also not uncommon for the gangman to be a money-lender and to recover what he considers his dues from the wages of those working in his gang ... The pay clerk's job in many mines is like a waiter's job in a fashionable restaurant, a coveted one. As the working conditions underground vary, bribes are taken by contractor's men while allotting work to miners at convenient spots.' (Deshpande, *op. cit.*, pp. 56-61.) The Payment of Wages Act, 1936, which ensures regular payment of all dues to the workers and regulates deductions and fines by employers was made applicable to coal mines only in 1948.

During 1859-60 miners were paid 4½ annas per cwt. of round coal. It is equal to one tub of today. A good workman could turn out three buckets a day and thus earned 4 annas. Certain hardworking miners could earn 9 annas a day. Boys and girls were paid 3 annas to 1¼ annas per day. Miners worked for 23 days in a month, and the family composed of wife and three children earned Rs. 9 in 1860. The surface workers were paid 2 annas a day. Till 1882 the bucket rate did not change. It was only 6 pice per bucket and earnings fell due to lower output. In 1900 the bucket rate was increased to 2 annas and 3 pies. During 1909-12 the bucket rate ranged about 3 annas in the Raniganj coal-fields. In the Jharia coal-fields miners were paid 4 to 4½ annas per bucket in 1900. It was increased to 5 annas in 1910, and to 6 annas in 1914. Women earned 3 annas in 1900 and 4 to 5 annas in 1910. During 1920-24 total earnings increased by 55 per cent. In 1921 a miner earned about annas 12 a day and Re. 1 in 1922. During 1923-36 earnings of miners fell considerably due to the fall in the price of coal. When price steadied production was stepped up and there was an increase in the earnings of miners. When the world depression (1929-30) set in there was a sharp fall in the earnings of miners and it was most marked in Raniganj and Jharia fields which employed 70 per cent of total workers. 'In all the coal-fields the earnings of different classes of workers fell by 40 to 80 per cent during 1933-36. During 1933-36 cost of living further rose, though earnings continued to fall.' The main cause of the post-war decline in the earnings of miners was depression. The trade depression reduced total working days. The fall in the prices of agricultural commodities had created an excess of labour in coal-fields and led to the fall in wages. It was accentuated by the contract system. 'As the company reduced rates of the contractor, the contractor in turn reduced wages of miners. Another factor that had brought about the fall in earnings was the absence of trade union among the miners.' (B. R. Seth, *Labour in Indian Coal Industry*, pp. 92-98.)

Till 1942 earnings of miners stood below the 1929 level, though the cost of living had gone up several hundred per cent. Earnings of miners are made up of various elements, wages, dearness allowance, bonus, production bonus, attendance bonus.

In 1943 the dearness allowance was paid at the rate of 22½ per cent of total earnings. Towards the end of the year it was increased to 50 per cent and later to 100 per cent. The Board of Conciliation set up in 1947 fixed the dearness allowance at 150 per cent for all classes of workers with monthly earnings limited to Rs. 30.

The Board of Conciliation increased the amount of bonus. The system of payment of attendance bonus was increased during the war when production began to fall due to shortage of workers. The Board recommended payment of an annual bonus equal to 4 months' wages, split up into 2 parts : an attendance bonus equal to 2 months' basic wages to those who had fulfilled specified minimum attendance requirement and a production bonus related to output and basic earnings and subject to their qualifying for it on the basis of a minimum attendance of 66 days per quarter in the case of surface workers and 54 days per quarter in the case of underground workers in Bengal and Behar collieries. The Fact Finding Committee recommended payment of bonus on the above basis subject to a minimum attendance of 60 and 65 days in a quarter in the case of underground and surface workers respectively in Central Provinces and Berar, and Orissa.

On the basis of recommendations of the Board of Conciliation and the Fact Finding Committee scales of basic wages for different occupations in coal-fields were revised. In Bengal and Behar the rate of basic wages for trolleymen and wagon loaders were fixed at Re. 0-12-0 per tub of 36 c. ft. In the Central Provinces and Berar coal cutters were granted an increment of 33 per cent over the basic wages. The underground workers were granted an increment of 50 per cent over the basic wages in 1939. The daily wages of the time-rated workers, underground and surface, was fixed at annas 8.

The table on page 68 shows trends of average dailv earnings of certain classes of coal-field workers during 1929-47.

As early as 1946 earnings of coal-field workers stood below the 1939 level. An official survey admits: "It may be pointed out that as compared to 1939, prices of essential food-stuffs have risen up by about 300 to 400 per cent so that the real earnings had not touched the 1939 level." (*The Indian Labour Year Book, 1946*, p. 167.) Early in 1946 an approximate calculation of earnings of coal-field workers was presented by S. R. Deshpande who conducted an enquiry into the conditions of coal-field workers: 'The cash earning of a miner does not exceed Rs. 5 per week for about 5 days' work or about Re. 1 per day. The position in regard to unskilled workers, particularly those on the surface, is

TABLE 22

AVERAGE DAILY EARNINGS IN DECEMBER OF WORKERS EMPLOYED IN COAL-MINES

Category	Jharia Coal-fields			Raniganj Coal-fields			Giridih Coal-fields			Panch valley Coal-fields			Assam Coal-fields		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
MINERS—UNDERGROUND															
1929	0	13	6	0	13	0	0	12	9	1	2	0	1	5	6
1939	0	9	9	0	9	0	0	10	0	0	12	0	1	0	6
1944	1	1	6	1	2	9	0	14	6	1	2	6	2	5	9
1946	1	8	3	1	8	0	1	1	3	1	5	9	2	6	3
1947	2	5	0	2	5	3	2	1	9	2	4	3	2	6	0
LOADERS—UNDERGROUND															
1929	0	11	0	0	10	3	0	12	0	0	10	6	1	3	6
1939	0	8	9	0	7	9	0	11	9	0	7	6	1	0	3
1944	1	0	9	1	1	3	0	11	9	0	11	0	1	14	6
1946	1	7	9	1	6	9	0	14	9	0	12	6	2	0	0
1947	2	1	0	2	4	3	2	11	0	1	15	9	1	14	6
MINERS—OPEN WORKINGS															
1929	0	13	9	0	9	0	0	11	9		...		1	1	0
1939	0	9	0	0	8	6		...		0	10	0	1	1	0
1944	1	2	3	0	15	3	0	14	6	0	15	6		...	
1946	1	8	6	1	6	9	0	15	0	1	0	0	2	3	3
1947	2	0	6	2	1	0	1	5	9	1	5	9	1	13	3
LOADERS—OPEN WORKINGS															
1929	0	11	6	0	7	0	0	6	9		...		1	0	3
1939	0	7	3	0	6	3		...		0	6	3	0	12	9
1944	1	0	3	0	15	3	0	12	6	0	10	9	1	11	0
1946	1	3	9	1	4	3	0	15	0	0	14	0	1	15	9
1947	2	0	0	1	9	9	0	9	9	1	3	0	1	12	9
SKILLED—SURFACE															
1929	0	13	3	0	11	6	0	14	0	0	10	6	0	15	9
1939	0	10	3	0	9	6	0	14	0	0	9	0	0	14	0
1944	0	14	9	0	14	3	0	11	6	0	9	9	1	12	9
1946	1	10	0	1	9	6	1	6	3	0	13	3	1	12	6
1947	2	9	0	1	15	9	1	14	0	1	6	9	1	13	0
UNSKILLED—SURFACE															
1929	0	8	9	0	8	6	0	8	0	0	10	3	0	12	0
1939	0	5	0	0	6	3	0	8	0	0	6	9	0	11	6
1944	0	14	9	0	14	3	0	12	0	0	9	6	1	8	9
1946	1	2	0	1	1	9	1	0	3	0	9	3	1	10	3
1447	1	7	9	1	8	9	1	8	9	1	0	0	1	8	0

(*The Indian Labour Year Book, 1947-48*, p. 148.)

still worse, their daily cash earnings being in the neighbourhood of annas 8.'

Wages lagged behind prices. Wages and dearness allowance were revised in 1956 by the Wage Board appointed by the Government of India. The mine-owners were not willing to implement the award of the Wage Board and went to the Labour Appellate Tribunal. The Tribunal fixed the daily minimum basic wages of a coal-mine worker at Rs. 1-9-6. Compensation for the rise of prices was fixed at Rs. 4-14-0 for the rise of 10 points above 102 in the All India Index of Prices. The underground workers were granted special allowances at 12% of the basic wages. The Tribunal abolished wage differentials between man and woman. The table shows the average of total weekly earning of coal-mine workers during 1951-57.

TABLE 23

Category/Year	Assam	Raniganj	Jharia	Madhapradesh
Underground				
Miners and				
Loaders	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.
1951	16- 3- 7	12- 2- 7	12-14- 2	11- 0- 2
1952	19-12- 5	13- 3-11	14- 0- 7	11- 3- 2
1953	19- 7- 5	13- 0- 2	12-14- 8	10- 8-10
1954	17- 2- 2	12-11- 3	14- 4- 1	11-11- 4
1955	18- 6- 1	13-11- 3	14- 8- 0	12- 9- 7
1956	21-11- 6	18- 2- 1	20-11-10	17-10- 5
1957	25- 5-11	20-13- 7	20- 7- 6	21- 6- 6

(*Indian Labour Year Book, 1957*, p. 78.)

TABLE 24

	Assam	Raniganj	Jharia	Madhapradesh
Open Workers Miners and Loaders	Rs. As. P.	Rs. As. P.	Rs. As. P.	Rs. As. P.
1951	11-14- 5	11- 4- 9	10- 6- 2	11- 4- 9
1952	12- 4- 8	12- 4- 7	11-10- 4	10- 9- 1
1953	13-11- 8	12-12-11	11-10- 9	11-11- 8
1954	11-11- 9	12-12-11	12-11-11	11- 6- 4
1955	11- 3- 6	14- 0- 2	12- 5- 1	10- 8- 3
1956	18- 9-11	17- 8-10	17-10- 9	15-13- 3
1957	15-11-10	15- 2- 3	18- 1-11	15- 2- 7
Surface Men				
1951	11- 6- 0	11-12- 2	11- 1- 0	9- 5- 1
1952	13- 4- 7	12-14- 1	11-13- 6	9-10- 0
1953	14- 2- 7	12-15- 3	11-12- 7	9- 8- 9
1954	14-15-10	12- 4- 7	12-10- 8	10-10- 5
1955	14- 7- 6	12-13- 8	12-11- 8	11- 9- 0
1956	19-12- 9	17- 8-11	17- 2- 6	18- 1- 8
1957	20- 6- 7	20- 6- 1	19- 8- 4	21- 8- 2
Surface Women				
1951	8- 2- 3	7- 4- 0	6-11- 8	4-10- 6
1952	8- 1- 6	7-13-10	7-12- 6	4-15- 4
1953	8- 2- 6	7-14- 9	7-11- 4	5- 0- 7
1954	8- 8-11	7-11- 7	8- 1- 8	5- 7- 8
1955	8-10- 9	7-15- 6	8- 5- 5	6- 0- 1
1956	13-12- 5	12- 7- 9	12- 9- 3	11- 3- 5
1957	17-15- 8	17- 1- 1	16- 1- 0	15- 4- 3

The award was effective for 5 years. The period over, another Wage Board was appointed by the Government of India in 1962. The Board recommended an interim relief and daily wages of workers (on time rate and piece rate) went up by 37 paise and of others (monthly rate) by

Rs. 9. 75p. Prices continued to rise and the interim relief proved inadequate. Trade unions demanded another interim relief. The Board recommended another increase. But the representative of the industry pleaded inability to bear the additional financial burden without an upward revision of selling prices of coal. The Government raised the selling prices of coal by Rs. 1. 21p. per ton. The second interim relief was Re. 0. 19p. a day or Rs. 4. 87p. a month and was effective from January, 1965.

The Second Wage Board took two years to conclude investigations and submitted the final recommendations in February 1967. In July the Government of India accepted some of the recommendations.

The Board fixed the minimum wages of surface workers category-I at Rs. 5. 50p. a day and the sum included bonus at the rate of 10 per cent of basic wages.

When the Board submitted report, the All India Index of Prices stood at 166 and for the rise of every point above 166 dearness allowance would go up by 3 paise a day.

The Board reduced time-rate workers to six categories and fixed the following :

TABLE 25

Category	Minimum Daily Wages	Increment	Maximum Daily Wages	Attendance
'A'	5.00	0.10	6.00	10 per cent
'B'	5.35	0.12	6.35	,,
'C'	5.90	0.15	7.40	,,
'D'	6.30	0.20	8.90	,,
'E'	7.95	0.28	10.75	,,
'F'	10.90	0.10	14.90	,,

Participation in strikes used to lead to the forfeiture of bonus. The Board abolished the penalty and payment of bonus became unconditional.

The Board raised the maximum underground allowance to Rs. 25.00 a month.

Though the Government of India accepted the recommendations of the Board in July 1957 and withdrew the control of prices of coal, the mine-owners have not yet implemented the recommendations of the Board.

PROFITS

There is no account of profits earned by coal-mining industry during the second half of the nineteenth century. The table on page 73 shows percentage of dividends paid by 8 leading coal companies during the first quarter of the present century.

In 1938 coal industry entered a new phase of prosperity. Profits earned by the industry in 1938 were highest on record for more than ten years. In 1938, 55 companies earned profits of Rs. 117 lakhs. The official survey observed: 'The fortunes of the coal industry are considerably influenced by the ebb and flow of general industrial activity in the country. In recent years, 1937-38 stands out as one of the peak periods for the coal industry, both prices and profits being at a higher level.' (*Review of the Trade of India in 1939-40*, p. 35.)

In 1939 when the war broke out 'the outlook again brightened and demand for coal became brisk.' In 1939, 55 companies earned profits of Rs. 119 lakhs. In 1940 the industry was in a prosperous condition, and 55 companies earned profits of Rs. 119 lakhs. In 1941 'with India's indus tries geared to a rising pitch of production for war purposes there was an ever-increasing demand for coal. Production was mainly conditioned by the capacity of the collieries to produce and of the railways to carry. The railway system remained overstrained and Government decided to introduce a scheme of priorities.' In the scheme of priorities industries stood last. Shortage of transport was accentuated with the cessation of coastal shipping after the fall of Singapore. So industries were starved. In 1940 production of coal rose to 29 million tons and Indian coal was exported to Far East and Middle East. The high level of production was accompanied with severe internal competition and underbidding. So there was a fall in profits. In 1941, 55 companies earned profits of Rs. 98 lakhs. (*Review of the Trade of India in 1941-42*, pp. 61-62.)

TABLE 26

	1901-5	1906-10	1911-15	1916-20	1921	1922	1923	1924	1925	1926	1927	1928	1929
A	$37\frac{1}{2}$	96	91	100	161	145	150	110	$92\frac{1}{2}$	60	60	50	55
B	$17\frac{1}{2}$	53	48	$58\frac{1}{2}$	65	65	$57\frac{1}{2}$	50	40	40	40	30	$32\frac{1}{2}$
C	17	$36\frac{1}{2}$	$10\frac{1}{2}$	40	$17\frac{1}{2}$	10	25	5	$12\frac{1}{2}$	...	15	15	$17\frac{1}{2}$
D	$16\frac{1}{5}$	25	$16\frac{2}{3}$	29	50	50	50	30	25	...	7	7	...
E	8	$40\frac{1}{2}$	$36\frac{1}{2}$	56	$17\frac{1}{2}$	$22\frac{1}{2}$	40	45	30	...	$12\frac{1}{2}$	$7\frac{1}{2}$	5
F	12	52	$28\frac{1}{2}$	$45\frac{1}{2}$	80	65	86	90	90	75	80	60	70
G	$8\frac{1}{2}$	32	$42\frac{6}{7}$	$30\frac{1}{3}$	$71\frac{3}{7}$	50	$57\frac{1}{7}$	$57\frac{1}{7}$	$48\frac{3}{14}$	...	28	28	26
H	...	54	62	46	85	60	60	60	60	...	60	60	30

(Buchanan, *op. cit.*, p. 267.)

In 1942 with the rising tempo of industrial activity in India the demand for coal was on a steadily increasing scale. 'Production, however, was unable to keep pace with demand, mainly because of transport and labour difficulties. Though the index of coal prices rose by 28 per cent, production fell by 10 per cent. Prices were also affected by the transport factor. As the demand for wagons was far in excess of the available supply those who secured an allotment of wagons charged heavy premiums, with the result that there was a wide disparity between the rates at which colliery owners supplied coal and those at which it was sold in consuming areas . . . In certain consuming areas, the shortage of coal became so acute as to compel the factories to close down. The proximity of coal-producing areas to the Eastern theatre of war also created other problems. Coal production in India is more dependent upon the supply of labour than in other countries . . . During the few months following the Japanese occupation of Burma when there was extreme panic in all the Eastern provinces, the labour situation in the colliery areas became very critical. Subsequently, there was an acute shortage of food in coal areas and this also contributed to the instability of labour.' In spite of numerous odds 55 companies earned profits of Rs. 98 lakhs in 1942. (*Review of the Trade of India in 1942-43*, pp. 35-36). In 1943 profits of 53 companies amounted to Rs. 113 lakhs. In 1944, 52 companies made profits of Rs. 270 lakhs. In 1944 production of coal fell considerably and price was increased. In 1945 with higher production the coal industry earned higher profits, and profits of 49 companies amounted to Rs. 304 lakhs. In 1946 profits earned by 50 companies stood at Rs. 236 lakhs. (*Review of the Trade of India in 1945-47*, p. 24.)

Post-war profits : In the post-war period profits did not decline. The table on page 75 shows the ratio of profits to the paid-up capital. The figures within bracket indicate the number of companies.

In 1950-53, 38 coal-mining companies distributed Rs. 4,47 lakhs and paid Rs. 1,89 lakhs to the managing agents in commission.

TABLE 27

Year	*Percentage to the Total capital*
1946 (17)	9.9
1947 (17)	8.4
1948 (17)	8.3
1949 (17)	11.8

(*Report of the Taxation Enquiry Commission 1953-54* p. 125.)

During 1955-59, 47 coal-mining companies distributed Rs. 4,47 lakhs and managing agents earned Rs. 1,80 lakhs in commission.

In 1960, 44 coal-mining companies gave Rs. 1.1 crore in dividend and retained Rs. 0.6 crore.

In 1960-61, 45 coal-mining companies gave 117 lakhs in dividend and retained Rs. 55 lakhs. Managing agents earned Rs. 33 lakhs.

In 1961-62 these companies distributed Rs. 120 lakhs and retained Rs. 14 lakhs. Managing agents remuneration amounted to Rs. 32 lakhs.

In 1962-63 there was a marked rise in profits and 45 companies distributed Rs. 106 lakhs and retained Rs. 93 lakhs. Managing agents earned Rs. 38 lakhs.

In 1963-64 the industry earned higher profits and 45 companies distributed Rs. 104 lakhs and retained Rs. 127 lakhs while managing agents' remuneration amounted to Rs. 37 lakhs.

In 1964-65 these companies gave Rs. 95 lakhs in dividend and retained Rs. 30 lakhs. Managing agents were paid Rs. 27 lakhs.

In 1965-66, 42 coal-mining companies gave Rs. 90 lakhs in dividend and retained Rs. 46 lakhs. Managing agents' remuneration amounted to Rs. 28 lakhs.

The following table shows the ratio of dividends to net profits as well as ratio of retained profits to profits after tax.

TABLE 28

Year	*No. of companies*	*Ratio of dividend after tax*	*Ratio of retained profits after tax*
1960-61	45	63.2 per cent	31.8 per cent
1961-62	45	89.7 per cent	10.3 per cent
1962-63	45	53.4 per cent	46.6 per cent
1963-64	45	45.1 per cent	54.9 per cent
1964-65	45	76.2 per cent	23.8 per cent

(Reserve Bank, *Bulletin,* Nov. 1966.)

The table shows total dividends as percentage of total paid-up capital.

TABLE 29

Year	*No. of companies.*	*Percentage*
1960-61	45	9.3
1961-62	45	9.0
1962-63	45	7.8
1963-64	45	7.7
1964-65	45	7.00

(*Ibid.*)

The table shows the annual percentage of capital formation.

TABLE 30

Year	*No. of companies*	*Percentage*
1961-62	45	5.8
1962-63	45	10.2
1963-64	45	12.9
1964-65	45	10.2

(*Ibid.*)

In 1964-65 paid-up capital of 45 coal-mining companies amounted to Rs. 18,32 lakhs and the value of net assets stood at Rs. 36,16 lakhs. Besides the net assets, the inventories totalled Rs. 12,93 lakhs. (*Ibid.*)

Chapter 5

COTTON TEXTILE

On the Western coast of India the agents of the East India Company had developed independent trade channels and used to carry trade in raw cotton and opium with many countries. Expansion of oversea trade was first undertaken by the Parsis. The Parsis are a small community and had migrated to India centuries back. They acted as the local agents of the European merchants and were in the regular employment of the European houses. And the independent trade had brought them immense wealth. 'The trade with China was most profitable, the export of opium being the principal. The Parsi...'was the pioneer of the trade with China.' (D. E. Wacha, *Premchand Roychand*, p. 19.) Here is a contemporary account of what Bombay was like during the seventies of the last century : "The forest of tall chimneys of cotton factories was non-existent. Those institutions, all told, did not exceed seven, and were almost in a moribund condition by reason of their utter inability to spin yarn from the raw staple which was selling at 600 to 700 rupees per candy owing to cotton famine in Lancashire." (D. E. Wacha. *A Financial Chapter in the History of Bombay*, p. 3.)

In fact, the actual period of prosperity began with the outbreak of the American Civil War when supply of cotton to England fell sharply and British textile industry was starved of raw cotton. 'The shrewd merchants of Bombay were able to gauge correctly the significance of the speck on the American horizon, and therefore bestirred themselves. They well prognosticated that the war cloud may soon burst out which will have the effect of Lancashire making a large and unlimited demand of India for the supply of its cotton.' (*Ibid.*, p. 28-29.) In fact, England had to depend on Bombay and the export of raw cotton increased rapidly. And the 'largest share of the fat profits realized on cotton consignment to Liverpool fell to the lot of Bombay merchants dealing in that valuable commodity.' (*Ibid.*, p. 52.) The late D. E. Wacha estimated the total amount of profits earned by the Bombay cotton merchants at Rs. 51 crores. (*Life of J. N. Tata*, p. 17.)

By another calculation Bombay increased its wealth by £70 million. Of the profits 'a large share went to the middlemen and ryots mostly belonging to the native states. But an equally large share came to the Bombay exporters.' In fact, there was a terrible scarcity of silver coins. 'It is said that the cultivators made the tyres of their cart wheels of silver.' (Knowles, *op. cit.*, p. 316.) This is borne out by a letter from an English merchant of Bombay addressed to the chamber of commerce : "The demand for money has so far exceeded production that serious embarrassment has ensued, and business has almost come to a stand from the scarcity of circulating medium. As rupees have been coined they have been taken into the interior, and have there speedily disappeared from circulation, either into the Indian substitute for stocking foot, or into the melting pot for conversion into bangles." (Wacha, *op. cit.*, p. 20.)

In 1856 the first cotton mill owned by Indians was opened in Bombay by a Parsi Mr C. N.. Daver. (Lovett, *India*, p. 253.) Progress of expansion of cotton textile industry was slow and in 1866 the total number of cotton mills in India was thirteen.

The Bombay merchants who had earned crores in the cotton boom invested the money in cotton mills.

As the number of the mills increased, the evils of factory system became rampant. There was no legislation to regulate the working hours in the mills and women and children were made to work for unlimited hours. In fact, 'a spirit of rivalry among Lancashire manufacturers, and their agitation for the regulation of labour condition in India, which was supported by philanthrophists both in England and India, led to the appointment, by the Government of Bombay, of a Labour Commission in 1875.' (R. K. Das, *History of Indian Labour Legislation*, p. 51.) And the actual working of the factory system was described by a manager in course of his evidence : "In ordinary season, that is when work is not very pressing, the engine starts between 4 and 5 a.m. and stops at 7, 8 or 9 p.m. without any stoppage during the day. The hands work continuously all these hours, and are relieved by another set for meals. In busy seasons, that is in March and April, the gins and presses sometimes work both night and day, with half an hour's rest in the evening. The same set continues working day and night for about 8 days, and when it is impossible to go any longer, other sets of hands are procured... Both the men and the women come to the factories at 3 a.m. as they have no idea of the time, and they wish to make sure that they are at the factory by the time it opens, *i.e.*, 4 a.m.... There is no change of hands except at meal times. The hands work from 4 a.m. and are paid 3 to 4 annas per day. All the factories pay at this rate. Sometimes we pay our hands 6 pies as bonus... I am personally very largely interested in this matter... Those working these excessive hours frequently died." (*Parliamentary Papers*, 188, Vol. LXX, pp. 13-15.)

Agitation for factory legislation : Agitation for enactment of factory legislations gained momentum when Sarabjee Shapoorji Bangalee presented a draft of a bill to limit the hours of work in factories. The Government did not allow him to move the bill in the Bombay Legislative Council. Bangalee was inspired by the ideals of humanism and the bill had nothing to do with the economics of the industrial system.

By 1887 Bombay textile workers found a natural leader in Rughaba Succaram who was a worker himself. Succaram felt the need of united action against the inhumanity of mill-owners. Workers were tired of unending sweating and their principal demand was regulation of working hours. Succaram held a meeting of textile workers and 578 workers signed a memorial addressed to the Government. The memorial suggested introduction of nine-hour day with a weekly holiday. (D. Chamanlal, *Coolie,* Vol. II, p. 73.)

The second memorial on the statutory limitation of working hours was submitted by Ram Chandra Facked Balaji. Close upon the submission of the memorial was enacted the Indian Factories Act, 1881. The act dealt with the age of employments of children, and working hours and other questions were left out. The circular to the provincial governments revealed the official objective : "In framing the act the most careful regard has been paid to the representations of the mill-owners and commercial and other associations." (A. C. Clow, *Indian Factory Legislation*, p. 11.)

Press on Factory Legislation: What was the attitude of the nationalist leaders and the press towards factory legislations ? Dadabhai Naoroji, Pherozshah Mehta, M. C. Ranade and others who knew the problems of industrial system never suggested introduction of measures to better the lot of workers. The indifference was studied and proved a source of strength to the mill-owners who had no consideration for the lives of the workers. Expansion of industry was the prime object and the mill-owners were determined to achieve it—cost what it might. The *Amrita Bazar Patrika,* famed for its bold fight against the European indigo planters wrote: "If great *zulum* (tyranny) is practised upon them (workers), why do they not seek employment elsewhere ? Why are they afraid of being dismissed ? It is clear, therefore, they choose to remain employed in spite of the *zulum.*" (November 12, 1880.)

The memorials yielded little yet a loose form of trade unions made headway in Bombay. N. M. Lakhanday is the name of the man who helped early growth of trade union. Lakhanday edited an Anglo-Marathi weekly, the *Dinabandu.* The *Dinabandu* became the organ of the textile workers. In 1884 Lakhanday submitted the third memorial to the Bombay Factory Commission and the signatories numbered five thousand and five hundred. The memorial asked the Commission to introduce a weekly holiday, to limit working hours and to pay compensation for accidents. The British authorities did nothing. Lakhanday was firm in his resolve to secure elementary human rights to the workers. He continued the agitation and held numerous meetings.

Indian textile industry was developing and the conflict between Bombay and Lancashire sharpened. Lancashire was determined to hold its own. Representatives of British textile industry were quick to ferret out harrowing details of workings of factories in India and members of Parliament lost no time in demanding amendment of the factory act. The agitation bore fruit and the Government of India agreed to amend the act. A Commission was set up. The Commission did not try to get at the heart of problems and made some superficial recommendations. Representatives of Lancashire (in Parliament) demanded rejection of the recommendations in entirety and the Secretary of State too was at one with them. The Indian Factory Act, 1881 was amended and in early 1891 the amended act was put on the Statute Book. The act limited the period of work to seven hours a day and prohibited employment of children below nine years. The act entitled the workers to a weekly holiday and midday rest. The act banned the employment of women at night except in Bengal where they worked in shifts.

The nationalist press did not yield to compassion and opposed the enactment of factory legislations tooth and nail. When the movement for the amendment of the Indian Factory Act was afoot the *Maharatta* (October 20, 1890) wrote: "There is considerable truth in the remark ... that the Indian operative is better off under the present circumstances than he is likely to be if he was bound up, hand and foot, like the British workmen in meshes of over nice and over strict regulations." (Cited in Bipan Chandra, *Rise and Growth of Economic Nationalism in India*, p. 345.)

The Indian National Congress too maintained a like attitude towards factory legislations and Surendra Nath

Banerjee's presidential address at the annual session (1895) bears it out.

By 1877 the number of cotton mills in India rose to 51 and the number of operatives was 44,000. Of the total mills, a half was located in the island of Bombay and the rest in Bombay Presidency and other parts of India. For 'it is to the Bombay Presidency that we must turn for the home of the industry and to the island of Bombay for its higher development.' (*Gazetteer of Bombay City and Island*, Vol. I, p. 490.) Outside the city of Bombay other centres of the industry are Ahmedabad, Sholapur, Cawnpore, Madras and Calcutta.

In the earlier decades, Bombay was in an advantageous position because the mills produced only yarn and sent major portion of it to China for consumption on hand-looms. Outside Bombay Presidency was constructed the biggest cotton mill in India by the late J. N. Tata in 1874. It is the Empress Mills of Nagpur. The cotton boom did not provide J. N. Tata with capital to undertake expansion of cotton textile industry. In fact, he lost much with others as the boom came to a sudden end. He made money in a military contract. In 1867 a number of British subjects had been taken prisoner by the arbitrary ruler of Abyssinia. The ruler refused to set them free. So the British Government decided to lead an expedition against the ruler. J. N. Tata obtained the contract for the commissariat. Tata and his associates made a net profit of Rs. 40 lakhs. Tata's share in the profits provided him with a substantial amount of capital. Now he turned to cotton textile and in 1874 formed the Central India Spinning and Manufacturing Company Ltd. The original capital amounted to Rs. 15,00,000. He bought ten acres of land for a small sum from the Raja of Nagpore. On January 1, 1877, the day on which Queen Victoria was declared Empress of India, the mills started working. The factory was named the Empress Mills. (F. R. Harris, *J. N. Tata*, pp. 12-37.)

By 1894 the number of cotton mills rose to 127 and the capital was estimated at Rs. 1,161 lakhs. The industry employed 116,000 workers. During the period, 'the rate of growth was not rapid but was remarkably steady and continuous; and there is an absence of violent fluctuations through the period. During the period there was a sharp decline in the export of Indian yarn and twist as Japan had turned to the manufacture of cotton textiles. Japan began to buy Indian cotton instead of Indian yarn.' So 'the Bombay industrialists had, perforce, to turn their attention from spindles to something else. Though the export trade in twist and yarn was checked the prosperity of the industry was unimpaired.'

As the nineteenth century closed the number of cotton mills rose to 156 while the capital increased to Rs. 1,419 lakhs. The industry employed 1,50,000 workers. During the last decade of the nineteenth century there set in a period of depression. During the period there had occurred two famines followed by the outbreak of the bubonic plague in Bombay. The outbreak of plague brought about a temporary dislocation of production as workers returned to villages. The depression reduced internal demand for cotton textile. 'Its market for woven goods was chiefly Indian and also a large portion of the yarn produced in the mills went to satisfy the demand of the Indian handloom weavers. The Indian handloom weaver in his turn supplied the coarse cloth chiefly to the peasant. Now, it is a well-known fact that in times of depression the first economy that the Indian peasant effected was in the matter of his clothing, and thus the country weaver with agricultural labourer, was the first to arrive on the relief works. Hence the market for mill-made yarn shrank rapidly.' In 1905 the period of depression came to an end and was followed by unparalleled prosperity for the industry. In 1906 the number of cotton mills rose to 204 and capital increased to Rs. 1,719 lakhs. The boom lasted three years. It was 'pronounced in the yarn industry and the spinning mills paid fabulous dividends. The demand for yarn was so great and price so remunerative that the mills were kept working for as long as a day was, in the circumstances, possible, and the newly introduced electric light made possible a long day.'

The termination of depression did not stimulate the demand for Indian cotton textile. The increasing demand was created by the *Swadeshi* movement that stirred the country when Bengal was partitioned into two by Lord Curzon. The *Swadeshi* movement opposed the partition and proclaimed a policy ot boycott of foreign goods. The policy of boycott provided a fresh stimulus to the expansion of Indian industries. So many new cotton mills were set up and attempts were made to revive the handloom industry. The policy of boycott was endorsed by the Indian National Congress. The cotton industry owed its prosperity to the *Swadeshi* movement. An official survey admits it: "But quite recently the *Swadeshi* movement which has taken place in all parts of India has given a distinct impetus to local manufacturers." (*Gazetteer of Bombay City and Island*, p. 490.)

Tariff : The *Swadeshi* movement focussed attention on the growth and ownership of industries. Of many industries Indians owned and controlled only cotton textile. Connected intimately with the question of growth and expansion of industries is the policy of tariff. 'Of greater significance than the direct initiation or encouragement of industries are policies regarding imports or protective tariffs... The policy of the Indian Government was long avowedly that of free trade, which maintained the Indian market as one of the most valuable outlets for British trade and industry. The influence of Manchester capitalists is written large in Indian tariff history. They have been anxious to preserve the Indian market for the benefit of British manufacturers, merchants, bankers and shippers.' (Buchanan, *op. cit.*, pp. 464-65.) An examination of fiscal policy of India Government bears it out.

During the second half of the nineteenth century the fiscal policy of India Government followed the principle of free trade. While the maximum duty on imports was limited to 10 per cent, the duty charged on imports from Great Britain was lowest. Imports from Great Britain included cotton twist and yarn, cotton and silk goods, metals and marine stores. The object of the policy was to expand the market for British products.

Costs of suppression of the Sepoy Mutiny were huge, and the budget of India Government ran deficit. The deficit led to the imposition of a moderate duty on imports and retention of a low duty on exports. Manchester fought hard to secure repeal of duty. As finances of India Government improved these duties were either repealed or reduced. In 1874 the Manchester Chamber of Commerce addressed a memorial to the Secretary of State for India. The memorial suggested repeal of duty on British cotton manufactures and yarn. The second memorial examined the effects of the operations of the tariff upon British cotton textile industry. The Government of India imposed a duty of 5 per cent on the import of long staple cotton. This was done to prevent expansion of Indian cotton textile industry. The tariff policy of India Government did not satisfy the British commercial interests who stood for free trade. There arose a controversy between the Viceroy and the Home Government. The Viceroy, Lord Northbrook, a liberal and free trader, was determined to retain a small tariff on cotton goods to strengthen finances of India Government. The controversy led to the resignation of the Viceroy in 1876. The following year Parliament passed a resolution against retention of tariff. The resolution was forwarded to the Secretary of State for India. An alarming comment was added to it : "Five more mills were about to begin work; and it was estimated that by the end of March, 1877 there would be 1,231,284 spindles employed in India." (R. Reynolds, *White Sahibs in India*, p. 110.)

In 1878 duty on a number of articles was repealed and in 1882 began the era of free trade. Export duties were abolished and import duties were counterbalanced by excise duty on all cotton goods manufactured in India. Free trade operated till 1894 when a general import duty of 5 per cent was imposed for financial reasons. Cotton goods were included in the free list. It meant a loss of revenue to the Government. So a duty of 5 per cent was imposed on the import of cotton goods. It was opposed by Lancashire and British commercial interests led a campaign against it. To appease British commercial interests the Government of India increased the excise duty on cotton goods manufactured in India to 5 per cent. The increase did not satisfy British commercial interests who argued that the Indian consumers could not afford to buy cotton goods at higher prices, while the Indian manufacturers said that the industry had been heavily penalized. So in 1896 the duty on import of cotton piecegoods was reduced to 3½ per cent from 5 per cent. Excise duty on handloom products was removed, cotton yarn was admitted free and excise on yarn was removed. The duty on the import of yarn was removed to stimulate the export of British cotton yarn to India. The policy of preferential tariff continued till the outbreak of the First World War.

Indo-British Conflict : Though growth of industries under Indian ownership was slow, there had come into being Indian capitalism. It opposed British exploitation of Indian men and materials and sought to build industries. There was discontent with the official policy. And 'economic discontents merged in political agitation over the partition of Bengal. The Swadeshi movement was the positive . . . expression of the same purpose.' (*Report on Indian Constitutional Reforms*, p. 211.)

The late Dadabhai Naoroji was the earliest exponent of industrialization. As early as 1876 he read a paper on the causes of poverty of India. The paper was elaborated and published under the title of *Poverty and Un-British Rule in India.* The country, urged Dadabhai, needed industrialization on a large scale. Expansion of industries was limited by the shortage of capital. Where was the capital to come from ? India was woefully deficient in that respect. What were the root causes of the insufficiency ? The main cause was drain of India's wealth by England. She was entitled to the supply of capital from her on easy terms for the development of her trade and industry. (R. P. Masani, *Dadabhai Naoroji*, p. 192.)

Dadabhai Naoroji opposed the policy of preferential tariff and blessed the Swadeshi movement. With the foundation of the Indian National Congress was formed the Industrial Conference. It was an allied organization of the National Congress and used to hold its annual session along with the parent body. When the first session of the Industrial Conference was held at Poona in 1890 the late Justice M. G. Ranade was elected president. He suggested industrialization 'to correct the disproportion between over-engrossing production of raw agricultural produce and our backwardness in the production and distribution of manufactured produce.' (*Essays in Indian Economics*, pp. 205-6.)

Ranade's views on economic consequences of foreign domination were pronounced: "The political domination of one country by another attracts far more attention than the more formidable, though unfelt, domination which the capital, enterprise and skill of one country exercise over the trade and manufactures of another. The latter domination has an insidious effect which paralyses the springs of all the various activities which together make up the life of a nation." (*Ibid.*)

Ranade was followed by R. C. Dutt, G. K. Gokhale and others who analysed different aspects of British exploitation of India.

First World War : With the outbreak of the First World War there commenced a new period of prosperity for Indian cotton mill industry. The British rulers were eager 'to enlist the support of the Indian industrialists' and removed an ancient grievance by allowing the import duty on cotton goods to be raised to 7½ per cent without any equivalent rise in the excise duty of 3½ per cent. In fact, 'the condition of Lancashire industry was difficult, with freights high and large revenue duties imposed on imports into India. In the home market the Indian industry thus found conditions of good demand, high prices and little competition from outside. This was also the case with neighbouring countries like Persia, Mesopotamia, East Africa where Indian manufacturers found their markets rapidly expanding... There was no increase in the number of spindles at all, while the number of looms between 1914 and 1920 increased by about 15 per cent...Imports of piece goods fell from an average of 2,632 million yards per annum during the quinquennium preceding the war to an average of 1,841 million yards during the war years. The imports of piece goods were usually of higher quality and a fall in these...led to increase the production of better class of goods...The post-war boom in the cotton industry was of a much longer duration than the boom in other industries. The boom was based, at least partly, in the case of the cotton industry, on genuinely increased demand for cloth. The net amount of cloth available in India for consumption during the pre-war quinquennium, excluding handloom products, was an annual average of 3,567 million yards, while the similar figure for the war period was 3,024 million yards.' (D. R. Gadgil, *The Industrial Evalution of India*, pp. 228-30.) Internal demand for mills products was further accelerated by the movement of boycott of foreign cloth initiated by Gandhiji. 'During 1921-22 the total value of imports of cotton manufactures fell to Rs. 57 crores from 102 crores in 1920-21. The decline was . . . due to the vigorous revival of the campaign in favour of Indian-made piecegoods.' (*India in 1922-23*, p. 121.) In 1923-24 the capital invested in cotton mill industry (British India) rose to Rs. 37 crores. The number of mills rose from 257 in 1920-21 to 334 in 1925-26. While the industry expanded, internal demand shrank. There set in a period of depression aggravated by Japanese competition.

Protection : The British authorities were no longer able to continue the old policy of discouragement of expansion of Indian industries. As early as 1918 the Montagu-Chelmsford Report advocated introduction of protective tariff. When Dyarchy was enforced the Indian Legislative Assembly proved an 'effective, critical body, with views which had to be considered in debate. Interest at first centred on those two connected subjects, finance and army. Criticism was directed to four main 'points—fiscal policy, loans and currency, direct taxation, and military expenditure. In each case the elected members established the important principle that these questions were to be considered only from the Indian standpoint, and that the Assembly had the right to modify policy.' It became a convention that the Secretary of State for India should normally refrain from interference in fiscal matters. The Fiscal Commission, appointed in 1921, recommended protection to Indian industries and led to the formation of permanent Tariff Board. The British authorities were compelled to repeal the excise duty on Indian cotton manufactures. It was a recognition of the right to protection. As the crisis deepened Indian industrialists demanded further protection to tide over the crisis. So a special Tariff Board was set up to enquire into the cause of depression and the necessity of protection.

The Board was agreed upon the question of granting protection to Indian cotton textile industry against Japanese competition. The Board proposed an increase in duty on the import of cotton piecegoods by 4 per cent and recommended bounty on spinning of higher counts of yarn. The Government of India turned down the recommendations and decided to levy a duty of 1½ annas per pound on the import of yarn. In 1929 position of the industry was again investigated by a special officer appointed by the Government of India. The investigation was followed by an increase in the duty on the import of cotton piecegoods. While duty on British products was fixed at 15 per cent, products of other countries were charged a higher duty.

Boycott of Foreign goods : In 1930 when the Indian National Congress launched the Civil Disobedience Movement, boycott of foreign goods, particularly British, was one of main planks of the programme. The movement of boycott began to spread. 'Equally remarkable were the rapidity with which the agitation spread and the effectiveness of the boycott. Both were due to better communications, to an appeal which aimed far wider than the educated classes, and to the financial backing which made it possible to pay volunteers. The intensity of the boycott, which was extended to British institutions like banking and insurance, owed much to the technical knowledge supplied by Indian business men, who actively directed the movement against their trade rivals. The Buy *Swadeshi* League did much to widen the internal market for Indian products. Though it was the period of world depression, the Indian cotton textile industry suffered less from its effects. 'A number of causes such as political movements have helped the industry and enabled it to increase its productive capacity.' (Gadgil, *op. cit.*, p. 233.)

In 1932 a duty of 50 per cent was imposed on non-British cotton manufactures. This was done to make up the heavy deficits in revenue caused by reduction in the total value of seaborne trade.

Mody-Lees Pact : British cotton interests adopted a less formal method of resolving the conflict with Indian cotton textile industry. Towards the end of 1933 a deputation representing the British cotton textile industry visited India and held discussions with the representatives of the Bombay Millowners' Association. They concluded an agreement. The agreement accepted the view that the Indian cotton textile industry was entitled for its progressive development to a reasonable measures of protection against the imports of United Kingdom yarns and piece goods but owing to lower costs and other factors operating in foreign countries the industry required a higher level of protection against them than against the United Kingdom. It was the Mody-Lees Pact. While the agreement was accepted by the Government of India, it was rejected by the Indian National Congress as it was based upon the principle of preferential tariff.

The system of preferential tariff came to stay, and 'imperial preference became the keynote of the tariff system.' Conclusion of the Ottawa Agreement in 1932 led to the imposition of general system of imperial preference on India in the face of universal Indian protests and 'a hostile vote in the Indian Legislative Assembly'. The Ottawa Agreement increased British exports to India from 35.5 per cent to 40.6 per cent in 1934-35. Thus 'the tariff system of the early twenties, originally proclaimed as a means for accelerating Indian industrialization, was transformed into a system which assisted British industry to compete in the Indian market, while giving India in return the privilege of favoured rates for the sale of her raw materials and semi-manufactures in the British market—an obvious attempt to revert to the pre-1914 status.' (Kate Mitchell, *Industrialization of the Western Pacific,* p. 285.)

The cotton mill industry continued to expand. In 1936 the total number of cotton mills rose to 379 and the industry employed 418,000 workers. Thus during 1914-36 the number of cotton mills increased by 42, while the number of looms increased from 88,100 to 200,000. In 1939 the number rose to 389 without any marked increase in the number of looms. Towards the end of 1943 the total number of cotton mills in India rose to 401 and the invested capital increased from Rs. 43 crores 62 lakhs in 1940 to Rs. 44 crores 77 lakhs.

Second World War : With the outbreak of the Second World War there began a new period of prosperity for the industry. For 'the war affected the position of mill industry in several ways. In the first place, imports of foreign cloth were reduced, and to that extent, foreign competition became less severe. Exports of Indian manufactures to Eastern markets which could not obtain their normal supplies from Lancashire, received a fillip. The mills received large orders from the Government for the supply of various kinds of military requirements.' (*Review of the Trade of India in 1939-1940*, p. 41.)

In 1940 there had been a phenomenal expansion of the cotton mill industry, and its capacity which was supposed to be large began to feel the strain of demands made on it after the freezing of Japanese assets towards the middle of 1941. There was 'a very sharp rise in exports and large decline in imports... During the year... the value of exports largely exceeded that of imports. This was largely due to the cessation of imports from Japan... The Indian textile industry was called upon to make up the deficiency of supplies caused in the country itself by the cessation of Japanese imports and in addition to supply large quantities of ready goods to Australia, the Far East and the South African countries, these countries having themselves been dependent on the Japanese and the British imports of cotton goods.' During 1940-41 total exports of Indian textiles were 390 million yards or almost double those in the prewar year. 'Another factor of equal importance was the increasing volume of orders placed by the Government of India and Eastern Group Supply Council with cotton textile mills in India. The industry occupied the first place in the scale of orders placed by these organizations and mills were called upon to supply new qualities of cloth for specialized purposes. The total value of orders placed by the Supply Department in 1941 since the outbreak of the war amounted to Rs. 50.4 crores. This figure did not include the orders placed by the Eastern Group Council and some of the purchases made directly by the Defence Services on their own behalf. The pressure of war orders was so great that several mills were reported to be working exclusively for these organizations.' In 1941 production increased only by 5 per cent. To keep pace with the increasing volume of orders mills in Bombay worked night shifts. Towards the end of the year weekly working hours were increased to 60 by the Government of India. 'Labour in Bombay and Ahmedabad had already been fully worked before the issue of the order and the strain of enhanced working hours proved to be unjustified either by the increase in output or the increase in wages earned by labour. Much dissatisfaction was shown especially by labour and several mills which adopted the new regulations soon gave up the experiment.' (*Review of the Trade of India in 1941-42*, pp. 48-50.)

During 1942-43 the industry was 'faced with steadily expanding demand from overseas countries like Ceylon, Australia, Africa and the Middle East, an increasing volume of war orders and growing domestic requirements for civilian consumption. It was obvious that unless the industry was able to expand its output adequately to meet the phenomenal increase in demand, there would be an acute shortage of cotton manufactures for domestic consumption. This apprehension came true and in the later months of 1942-43, there was a sharp and precipitous rise in the prices of cotton manufactures causing considerable hardships to consumers. In spite of the shipping shortage and the fact that a large part of the export demand was satisfied, export of cotton piecegoods from British India during the period amounted to 819 million yards which was 6 per cent higher than in the preceding year and more than four and a half times as much as in the pre-war year, 1938-39. Simultaneously, imports of piecegoods into British India were reduced to the negligible figure of 13 million yards from 647 million yards in 1938-39. In the domestic market, inflationary process was in full swing and large quantities of piecegoods disappeared into the hoards of black dealers. During the period with the expansion of the army, the requirements of the Supply Department rose to 1,000 million yards. There was a marked fall in production due to the exodus of workers when Burma fell. Though workers returned, normal working could not be restored. In August workers in Bombay and other centres struck work following the arrest of national leaders. Thus total output of cotton manufactures declined to 4,109 million yards. Production of *dhoties* declined to 713 million yards from 1,455 million yards in 1938-39. In other words, in spite of tremendous increase in demand the aggregate output of the particular types of piecegoods consumed by the masses showed actually a decline. When allowance is made for exports, the requirements of the Supply Department and the disappearance of stocks due to hoarding, the shortage would be more serious.' (*Review of the Trade of India in 1942-43*, pp. 24-25.) During 1944-45 there was a terrible scarcity of cotton manufactures for civilian consumption. This was further aggravated by the fall in production. The balance available for civilian consumption was 1,000 million yards short. The shortage continued. In 1945-46 the share of *per capita* consumption of available cloth fell to 9 yards. To meet the shortage of cloth the Government of India introduced a scheme of production of utility cloth. By the middle of 1945 some sort of rationing of cloth was introduced in Bombay and other cities. In 1945 the official index of price of Indian cotton goods rose to 337 from 100 in 1939. In 1946 there was a serious interruption of production due to the shortage of coal and outbreak of communal riots in various parts of India.

New Markets : With the termination of the War restriction on civilian consumption ended and the industry worked to meet the demands of the internal market. But the internal market had shrunk with the partition of India and the industry was compelled to explore new areas. The Government helped the industry develop new markets and set up the Cotton Textiles Export Promotion Council in 1954. In 1952, India exported 584 million yards (cotton textiles) and the figure rose to 843 million yards in 1959. During the succeeding period exports registered a steady rise and the total value of exports stood at Rs. 63 crores in 1965. (Indian Institute of Foreign Trade, *Indian Cotton Textile Industry*, p. 33.)

To the following countries Indian cotton textiles are exported: U.K., Sudan, British East Africa, Australia, Burma, Malaya and Singapore, Aden, U.S.A., Ethiopia, British West Africa, Afghanistan, Canada, Persian Gulf Ports, Saudi Arabia, Ceylon.

Control and Ownership : The Indian cotton mill industry is controlled by the system of managing agency. In 1932 the managing agencies at Ahmedabad held three-fifths of shares in the cotton mills. There were certain managing agents who held 90 per cent of shares. (*Report of the Tariff Board, Cotton Industry*, 1932, Vol. 4, p. 132.) In Bombay the managing agent held major shares in the cotton mills.

The managing agents are paid a fixed remuneration. It takes 'the form of office allowance. In Bombay and Ahmedabad a fixed monthly or annual amount of money is given for head office expenses to managing agents. In so far as this amount covers the actual expenses incurred by the managing agents in the administration of the companies under their charge, no one can object to such payment. It has been, however, alleged that the amount such firms charge is excessive. The payment consists of commission with a stipulated minimum, which must be paid whether the companies make profits or not. This has to be paid by all companies under managing agency control. The commission is calculated on production, or sale or on profit. When the cotton industry was first established in Bombay the managing agents received a commission based on the output of yarn. When ring spindles were introduced, production increased, and agents were able to make profits even if the mills produced at a loss. After 1886 the system of payment of commission on profits was introduced and the practice was generally accepted. Of 71 mills in Bombay in 1928, only 1 mill paid commission on production and 61 paid on profit, 8 mills paid commission on sale, and 1 mill paid fixed remuneration to the managing director. In other centres of the cotton industry, the common method is that of a commission on output. It is usually provided that in case of losses, a portion of the commission is to be relinquished by the managing agents. Now commissions in Bombay are paid on profits, being limited mostly to 10 per cent of the profits with a minimum allowance payable per annum. In Ahmedabad, commission is based on sales, while in Sholapore it is based on deliveries. There is an additional office allowance payable in Bombay. From the very beginning of the rise of the managing agency system, there has been a trend towards the concentration of control of a number of concerns under one managing agency firm.' (Wadia and Merchant, *op. cit.*, pp. 457-66.)

In 1964-65, the paid-up capital of 260 cotton textile companies totalled Rs. 1,28,12 lakhs and the net fixed assets Rs. 1,65,37 lakhs. Inventories stood at Rs. 2,55,63 lakhs. In 1963-64 total production of the industry was 7,410 million metres (cloth).

Of the managing agents the following groups are important. The table points out the aggregate turnover of each group in 1964.

TABLE 31

				(Rs. crores)
1.	Bangur	...	...	20.44
2.	Birla	...	...	73.00
3.	Goenka	...	...	9.00
4.	Singhania	...	...	14.00
5.	J. P. Srivastava		...	15.00
6.	Jaipuria	...	...	15.00
7.	B. Kanoria	...	...	5.00
8.	R. K. Kanoria	...	...	2.00
9.	Kasturbhai Lalbhai		...	19.00
10.	D. M. Khatau	...	...	7.00
11.	Kilachand	...	...	3.00
12.	Mafatlal	...	...	34.57
13.	Mangaldas Jeysinghbhai		...	7.02
14.	Mangaldas Parekh		...	13.14
15.	Modi	...	...	8.06
16.	V. R. Naidu	...	...	5.53

		(Rs. crores
17.	G. V. Naidu	9.61
18.	Nowrosjee Wadia ...	16.72
19.	Poddar	4.00
20.	Ruia	10.00
21.	Sarabhai	13.67
22.	Shri Ram	19.00
23.	Tata	28.53
24.	Thackersey	12.62
25.	Thiagaraja	14.14

WAGES

There is hardly any account of the early wage system in the cotton mills. According to an official calculation in 1877 the monthly wages in Bombay cotton mills averaged from ten to twenty rupees for men and from seven to nine rupees for women. The Indian Factories Committee of 1890 furnished the following table of earnings in Bombay:

TABLE 32

Little Girls	Rs. 5 per month.
Boys	Rs. 6 to 7 per month.
Women	Rs. 6 to 10 per month.
Men (not weavers)	Rs. 10 to 12 per month.
Men (weavers)	Rs. 12 to 15 per month.

In 1892 another official investigation put monthly earnings of cotton mill workers in Bombay at Rs. 12 for men and at Rs. 9 for women. During 1895-1914 earnings made some advance.

During 1926-33 earnings of Bombay cotton mill workers fell by 16 per cent. In Ahmedabad earnings increased by 5 per cent, while in Sholapore earnings decreased by 8 per cent during the above period. The fall was mainly due to the change in the basis of payment of the grain allowance. 'The method of calculating wages in most of the cotton mills in the Bombay Presidency is to take the rate before the war or any year between 1913 and 1918 as the basic wage, and to add to it allowances granted from time to time for increase in the cost of living, minus deductions for disciplinary fines. In Bombay City, for instance, the first increase of 15 per cent in wages was granted by the Bombay Mill Owners' Association in January, 1918. This was gradually raised, and the total increase by November, 1920 was 70 per cent for men workers on a time basis and women workers on both time and piece basis, and 80 per cent for men workers on a piece basis. From 1919 to 1923 a bonus based on the monthly wages earned by the workers was also paid by most of the mills. The process of wage cuts began in individual mills in Bombay City in May, 1933, and, by April, 1934, 42 mills had made cuts in the cost-of-living allowance. In some mills the allowance was reduced from 80 and 70 per cent to 55 and 50 per cent respectively. As a result of these cuts, average daily earnings were lower by 17.94 per cent in December, 1933 than in July, 1926 as noted above, and by 21 per cent in April, 1934. Increasing rationalization is tending in the opposite direction, and there has been an increase of earnings by 50 per cent in the few mills; in most mills, however, rationalization has been accompanied by a reduction in the cost-of-living allowance.

'In Ahmedabad, from December, 1917 to 1921, the Managing Committee of the Mill Owners' Association, or the arbitration chosen from time to time, awarded increments in different departments. For instance, warpers obtained an increase of 25 per cent in rates in 1917, weavers 35 per cent in 1918, spinners 89 per cent in 1919. In June 1923 wages in Ahmedabad mills were reduced by 15.6 per cent on account of the depression in the industry. In 1930 wages were restored to the extent of 8 per cent in the spinning department and 5 per cent in the weaving department. Although the rates were reduced in a few occupations, the wages generally in Ahmedabad showed a rise of 5.6 per cent in 1933, as noted above. Subsequently the Mill Owners' Association decided on a 25 per cent general cut in all wages; the Labour Union strongly opposed the decision; an agreement was, however, arrived at on 13 January, 1935 and the wages of all cotton-mill workers were reduced up to a maximum of 6¼ per cent. The effect of rationaliza-

7

tion on wages is much less noticeable in Ahmedabad than in Bombay.

'In Sholapore a different system of compensation for the high cost of living was adopted. Individual mills granted increases in cash wages during the years 1918 to 1920; these increases were consolidated with the rates prevailing in 1914 and, in addition, a cost-of-living allowance was paid in kind, *i.e.*, in the form of the sale of grain at a fixed price. In November, 1920 all mills in Sholapore raised the cost-of-living allowance to 35 per cent for men piece workers and 30 per cent for men time workers and women time and piece workers. In January, 1934 there was a wage cut of 12½ per cent, but including variations in the cost-of-living allowance, the total reduction in workers' wages amounted to 17 per cent in the ten more important occupations and 20.5 per cent in others.' (I.L.O., *Industrial Labour in India*, pp. 251-52.)

The fall in earnings continued. By the middle of 1937 earnings of workers in Bombay and Ahmedabad had decreased by 25 per cent and 8 per cent respectively.

Wartime wages : In Bombay there had been an increase in basic wages in 1938 and it varied between 9 and 14 per cent. In 1946 there took place largest number of strikes in India. To preserve industrial peace the Government decided to revise rates of industrial wages. The Industrial Court appointed in 1946 fixed minimum wages at Rs. 30 for 26 days in the month for the cotton mill workers in Bombay. In the Ahmedabad centre the basic wages had been fixed at Rs. 28 by the Industrial Court of 1948. In Madras the rate of basic wages was fixed at Rs. 26 per month. In Bengal there was no uniformity of wage rates of cotton mill workers. The award of the Industrial Tribunal (1948) fixed the basic minimum wages at Rs. 20-2-5 per month. By another award the minimum wages in the cotton textile mills in C.P. and Berar had been fixed at Rs. 26 per month.

The rate of dearness allowance is linked with the cost of living in all textile centres except Bengal where a bewildering variety of rates was in force. In Bombay cotton mills workers were granted compensation for the rise in the cost of living to the extent of 76.5. In Ahmedabad the rate of compensation was higher. It averaged 96 per cent and in 1945 it was reduced to 75 per cent. In 1944 the average amount of monthly dearness allowance totalled Rs. 31-5-0 in Bombay, Rs. 65-11-7 in Ahmedabad, and Rs. 22-5-6 in Sholapore. In 1946 the dearness allowance was increased to Rs. 36-10-0 in Bombay and was reduced to Rs. 48-10-0 in Ahmedabad. In Madras the dearness allowance amounted to Rs. 18-6-0 in June 1944 and in Madura to Rs. 24 per month. In Cawnpore the dearness allowance was paid on the basis of the subsidiary cost of living index number. In 1945 workers of the lowest income group were paid an allowance of annas 14 per rupee of wages. In Nagpur the total monthly dearness allowance amounted to Rs. 27-8-0 in January, 1944.

TABLE 33

DEARNESS ALLOWANCE PAID TO COTTON TEXTILE WORKERS IN DIFFERENT CENTRES

Centre	July 1946 Rs. A. P.	July 1947 Rs. A. P.	July 1948 Rs. A. P.
Bombay	36 8 0	44 8 0	52 0 0
Ahmodabad	47 10 0	55 8 0	66 4 6
Sholaporo	22 5 6	28 7 0	37 8 0
Madras	22 4 0	32 1 0	38 7 0
Madura	27 12 0	32 1 0	38 7 0
Coimbatore	21 13 0	32 1 0	38 7 0
Bengal	...	...	30 0 0
Cawnpore	...	37 5 0	60 4 0
Nagpur	24 6 0	29 4 0	40 8 0
Indore	...	...	45 0 0
Baroda	42 13 0	48 1 9	59 10 6

(*The Indian Labour Year Book, 1947-48*, p. 128)

In 1947 rates of dearness allowance in the province of Bombay were revised by the Industrial Court. Thus workers in Bombay City were granted compensation for the rise in the cost of living to the extent of 90 per cent on the minimum monthly wages of Rs. 30. In Ahmedabad the rate of compensation was increased to 100 per cent on the minimum monthly wages of Rs. 28. The table on page 99 points out variations in the rate of dearness allowance paid to the workers of lowest income groups in various textile centres.

During the years of the war when the industry earned high profits workers were paid an annual bonus in addition to the wages. When the war ended an attempt was made to discontinue payment of bonus. In 1946 the Industrial Court of Bombay sanctioned payment of bonus equal to 20 per cent of basic wages. In 1946 the Employers' Association, Cawnpore, paid a bonus at the rate of annas four per rupee of basic wages. The Coimbatore Mills paid a bonus equal to five months' basic wages. The Industrial Tribunals in Madras and West Bengal recommended payment of bonus.

The Profit Sharing Committee recommended tentative application of the principles of profit sharing to cotton textile and observed: 'We have come to the conclusion that labour's share should be 50 per cent of the surplus profits of the undertakings. The individual worker's share of profit, we consider, should be in proportion to his total earnings during the preceding twelve months, minus dearness allowance and any other bonus received by him. This should be in substitution of any other form of profit sharing bonus that is being paid now. If an individual worker's share exceeds 25 per cent of his basic wages, we consider that cash payment should be limited to 25 per cent of his basic wages and the excess held on his account either in his provident fund or otherwise.' (*Report*, p. 10.)

Post-war wages: In March, 1957 the Government of India set up the all-India Wage Board for Cotton Textile Industry. The Board submitted the report towards the end of 1959 and recommended a general increase in wages and the sum varied between Rs. 8 and Rs. 10. Besides the basic minimum wages, the Board recommended payment of dearness allowance linked to the cost of living index number and suggested merger of dearness allowance with the basic wages. The merger should be equated at an index which would give an amount equal to three-fourths of average dearness allowance for the first half of 1959. The recommendations were enforced in January, 1960 and the period of duration was five years. The second Wage Board was appointed in August, 1964.

The table shows trends in the total annual earnings in various centres during 1939-47.

TABLE 34

TOTAL ANNUAL EARNINGS OF COTTON MILL WORKERS 1939-47

Province	1939	1943	1944	1945	1946	1947
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bengal	212 (100)	401	499	443	486 (229·5)	...
Bombay	377 (100)	836	933	879	847 (224·6)	1041 (276·1)
C. P. & Berar ...	...	482	506	562	495	652
Delhi	324 (100)	532	824	784	754 (232·8)	894 (275·9)
Madras	190 (100)	363	370	361	441 (230·4)	670 (352·6)
U. P.	270 (100)	595	588	573	602 (223·1)	708 (262·2)
All Provinces	320 (100)	684 (213.5)	772 (241.2)	723 (225·9)	722 (225·5)	

(*Indian Labour Year Book, 1947-48*, p. 130.)

PROFITS

'The first mills in Bombay paid no dividends during the first two years but then paid back half the capital in one year.' For twelve years preceding World War I and including one or two early war years Bombay mills' dividends besides agents' commissions and depreciation averaged 11 or 12 per cent on the investment. War and post-war profits were high, and for 21 years ending 1925 the gross profits of the Bombay mills, before agents' commission and depreciation averaged 38.8 per cent. (Buchanan, *op. cit.*, p. 208.) According to another calculation post-war dividends paid by the Bombay mills averaged 120 per cent. (Mitchell, *op. cit.*, p. 284.) Mills outside Bombay made enormous profits. Towards the middle of 1920 total profits of the Empress Mills had reached the stupendous figure of Rs. 7½ crores, nearly fifty times the original capital and for that year the dividend was 160 per cent. (Harris, *op. cit.*, p. 43.) By the middle of 1926 total profits of the Empress Mills aggregated Rs. 9 crores. During the above period a sum of Rs. 594 lakhs had been paid in dividend and it worked out to 80 per cent of the capital.

The table shows profits earned by a number of companies.

TABLE 35

Year	*Number of companies*	*Profits (Rs. 000)*
1928 ...	... 58	1,23,02
1929 ...	... 58	1,21,97
1930 ...	... 58	46,68
1931 ...	... 58	64,63
1932 ...	... 58	1,01,85
1933 ...	... 58	41,74
1934 ...	... 58	1,10,85
1935 ...	... 59	1,07,63
1936 ...	... 59	1,17,63
1937 ...	... 59	1,64,96
1938 ...	... 57	2,48,53
1939 ...	... 61	1,98,64
1940 ...	... 63	2,86,95
1941 ...	... 60	6,81,35
1942 ...	... 75	11,09,78
1943 ...	... 66	12,47,48
1944 ...	... 65	5,80,45
1945 ...	... 63	8,74,41
1946 ...	... 56	7,47,04
		69,75,59

The Tariff Board examined profit-earning capacity of the cotton mill industry. An examination of the balance sheets of the Bombay mills showed that for 1920, 35 companies comprising 35 mills paid dividends at the rate of

40 per cent and over, and two mills over 200 per cent. In 1921, 11 mills paid dividend at the rate of 100 per cent and over. In 1922 dividend paid by 4 mills averaged 100 per cent. In 1923, 7 mills paid dividend at the rate of 40 per cent. (*Report of the Indian Tariff Board, Cotton Textile Enquiry, 1927*, p. 83.)

Table on page 102 prepared from various issues of the *Review of the Trade* indicates profit-earning capacity of the Indian cotton mill industry.

Thus during 1928-46 a limited number of companies made profits of Rs. 69 crores 75 lakhs. During the Second World War Bombay mills accumulated reserves to the extent of Rs. 45 crores.

Post-war profits: During four years (1950-53) the ratio of net profits to the net worth of 144 cotton textile companies was 5.3 per cent. The table points out the profits distributed and commission paid to the managing agents by these companies.

TABLE 36

Year	*Profits distributed*	*Commission paid to managing agents*
1950	Rs. 5,53 lakhs	Rs. 3,76 lakhs
1951	Rs. 6,35 ,,	Rs. 4,79 ,,
1952	Rs. 5,01 ,,	Rs. 3,27 ,,
1953	Rs. 5,60 ,,	Rs. 3,29 ,,

During 1954-55 dividend paid by 145 companies worked out to 1.8 per cent of net worth and to 2.2 per cent in 1955-56. Net worth includes paid-up capital, reserves and surpluses. In 1956-59 the dividend paid by all companies averaged 2 per cent of net worth.

In 1960-61, 260 cotton textile companies gave Rs. 13,78 lakhs in dividend and retained Rs. 15,16 lakhs. Managing agents earned Rs. 3,86 lakhs in commission and the com mission worked out to 8.5 per cent of gross profits.

In 1961-62 these companies distributed Rs. 15,02 lakhs and retained Rs. 17,18 lakhs. Managing agents' remunerations amounted to Rs. 3,93 lakhs and worked out to 8.1 per cent of gross profits.

In 1962-63 profits declined and these companies distributed Rs. 12,94 lakhs and retained a sum of Rs. 1,94 lakhs. They paid Rs. 2,93 lakhs to the managing agents and the ratio of managing agents' remuneration to gross profits worth 8.9 per cent.

In 1963-64 these companies distributed Rs. 14,26 lakhs and retained Rs. 4,32 lakhs. Managing agents' remuneration amounted to Rs. 3,11 lakhs and worked out to 8.5 per cent of gross profits.

In 1964-65 these companies distributed Rs. 14,61 lakhs and retained Rs. 5,80 lakhs. Managing agents earned Rs. 2,89 lakhs in commission. Managing agents' commission worked out to 8.9 per cent of gross profits.

The table shows ratios of dividend and retained profits.

TABLE 37

Year	*Number of companies*	*Ratio of dividend to profits after tax*	*Ratio of retained profits to profits after tax*
1960-61	260	46.0 per cent	54.0 per cent
1961-62	,,	46.7 ,,	53.3 ,,
1962-63	,,	87.0 ,,	13.0 ,,
1963-64	,,	76.7 ,,	23.3 ,,
1964-65	,,	71.6 ,,	28.4 ,,

(Reserve Bank, *Bulletin,* Nov. 1966.)

The table shows total dividends as percentage of total paid-up capital.

TABLE 38

Year	*No. of companies*	*Percentage*
1960-61	260	12.2
1961-62	260	12.6
1962-63	260	10.6
1963-64	260	11.3
1964-65	260	11.4

(*Ibid.*)

Chapter 6

IRON AND STEEL

Another Indian industry as old as the textile was the manufacture of iron. For centuries 'the iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of the material turned out had also a world-wide fame. The famous iron pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who endeavoured to account it. Cannons were manufactured in Assam of the largest calibre. Indian wooltz or steel furnished the materials out of which Damascus blades with a world-wide reputation were made; and it paid Persian merchants in those old times to travel all the way to India to obtain these materials and export them to Asia. The Indian steel found once considerable demand for cutlery even in England.' (Ranade, *op. cit.*, p. 159-60.) By the beginning of the nineteenth century manufacture of iron by the members of primitive community was abandoned. For 'the indigenous article has rapidly been superseded for most common purposes of life by the inferior but cheaper and more convenient production of the West.' (L. F. Begbie, *Iron and Steel Industry,* p. 2.) In truth, the English manufacturers of iron and steel killed one of the oldest industries of the land. 'The interest of the big business on the one side and sheer ignorance and carelessness on the other had combined to suppress it.' (V. Elwin, *The Agaria,* p. 239.)

As early as 1774 Motte and Farquhar produced iron on a small scale in Birbhum and a dispute with the zamindar about the royalties led to the abandonment of the project.

The earliest attempt to develop modern iron and steel industry in India was made by Josiah Marshall Heath. He resigned from the public service and invested his fortunes in furnaces, forges and rolling mills on the Madras coast in 1833. Steel produced by Heath was of good quality and exported to England. But Health's venture came to a sorry end for he could not procure modern equipment nor were the workers properly trained.

As early as 1837 the Government had carried out an investigation of iron ore in certain parts of the United Provinces. In 1857 furnaces were constructed by the Government and by some European companies. The venture came to grief due to lack of fuel. In 1839 Jessop Co. tried to smelt iron-ore at Barakar. The attempt met with failure. In 1855 Mackay Co. started the Birbhum Iron Works near Raniganj. In 1858 the works produced two tons of pig iron daily and had to be closed down due to shortage of char coal. In 1875 Burn Co. tried to operate the works and soon gave it up due to lack of char coal. In 1875 Bengal Iron Co. started smelting of iron ore near Asansol. The company closed down after 4 years. The Government acquired the plant, worked it for 4 years and sold it to Martin Co. in 1894. The Government came to the aid of the company. Works were expanded and in 1903 steel-producing equipment was installed. Production of steel did not yield profit, and the company lost Rs. 5½ lakhs in six months. So production of steel was stopped. In 1910 the company began to draw ore from a better field and produced pig iron, iron pipes, railway and other castings. During World War I the company made huge profits.

and was reorganized in 1919. A new company, the Indian Iron and Steel Co., was launched and provided most uptodate American equipment. The old company secured a majority of shares of the new company.

TATA STEEL

The history of growth of iron and steel industry in India is associated with the Tatas, particularly with the late J. N. Tata who had pioneered cotton textile and other industries. The idea of utilizing upon the largest possible scale the iron deposits of India simmered in the mind of Tata for very many years. While supervising the Empress Mills he chanced upon a copy of an official report on the financial prospects of working iron ore in Chanda district. The report was prepared by Schwartz, a German, employed by the Government in investigating iron and coal deposits of India. The report fired the mind of Tata and he visited the area surveyed by Schwartz and took the ore to England. He employed some experts to devise some standard method of smelting the ore. The experiment proved fruitless. On his return to India he met the Chief Commissioner of the Central Provinces to secure a concession to work the deposits of iron ore. The Chief Commissioner, a friend of Tata, could not grant the concession. For 'in those days the Government looked suspiciously upon mining projects and all that pertained thereto. The exclamation of Lord Lawrence: 'I know what private enterprise means. It means robbing the Government,' defined the spirit in which the authorities contemplated schemes for tapping the country's unutilized resources.

The 'obstacle which for a long time cooled the active interest of Tata in iron and steel projects was the absurdity of the Indian regulations for mining and prospecting, which seemed carefully devised to obstruct and prevent development.' In 1899 rules for mining and prospecting were revised and prospectors were permitted to work deposits. Tata did not give up the hope of developing mineral resources. In the summer of 1900 when he visited England he discussed the scheme with the officials of the India Office. Reception was cordial and the Secretary of State for India promised active support. On his return Tata was granted a prospecting license for certain areas in Chanda district. Progress of prospecting was slow. Tata visited Europe and the United States and procured services of certain American metallurgical experts. Tata had aged and he entrusted the scheme to his son, Dorabji Tata. The prospecting continued under the supervision of Sapurji Saklatvala, a nephew of J. N. Tata. In 1903 Dorabji Tata and Weld, an American expert, joined Saklatvala. Lord Curzon was impatient at the slow progress of prospecting. In the meantime there appeared another rival prospector. He was Sir Ernest Cassel, a leading British industrialist, who had exploited resources of Egypt. When he visited India in the winter of 1902 the Viceroy interested him in Indian iron industry. Sir Ernest Cassel deputed two experts to survey certain areas in the Central Provinces. When the survey was completed the experts did not advise prospecting. So that was the end of a great rival venture. Dorabji Tata was forced to surrender all prospecting licenses except one. The deposits of ore were not continuous. There were many pockets. Now Dorabji Tata turned to Drug district. Fifteen years earlier the area had been surveyed by P. N. Bose, an officer of Geological Survey of India, and the report had been forgotten. They traced the area where ore contained 65½ per cent of iron. The late Sir Thomas Holland, Director General of Geological Survey, visited the area where the ore was obtained. The visit satisfied Sir Thomas Holland, and he became a close ally of the Tatas. Here iron was in abundance and of purest quality. But coal was far away. So they decided to erect the plant at Padampur, on the bank of the Mahanadi. In 1904 J. N. Tata passed away. One morning the Tata firm received a letter from P. N. Bose, who on retirement from Government service, was employed by the Maharaja of Mayurbhanja to report upon the mineral resources of the state. Mr Bose traced very rich deposits of iron and invited them to inspect the ore fields. Dorabji Tata, Perin, Weld and Saklatvala visited Mayurbhanja and examined the ore fields. They were 'in the presence of a treasure house far more potentially valuable than most gold mines.' It was far nearer the sea and nearer the coal-fields. The firm concluded an agreement with the Maharaja of Mayurbhanja. The Maharaja allowed them to take ore for the first three years without any royalty, and then to charge a royalty at the rate of half an anna, the maximum being limited to 8 annas per ton. The lease covered an area of 20 square miles. In 1906 Dorabji Tata visited London to raise finance. 'A preliminary prospectus was prepared and submitted to various financial interests in London, but unforeseen difficulties were encountered. There were differences about the degree of control which was to be entrusted to the representatives of English investors. A disposition seemed to be manifested to sweep the Tata firm aside. Far more disconcerting was the lack of interest shown by the London money market.' (Harris, *op. cit.*, p. 201.)

Dorabji Tata returned to India. But 'by the summer of 1907, however, a new situation had been created in India. The Swadeshi movement, which meant the cultivation of the doctrine that resources and industries of India ought to be developed by the Indians themselves, had reached its height. All India was talking Swadeshi and was eager to invest in Swadeshi enterprises. Dorabji and Padshah, who had spent weary months in the city of London without avail, after their return, conceived in conjunction with Bilmoria, the bold idea of appealing to the people of India for the capital needed... They issued a circular, which was practically an appeal to Indians. It was followed by the publication of a prospectus, which bears the date August 27, 1907...From early morning till late at night the Tata offices in Bombay were besieged by an eager crowd of native investors, old and young, rich and poor, men and women,—they came offering their mite; and at the end of three weeks, the entire capital required for the construction requirement (£1,630,000) was secured, every penny contributed by some 8,000 Indians. And when later an issue of debentures was decided upon to provide working capital, the entire issue (£400,000) was subscribed for by one Indian magnate, the Maharaja Scindia of Gwalior.' (Harris, *op. cit.*, pp. 201-202.)

Dorabji Tata wrote : "For the first time in India's finance history I have succeeded in raising for industrial purposes such a vast sum from the hidden wealth of India for the development of our mineral resources. It was the first time that the raw materials of India did not go out and returned as finished articles to be sold in the country. Above all, it was purely a SWADESHI enterprise financed by Swadeshi money and managed by Swadeshi brain." (Cited in V. Elwin, *The Story of Indian Steel*, p. 36.)

Tata Sons and Co. was appointed agents for the steel company and the site for works was selected at Sakchi. An area of 5 square miles was leased out in perpetuity by the Government. The company obtained lease of another area of 18½ square miles from the Dhalbhum Syndicate. The actual construction of the plant began in 1909 and iron was produced in 1911.

The First World War created an increasing demand for steel. So 'during the war, the double impetus of increased demand caused by the military requirements of the Government and shutting off of the foreign supplies, caused by the lack of transport facilities, the company made great strides.' During 1916-17 the Tata Iron and Steel Co. produced 147,497 tons of finished steel. The daily average employment was 13,000. To meet the increasing demand the company decided to undertake expansion of the plant. In 1919 there was an addition to the blast furnace and blast furnaces numbered three capable of increasing total production of pig iron by 80 per cent. The number of open-hearth steel furnaces increased by three. In 1921-22 the company produced 270,270 tons of pig iron, 182,107 tons of steel ingots and 125,871 tons of finished steel. When the war ended normal trade was resumed and the period of boom passed. The company faced keen competition and price began to fall. 'Since most of the continental countries had considerable quantities of war scrap available, and since standards of living were much lower... there were drastic cuts in prices, with the result that a great deal of Indian trade went to Germany and to Belgium ! (*India in 1922-23*, p. 122.)

Protection : In the post-war period the official attitude towards the expansion of Indian industries underwent a change. The formation of the Tariff Board on the recommendations of the Fiscal Commission was a recognition of the claim to protection, and the Government of India was forced to extend protection to Indian iron and steel industry. The Tariff Board applied itself to the question of protection of the iron and steel industry in India. After investigations which lasted several months the Board published a report which showed that claims to protection put forward by the industry were fully justified. Development had been hindered by severe competition from abroad coinciding with large schemes of expansion. The Government of India took action on the report, and the decision was submitted to a special session of the Indian Legislative Assembly. (May-June, 1924.) A bill whose object was to foster growth and expansion of iron and steel industry was passed. Duties on certain articles manufactured from iron and steel were increased, bounties were granted on heavy steel rails, fish plates and railway wagons manufactured in India. The duties and bounties were subject to revision after 3 years. In 1924 it was found that owing to fall in the prices of continental steel, and the maintenance of the rate of exchange in the neighbourhood of 1*s*. 6*d*., the Indian iron and steel industry was in need of further assistance. The Government of India decided to increase the amount of bounties without additional increase in duties. The Government proposed to grant a bounty at the rate of Rs. 20 per ton on 70 per cent of the weight of steel ingots, suitable for rolling into articles already protected by duties in the previous May. Funds were available from the surplus customs revenue realized from the increased duty imposed in May on the imports of steel.

In January, 1925 the new proposals were submitted to the Indian Legislative Assembly and were accepted by that body. Later the Indian Legislative Assembly agreed to the grant of bounties subject to a maximum of Rs. 60

lakhs to the steel industry upto 1927. At the end of the period the Government of India introduced a bill to give effect to the recommendations of the Tariff Board which had published its report on the needs of Indian steel industry. The bill sought to do away with the principle of granting bounties to the industry. Protection was to be by means of increased duties on imports and not by bounties on production. The period of protection was to last 7 years. A statutory enquiry was provided for at the end of the period to ascertain the nature of protection that might be necessary. The bill provided for imposition of differential rates of duties on certain iron and steel articles with basic duty on articles of British manufacture, and additional duty on those of non-British origin. So 'the most contentious part of the bill was the preference given to British steel, and it was around this point that the fight over the bill in the Assembly raged most hotly. The first great clash between the Government forces and the solid Swarajist Party cum Nationalist opposition took place over the Steel Protection Bill.' The bill was passed into law, though the opposition fought hard against the imposition of differential duties. There was another reduction in the duties on the import of British steel when India was compelled to implement terms of the Ottawa Agreement (1932). In 1933 the Tariff Board argued against the renewal of the Ottawa Agreement with particular reference to the steel industry.

The Government of India reduced the duty on the import of steel and levied an excise duty of Rs. 4 per ton on steel ingots produced in India and a countervailing duty on imports. While the duty charged on non-British steel varied between Rs. 25 and Rs. 43 per ton, the duty on British steel was fixed at 10 per cent. The protection, though often not guided by the right principle, stood the industry in good stead. It enabled the industry 'to grow from the stage of infancy to the full maturity it attained in 1939.' And 'during the fifteen years of effective protection to the steel industry, from 1924 to 1939, the consumer in India paid as a result of protection Rs. 11 crores more than he would have paid.' In other words, Indian steel industry was subsidized to the extent of Rs. 11 crores in 15 years.

The industry continued to make steady progress and in 1937 the industry stood in a healthy condition. That year the Bengal Steel Corporation was formed to acquire from the Indian Iron and Steel Company the leasehold properties near Hirapur and to erect and operate a modern steel plant. The contract with Indian Iron and Steel Company provided for the supply of the Corporation's requirements of hot iron, water, gases, electric energy and other services. The Indian Iron and Steel Company held 39.17 per cent of the ordinary shares of the Corporation, and was paid a fifth of the net profits made by the Corporation. Both were managed by Martin Burn Ltd. The invested capital of the Bengal Steel Corporation stood at Rs. 424 lakhs excluding the debentures of £1,000,000.

Second World War : In fact, 'the year 1937 will probably rank as one of the best years for the iron and steel industry. Largely as result of re-armament demand being superimposed on normal constructional demand, it was the period of hectic activity in all the steel-producing countries. The demand for iron and steel was very keen and boom conditions prevailed in most iron and steel markets of the world... During 1937-38 production of iron and steel in India attained a new record. Prices began to rise. Competition was reduced as most of the foreign steel works were busy trying to meet the demands of their home markets and had no surplus to export to other countries. The Tata Iron and Steel Company took advantage of the new situation and extended its works to undertake manufacture of the steel products that were imported from abroad.' (*Review of the Trade of India in 1937-38*, pp. 46-48.) During 1938-39 the industry maintained progress. While imports were smaller, export of Indian pig iron was well maintained. With the outbreak of the Second World War in 1939 the Indian iron and steel industry entered a new phase of prosperity. 'An intense demand for iron and steel is a necessary feature of war economy... The race of re-armament was further speeded up, thereby creating a feverish demand for all kinds of iron and steel products.

The volume of Government orders was so heavy that requirements of private consumers had to be stinted or postponed... The Indian iron and steel industry continued to be in a very healthy state. Both the Tata Iron and Steel Company and the Indian Iron and Steel Company were fully booked with orders. The industry was placed in a very advantageous position owing to reduction in imports.' (*Review of the Trade of India in 1939-40*, p. 60.)

During 1941-42 the industry was kept feverishly active. During the period the output of finished steel went up 50 per cent. The capacity for steel production was limited by peace-time internal consumption. So no marked increase in production was possible. The industry undertook to manufacture special bars for shells, bullet-proof armour plates, gun turrets, high-steel machine tools and stainless steel for surgical instruments. 'The expanding volume of war orders, the difficulty of importing steel... and the necessity for the industry to switch over to new lines of production... brought about a severe scarcity of iron and steel products for ordinary civilian consumption.' Civilian consumption of iron and steel was limited by the Iron and Steel Control Order. 'With the progress of the war the industry had to divert a large part of its production to war purposes, during 1943-44 the whole of production was taken up by the Government.' During 1944-45 production fell due to shortage of coal. During this period the Tata Iron and Steel Company carried out certain extensions. The company took over the E. I. Railway's workshop for the manufacture of locomotives. A new company, the Tata Locomotive and Engineering Co., was formed to undertake manufacture of locomotives and locomotive boilers. During the Second World War the Tata Iron and Steel Company supplied 3 million tons of steel to the Government. The price per ton was Rs. 200 less than the U.S.A. price, and thus the Government saved Rs. 60 crores. In the post-war period there was a diminution in production due to 'shortage of coal and deterioration in its quality, shortage of essential raw materials, spares and stores, transport difficulties, deterioration in plant resulting from inadequate repairs and maintenance.'

Control : With the outbreak of the Second World War, statutory control on the prices of steel was imposed and the office of the Steel Controller was created. The Controller could fix prices of all categories of steel. He could acquire the stocks and regulate consumption. The statutory control came to an end early in 1967.

Equalization Fund : Imported steel was costly and by 1944 there was a wide gulf between the cost of foreign and Indian steel. The Government found out a device to reduce the high price of imported steel. Producers of Indian Steel were to sell their products at a certain fixed price in the market, but they were allowed to retain only a portion of the actual selling price. It came to be known as the *retention price.* The difference between the actual and retention price was placed in a special fund, known as the *Equalization Fund.*

This fund was used to close the gap between the price at which steel could be imported and the price at which it was sold, thus making it possible to buy foreign steel at the same price as the local product.

By the end of 1962, the surpluses with the Equalization Fund amounted to Rs. 50 crores, besides a sum of Rs. 20 crores lying with the two companies. The surplus increased from year to year and totalled Rs. 75 crores in 1964 when the Equalization Fund was abolished on the introduction of partial de-control.

The entire sum went into the Central Exchequer.

Price Inquiry : Early in 1947 while the Tariff Board was considering the question of continuing protection to the steel industry the Steel Corporation of Bengal demanded a thorough enquiry into the organization, efficiency and equipment of two steel plants to determine fair prices.

In March 1947, the Tata asked for an increase of Rs. 30/- per tonne in the retention price and SCOB claimed a higher increase. The *Commodities Prices Board* examined the claim and did not recommend any increase in prices. The Government of India referred the claim to the Tariff Board. In February 1949, the Tariff Board recommended separate retention prices for the two producers. In May 1949, the Government fixed the retention prices uniformly for both the companies, and retention price went up by Rs. 18 a tonne.

Conversion of the Tata Deferred Share : In 1940 the total paid-up capital of the company stood at Rs. 105 million and Rs. 76.8 million was made up of preference shares. As early as 1940 the company tried to convert the preference shares. The need for conversion was emphasized by J. R. D. Tata at the annual general meeting of Shareholders in 1940:

"In the first place, the Deferred shares by their very nature, lend themselves to speculative activity of an uncontrolled character, with the result that these shares have brought impoverishment and trouble to many and have become a source of no small embarrassment to the Company. The rights which have been conferred on the Deferred shares under the Memorandum and Articles of Association of this Company have been found in actual experience to exaggerate expectation and disappointments which have tended to cause violent fluctuations in the Stock Exchange prices of these shares. More than once in the past, the Deferred shares have been the cause of panics on the market and the Stock Exchange authorities have several times considered the desirability of removing this share from the forward list."

Efforts at conversion met with little success and this delayed the post-war programme of expansion. The Directors' Report (1950-51) referred to the financial difficulties created by the existence of Deferred shares and stated :

"Owing to the great demand for steel in India, Government have been urging the Company to carry through its expansion scheme which would enable the Company to increase its production of finished steel. In reply to the Company's request for financial assistance from Government for this purpose, Government have expressed the view that, before any such assistance could be considered, the Company should take steps to finalize the scheme for the conversion of the Deferred shares."

In May 1953, the Deferred shares were converted in the ratio of 1:6.

Expansion : The Second Five-year Plan undertook to expand the steel industry and set a target of six million ingot tonne (state and private sectors). The targets could be fulfilled by increasing the production of Indian Iron to one million tonnes and of Tata Steel to two million tonnes. When the two companies decided to carry out the programme of expansion, the Government did away with the differential rates of retention prices. In April 1955, the retention price of Tata Steel was increased by Rs. 54/- per tonne and the company was directed to spend the additional profits on the expansion of productive capacity.

The Tata Iron & Steel Company increased the share capital by Rs. 22 crores and borrowed a sum of $105 million from the World Bank. The loan was guaranteed by the Government of India. To these was added a special advance of Rs. 10 crores from the Equalization Fund.

Another important development was the merger of the Steel Corporation of Bengal and the Indian Iron & Steel Company into one unit known by the name of the latter company. The merger took place in January, 1953. After the merger, the Government of India issued a loan of Rs. 10 crores interest-free for the first four years and bearing no maturity date. The repayment of the loan would be by means of an increase in prices. Another loan of Rs. 15 crores was issued by the World Bank. The Bank reserved the right to supervise the purchase of plant and machinery.

In September 1962, the Government raised the retention price to Rs. 522 per tonne.

Decontrol : Working of the system of control was far from satisfactory and the Government of India appointed a 'Committee known as the Raj Committee, under the chairmanship of Dr K. N. Raj to examine the entire system of controls over steel. In their report of October 1963, the Raj Committee pointed out a number of defects in the system of controls as well as in the pricing system. The principal recommendations of the Committee were that a Joint Plant Committee for steel plants with the Iron and Steel Controller as Chairman should be set up with the responsibility of planning, production and setting rolling programmes in the light of broad priorities indicated by the Government and that the Joint Plant Committee should also be responsible for fixing producers' prices for steel.

'On 29th February 1964, the Government of India after considering the Raj Committee's Report, introduced partial decontrol by retaining under control only flat products and billets. (Tin bars which were initially kept under control were subsequently decontrolled). A Joint Plant Committee was set up to take over the functions previously performed by the Iron and Steel Controller in regard to planning and distribution of indents. The Iron and Steel Controller was the Chairman of the Committee which included a representative from each of the main steel plants and a representative of the Railway Ministry. The Committee was to fix the prices for the decontrolled categories and also handle indents for both controlled and decontrolled categories. A Steel Priority Committee was set up in the Delhi Secretariat, under the chairmanship of the Secretary of the Steel Ministry, to indicate to the Joint Plant Committee priority allocations.

'At the time of announcing the partial decontrol, the Steel Minister had indicated that the Government were increasing the prices of the producers by Rs. 30 per tonne. Accordingly, the J.P.C. also increased its prices in such a way as to give the producers an increase of Rs. 30 per tonne for their decontrolled categories.' (*Tata Steel Diamond Jubilee 1907-1967*, p. 196.)

Total Decontrol : Early in 1967, the Government began to decontrol more steel categories. On 1st May 1967 all the controls over steel were lifted and the Joint Plant Committee was permitted by Government to increase the prices by about Rs. 53 per tonne (compared with the industry's claims totalling over Rs. 100 per tonne for cost increases since 1964). It was a condition of this price increase that the producers should supply steel to engineering firms for export fabrication at the prices prevailing in the international market.

Two companies completed the programme of expansion in time, and produced steel ingots in the neighbourhood of 2.80 million tonnes at the end of 1962.

In 1964-65 the paid-up capital of two iron and steel companies was Rs. 54,10 lakhs and the value of net assets amounted to Rs. 1,52,17 lakhs. Inventories totalled Rs. 54,20 lakhs. (Inventories included raw materials, finished goods and work in progress.)

WAGES

Though an industry of recent growth, there is no account of earnings of workers employed by the Indian iron and steel industry during the second decade of the present century. While the Royal Commission on Labour made a detailed examination of average earnings of workers employed in other industries, it has a vague reference to the earnings of workers employed by the metallurgical industry. The report stated that the average earnings of metallurgical workers in Behar were lowest in India. (*Report of the Royal Commission on Labour in India*, p. 199.) Meagre as statistics are, an attempt can be made to analyse the movement of earnings of metallurgical workers for a limited period. That too has to be limited to one unit, the Tata Iron and Steel Works. The table on page 121 prepared by Dr R. Mukerjee points out variations in the monthly earnings of metallurgical workers at Jamshedpur during 1927-38.

An enquiry into the family budget of workers by the Bihar Labour Enquiry Committee throws light on the economic conditions of workers employed by the Tata Iron and Steel Company. The enquiry calculated monthly earnings of a worker at Rs. 34. An addition of non-industrial earnings brought the total to Rs. 35-1-6. The committee fixed the living wages of an adult worker at Jamshedpur at Rs. 20 a month. Food consumption of workers of the income group below Rs. 20 was found deficient. Of 28,674 workers employed by the company 7,365 earned less than Rs. 15 a month. The number of workers whose monthly earnings varied between Rs. 20 and 30 stood in the neighbourhood of 5,000. So 12,000 workers or 40 per cent

TABLE 40

Year	Average earnings (excluding profit sharing bonus)	Average earnings (including all earnings)
1927	... Rs. 27.85	Rs. 27.85
1929	... „ 35.35	„ 35.35
1932	... „ 29.79	„ 29.79
1933	... „ 35.58	„ 36.54
1937	... „ 38.35	„ 42.17
1938	... „ 38.78	„ 42.63

(Mukherjee, *op. Cit.*, p. 174.)

could not earn living wages. The cost of living in Jamshedpur was highest in India. During 1914-30 the weighted index of cost of living showed violent fluctuations. The index advanced from 114 in 1914 to 206 in 1919. 'The years 1917 and 1920, which were years of increased cost of living and were followed by big strikes, saw an increase of wages by 10 per cent and 40 per cent respectively. It is evident that these increases were not at all proportionate to the cost of living. Again, 1926 to 1928 were years of high cost of living. In 1927-28 wages actually fell by 2 per cent; but the third strike came in 1928 when wages were once more reviewed and the same grade and flat rates prevailed upto now. Prior to World War II there had been a large reduction in the cost of living. But the movement of the cost of living and the fall of price-level should not be permitted to obscure the central fact that Jamshedpur is the dearest place in the whole of Bihar, and that in relation to the cost of living the unskilled workers and a considerable portion of semi-skilled labourers approximately 12,000 earn less than even Rs. 20 which may be considered as the bare subsistence wage in the industrial centre... Between 1928 and 1939 rationalization was introduced in many shops. In some the number of workers was reduced, vacancies were not filled up and for the remaining workers work was partially intensified. On the whole, labour slightly diminished since 1928, while production was increased phenomenally. Since 1923...no addition was made to the capital of the company, but its output was expanded from 250,000 tons of finished steel to 420,000 tons in 1927 and to 660,000 tons in 1938...Taking into account three major factors, (*a*) the high cost of living at Jamshedpur, (*b*) the present scale of wages of metallurgical workers compared with the textile workers in India, (*c*) the disparity of the increase of production and of cost per ton per man in most mills, the average earnings of the Tata workers must be considered low. The wages of more than half the number of the Tata workers are such that the bare minimum requirements of living cannot be met.' (Mukerjee, *op. cit.*, pp. 176-78.) To what extent did bonus and other concessions supplement earnings of workers at

TABLE 41

Category of work	*Average monthly earnings March 1939*			*Average daily earning*		
	Rs.	A.	P.	Rs.	A.	P.
Khalasis	41	4	0	1	7	6
Crane Drivers	81	6	0	2	14	5
Masons	58	14	0	2	1	7
Machinemen and Turners	68	9	0	2	7	2
Moulders	58	10	0	2	1	6
Fitters (Machineshop)	77	12	0	2	12	5
Helpers	48	7	0	1	11	8
Fitters (Millwright)	64	5	0	2	4	8
Coupling Porters	40	12	0	1	7	3
Openers	64	7	0	2	4	9
Catchers	91	8	0	3	4	3
Roughers	103	5	0	3	11	0
Furnacemen	98	15	0	3	8	6
Doublers	91	8	0	3	4	3
Men Labourers	17	4	0	0	9	10
Women Labourers	13	11	0	0	7	0

(Mukerjee, *op. cit.*, p. 186.)

Jamshedpur? 'Investigator appointed by the Bihar Labour Enquiry Committee who dealt with 637 families of Tata workers, found that supplementary earnings such as bonus, overtime and acting allowance and provident fund contributions accrued to 509 amongst them, but such earnings represent an insignificant proportion of the income. (In enquiry the profit-sharing bonus was not considered, being recently introduced.)... In the income groups of the employees whose wage proper is below Rs. 20 and who constitute 40 per cent of the total number of the employees, the bonus and provident fund contributions together constitute only 6.8 per cent of the total earnings. As the wages increase, such supplementary earnings are found to increase proportionately, excluding, however, the majority of the workers from adequate benefits.'

The table on page 122 sums up earnings of different categories of workers at Jamshedpur in 1939 when prices began to rise.

In 1944, when the Jamshedpur index of cost of living rose to 316 from 105 in 1939 the average earnings of the above categories of workers registered a rise. The rise did not bear any relation to the rise in the cost of living. The table on page 124 points out the rise in earnings of different categories of workers during 1939-44.

In 1941 the dearness allowance was fixed at Rs. 2-8-0 for the workers with monthly earnings limited to Rs. 50. Later the scale of dearness allowance was revised and increased to Rs. 4. In 1944 the workers were paid profit-sharing bonus equal to wages for 2½ months. In 1944-45 the profit-sharing bonus was almost doubled (4½ months). In 1947 when the Jamshedpur index of cost of living rose to 398 from 105 in 1939 scales of basic wages were revised according to the terms of the agreement between the company and the union. Daily basic wages of fitters and moulders were fixed between Rs. 1-8-0 and Rs. 2-8-0, of firemen between Rs. 1-4-0 and Rs. 2, of khalasis between Re. 1 and Rs. 1-8-0 and of rollers between Rs. 2 and Rs. 10. The minimum dearness allowance was fixed at Rs. 20 per month for workers with monthly earnings of Rs. 50. A good attendance bonus was fixed at 10 to 20

TABLE 42

Categories of employees	Rate		Approximate average departmental production bonus earning for a man drawing the lowest rate
	From Rs. A. P.	To Rs. A. P.	
Khalasis	0 9 0	2 0 0 p.d.	These men get new departmental bonus (10 per cent of wages) when they work in operational department.
Masons	1 4 0	2 4 0 ,,	,,
Crane Drivers ...	1 0 0	2 11 4	Varies from department to department.
Machinemen ...	1 2 0	2 12 0 ,,	...
Turners	1 2 0	3 0 0 ,,	...
Moulders	1 4 0	2 12 0 ,,	Rs. 5 p.m.
Fitters (Machine shops)	1 8 0	3 0 0 ,,	...
Helpers	0 14 0	1 4 0 ,,	...
Fitters (Machine wright shop) ...	1 8 0	3 0 0 ,,	...
Coupling Porters	20 0 0	25 0 0 p.m.	Rs. 5-8 p.m.
Openers	1 12 0	... p.d.	Rs. 5 to 10 p.m.
Catchers	1 4 0	2 4 0 ,,	Rs. 10 p.m.
Roughers	1 6 0	4 4 0 ,,	,,
Furnacemen ...	1 4 0	2 8 0 ,,	,,
Doublers	2 8 0	... ,,	Rs. 11 to 26 p.m.
Coolies (weekly paid)	0 8 9	... ,,	...
Rejas (weekly paid)...	On appointment As. 7 p.d. After 1 year's services As. 7-6 p.d.		

(Mukerjee, *op. cit.*, p. 188.)

per cent of the basic wages, and performance bonus at 40 to 50 per cent of the basic wages. Only skilled workers are entitled to the performance bonus. The amount of annual profit-sharing bonus was fixed at 22½ per cent of the net profits of the company in proportion to the basic wages and salaries earned or deemed to be earned by such employees respectively during the year in which such net profits are earned by the company. (*The Indian Labour Year Book, 1947-48*, pp. 136-37.) So 'it is evident that in the Tata plant the average earning . . . enables the workers to live above want, but hardly permits the ordinary amenities of life in the present level of commodity prices in Jamshedpur while in other concerns it is perilously near the subsistence wages.' (Mukerjee, *op. cit.*, p. 190.)

Post-war wages: In January 1962, the Government of India set up the wage board for iron and steel industry. The board appointed a Fact Finding Committee and on the receipt of the report of the committee the board recommended an interim increase. The board fixed the minimum wages of unskilled workers at Rs. 95 in all units except the TISCO. For the TISCO the board recommended a general increase of wages by Rs. 10/-.

In August 1964, the board recommended another increase and wages went up by Rs. 6/- in all units.

In April 1965, the board submitted the final report. The board laid down different scales of wages for all the steel plants except the Mysore Iron and Steel Co. The table shows the scales of minimum wages.

TABLE 43

	Mysore Iron & Steel Co. (Rs. per month)		Other plants	
	Men	Women	Men	Women
(a) Works Department	115	105	125	115
(b) Services and outside work	110	104	120	115

The minimum wages comprised of basic wages and dearness allowance. The basic wages can be determined by deducting dearness allowance from the minimum wages.

The board recommended the following scales of monthly wages:

TABLE 44

	Basic Pay			Total Grade :	
	Men	Women	A.D.	Men	Women
(A) Works Departments :					
1. TISCO & IISCO	61-2-71	51-2-71	64	125-135	115-135
2. H.S.L.	80-2-90	70-1-71-2-85	45	125-135	115-130
3. Mysore I. S. L.	65-2-75	55-2-75	50	115-125	105-125
(B) Services & Outside Works :					
1. TISCO & IISCO	56-2-66	51-66	64	120-130	115-130
2. H.S.L.	75-2-85	70-85	45	120-130	115-130
3. Mysore I. S. L.	60-2-70	54-70	50	110-120	104-120

The board recommended an upward revision of dearness allowance at the rate of Rs. 1.50 for the rise of two points in the All-India Consumer Price Index. The all-India index stood at 152 (1949 = 100) when the board concluded deliberations. Downward revision of dearness allowance was permissible if the all-India index fell below 140.

The recommendations are effective for five years from April, 1965.

PROFITS

With the outbreak of the First World War began a period of prosperity and at the end of 1916 the Chairman of the Tata Iron & Steel Co. could speak of 'bumper earnings, production 30 per cent above the original design; costs lower than before and capable of further reduction; ready and willing markets, capable of yet more expansion of diversification of products; order book full to bursting.'

The company paid the preference dividend from the first year of its existence. The maiden dividend on ordinary shares was paid at the rate of 6 per cent in 1913-14; it rose to 8 per cent in the next year and was stepped further in the next three years. The low prices fixed by the Government who took three-fourths of output reduced the profits in 1918-19 and dividend fell. The dividend again picked up in the next two years. (*Tata Steel Diamond Jubilee, 1907-67*, p. 163.)

During the years of the First World War annual profits earned by the Tata Iron and Steel Company averaged Rs. 25 lakhs. When the depression set in, profits dropped down to a low level. From 1930 to 1932 profits were low but from 1933 profits began to rise. In 1934 the relative index of profits (1928=100) advanced to 169. The upward trend continued and in 1938 the index rose to 211. 'Profits declared during 1938 are probably a record figure and show the great prosperity attained by the industry.' During 1928-38 profits earned by two major iron and steel companies totalled Rs. 21 crores 46 lakhs. (*Review of the Trade of India in 1938-39*, p. 43.) In 1939 there was a drop in profits. 'Profits declared in 1940 were higher than those declared in any recent years other than 1938. The 1941 profits were even higher and were also highest on record.' During 1939-41 four leading iron and steel companies earned profits of Rs. 13 crores 47 lakhs. During the period the relative index of profits advanced to 387. (*Review of the Trade of India in 1941-42*, p. 66.) In 1942 profits were higher, though there was a reduction in production due to political unrest in the country. In 1942 the aggregate profits of three iron and steel companies amounted to Rs. 5 crores 92 lakhs. The relative index rose to 403. In 1943 profits were lower due to the fall in production, and three leading iron and steel companies earned profits of Rs. 4 crores 70 lakhs. During 1944-46 five iron and steel companies earned profits of Rs. 17 crores 9 lakhs. (*Review of the Trade of India in 1945-47*, p. 22.) During 1938-45 a sum of Rs. 395 lakhs was paid in commission to the managing agents of the Tata Iron and Steel Company.

Post-war profits: In 1947-48, the Tata Iron & Steel Company made net profits of Rs. 154 lakhs and distributed Rs. 137 lakhs.

In 1948-49 the company made net profits of Rs. 1,50 lakhs and distributed Rs. 1,37 lakhs.

With the increase of price of finished steel in 1949 profits rose to Rs. 1,93 lakhs. The company distributed a sum of Rs. 1,89 lakhs.

In 1950-51 the net profits rose to Rs. 2,68 lakhs and the company gave Rs. 2,65 lakhs in dividend.

In 1951-52 net profits were higher at Rs. 2,70 lakhs and the company distributed Rs. 2,62 lakhs.

In 1952 two iron and steel companies gave Rs. 2,58 lakhs in dividend and retained Rs. 3,36 lakhs. In 1953 two companies distributed Rs. 2,57 lakhs and retained Rs. 3,28 lakhs. During 1950-53 the ratio of profits retained to profits distributed was 52.9 per cent. The ratio of net profits to the net worth was 10.3 per cent in 1950, 15.2 per cent in 1951, 14.4 per cent in 1953. For the entire period the average ratio of net profits to the net worth was 13.9 per cent.

During 1950-53 managing agents of two companies earned Rs. 2,22 lakhs in commission.

In 1955 two companies distributed Rs. 2,57 lakhs and paid Rs. 64 lakhs in commission to the managing agents.

In 1956 two companies distributed Rs. 2,66 lakhs and managing agents earned Rs. 2,66 lakhs is commission.

In 1957 these companies distributed Rs. 3,41 lakhs and managing agents were paid Rs. 61 lakhs.

Profits continued to rise and in 1958 two companies distributed Rs. 3,44 lakhs and managing agents' remuneration amounted to Rs. 27 lakhs.

In 1959 profits were almost doubled and two companies gave Rs. 5,79 lakhs in dividend and managing agents earned Rs. 37 lakhs.

For the entire period the ratio of retained profits to profits distributed was 67.9 per cent.

In 1960-61, two iron and steel companies gave Rs. 6,83 lakhs in dividend and retained Rs. 5,20 lakhs. Managing agents earned Rs. 34 lakhs.

In 1961-62 two companies distributed Rs. 6,82 lakhs and retained Rs. 5,33 lakhs. Managing agents' remuneration rose to Rs. 58 lakhs.

In 1962-63 gross profits recorded a rise and two companies distributed Rs. 7,05 lakhs and retained Rs. 9,58 lakhs. Managing agents' remuneration rose by Rs. 14 lakhs to Rs. 72 lakhs.

In 1963-64 gross profits recorded further rise. The companies distributed a sum of Rs. 7,54 lakhs and retained Rs. 12,43 lakhs. The managing agents earned Rs. 73 lakhs.

In 1964-65 these companies distributed Rs. 7.54 lakhs and retained Rs. 7,91 lakhs. Managing agents' remuneration amounted to Rs. 70 lakhs.

TABLE 45

RATIO OF DIVIDEND AND RETAINED PROFITS

Year	Number of companies	Ratio of dividend to to profits after tax	Ratio of retained profits to profits after tax
1960-61	2	56.8 per cent	43.2 per cent
1961-62	2	56.1 ,,	43.9 ,,
1962-63	2	42.4 ,,	57.6 ,,
1963-64	2	37.8 ,,	62.2 ,,
1964-65	2	48.8 ,,	51.2 ,,

(Reserve Bank, *Bulletin*, November, 1966.)

The table indicates the percentage of total dividends to the total paid-up capital.

TABLE 46

Year	*No. of companies*	*Percentage*
1960-61	2	12.6
1961-62	2	12.6
1962-63	2	13.0
1963-64	2	13.9
1964-65	2	13.9

(*Ibid.*)

Part Two

STATE SECTOR

Chapter 7

EVOLUTION OF CONCEPT OF STATE SECTOR

An examination of principles of economic reconstruction formulated by the Indian National Congress when the British ruled is essential for the proper understanding of the growth of the State Sector in India. The Lahore Session (1929) adopted a resolution on the imperative need of changing the socio-economic structure: "In order to remove the poverty and misery of the Indian people and ameliorate the conditions of the masses, it is essential to make revolutionary changes in the present socio-economic structure of the society and to remove gross inequalities." (D. Chakraborty, C. Bhattacharyya, *Congress in Evolution*, p 28.)

Karachi Resolution: In March 1931 the Indian National Congress drew up the charter of fundamental rights. The charter laid down the basic policy of economic reconstruction : "The State shall own or control key industries and services, mineral resources, railways, shipping and other means of public transport." (*Ibid.*, p. 29.)

The resolution 'represented a new outlook in the Congress. So far the Congress avoided facing the economic issues. In the Karachi resolution it took a step, a very short step, in a socialist direction by advocating nationalization of key industries and services... This was not socialism at all, and a capitalist state could easily accept almost everything contained in that resolution.' (Nehru, *An Autobiography,* p. 266.) Though Pandit Nehru was frank enough to deny the socialist character of the resolution, the organ of the British vested interests was frightened : "Mr Gandhi has produced a programme. But though the hand is the hand of Esau, the voice is the voice of Jacob. This is not Mr Gandhi's programme, it is stamped in every line with the crude and reckless thinking of Pandit Jawaharlal Nehru. The ideas are not his... They are a hotchpotch gathered from the various socialist trends of today." (*The Statesman,* April 12, 1931.)

The Lucknow Session (1936) recognized the need of asking the State 'to provide work for the rural unemployed masses' and directed the Working Committee to consult Provincial Congress Committees and 'such organizations as the Congress Working Committee thought fit,' in drawing up a programme of agrarian reform. When the Congress met at Faizpore (1937) socialism held empire over the younger section of the leaders who have founded the Congress Socialist Party. The socialists claimed ideological affinity with Pandit Jawarharlal Nehru and were wedded to the principle of state control of economy. Growth of radical ideas 'reflected growing industrial and agrarian unrests' and was 'stimulated by the apparent success of socialist economic planning in the Soviet Union.' (A. H. Hanson, *The Process of Planning,* p. 28.)

National Planning Committee : The Indian National Congress fought elections under 1935 Act and formed Provincial Governments in eight provinces. With the acceptance of office the question of economic planning compelled the attention of leadership and the Congress Working Committee directed the Provincial Governments 'to appoint a Committee of experts to consider urgent and vital problems the solution of which is necessary to any scheme of national reconstruction and social planning'. Towards the end of 1938, Subhas Chandra Bose, Congress President, met the Provincial Ministers in a conference and soon the National Planning Committee was brought into being. Pandit Nehru was the Chairman of the National Planning Committee and Prof. K. T. Shah, the Secretary. The main body was split up into twenty-nine Committees and each was to investigate and report on the possibilities of development of a specific sector of economy. With the National Planning Committee was associated the late Sir Visvesvarayya who had produced an economic plan in 1934. His *Planned Economy for India* threw light on the causes of slow growth of industries and revealed the nature of British exploitation.

Members of the National Planning Committee represented different schools of thought. There were Gandhites who opposed creation of big industries. There were businessmen who represented the Indian capital and maintained an attitude of cold indifference to planning. Pandit Nehru 'who provided most of the leadership and inspiration, was at this period Marxian socialist. Nehru's role in NPC, indeed, was similar to his role in the wider Congress organization. He wanted as much socialism as possible but was always ready to compromise in the interest of unity.' (Hanson, *op. cit.*, p. 32.)

The National Planning Committee suggested nationalization of defence industries and transfer of public utilities to some organ of the state. A section of the Committee opposed nationalization of key industries and of banking and insurance. Main recommendations were: All business to be licensed by public authority; banking to be licensed and regulated; insurance to be supervised by a national board; all agricultural lands, mines, quarries, rivers, forests, to vest absolutely in the people of India, intermediaries to be abolished.

Second World War : The Second World War brought the activities of the Planning Committee to a standstill. The British Government refused to define war aims. The Indian National Congress 'reiterated that only free India could take part in a war. Without freedom the war would be like any old war, a contest between rival imperialism and an attempt to defend and perpetuate the British empire.' The Ministries resigned and the Indian National Congress decided to register a moral protest. Mahatma Gandhi launched the individual civil disobedience and leaders were clapped in prison. Toward the end of 1941 they were set free. Early in 1942 Sir Stafford Cripps arrived at Delhi with a scheme of future political settlement and tried to win the cooperation of major political parties in resolving the deadlock. Sir Stafford failed and returned to England. Failure of the mission led to the August Revolt. The Indian National Congress was banned and leaders were lodged in prison. So the National Planning Committee languished all the war years.

When the European war turned into the global war supplies could not be shipped to India from England, for the German submarines were active in the Mediterranean. So the British authorities were compelled to exploit indigenous resources and helped expansion of certain industries to meet the needs of the war. Cotton-textile expanded by a fifth, steel by two-fifths, cement and paper doubled. Towards the end of 1942 Lord Linlithgow, the Viceroy of India, boasted of having achieved immense things in the field of supply.

Was there really vast increase in industrial activity during the war? In fact, the 'total industrial activity of India . . . was, apart from munitions, only slightly in excess of the pre-war period . . . War orders do not represent any increase in the total industrial activity but indicate its large-scale diversion from normal production to production for specialized war purposes.' (Nehru, *Discovery of India*, p. 353.)

As late as May 1945, Mr J. R. D. Tata, while on a visit to London, said : "There might have been isolated cases of expansion, but on the whole, when armament factories and other specialized industries connected with the war have been excluded, there has been none. (Cited in Kidron, *op. cit.*, p. 16.)

In 1940 the Government of India set up the Board of Industrial and Scientific Research and some eminent

Indian scientists were associated with it. In the following year the Government created the Department of Planning and Development and Sir Ardeshir Dalal was put in charge of it.

Planning Department : On April 25, 1945 the Department of Planning and Development issued a statement on the future industrial policy of the Government. The statement was surprisingly bold, for 'whole attitude of bureaucracy towards the role of the state in the economic development had been transformed by the war.' The statement said : "The general trend of modern thought is in favour of greater control by the state over industries, so that profit motive is duly harnessed to social needs... Progress of planning has made it abundantly clear that certain industries must be taken over under the Central control in the interests of co-ordinated development. If the participation of Government in industrial development is accepted as one of the legitimate functions, a new policy is required... Government should play an active part in the industrial development of the country." (*The Statesman*, April 26, 1945.)

The statement named twenty industries to be brought under the control of the Central Government, while other basic industries of national importance were to be nationalized if adequate private capital for the development of these industries was not forthcoming. Industries likely to fall within the state sector were aircraft, automobile, tractors, chemical, iron and steel, machine tools, electrical machinery and non-ferrous metals. The Government undertook to exercise control over investments and eliminate excessive profits.

Opposition to British plan: The statement did not define the role of foreign capital in the post-war economic reconstruction. Extension of the state sector meant extension of foreign control over new industries and Indian capital was determined to change the structure of colonial economy by eliminating foreign control over the economy of India. Mr M. A. Master, President of the Indian Merchants' Chamber, was quick to express the determination: "India would prefer to go without industrial development rather than allow the creation of new East India Companies in this country, which would not only militate against her economic independence but would also effectively prevent her from acquiring her political freedom." (*Eastern Economist,* May 18, 1945.) Earlier Sir Rahimtoola M. Chinoy, while addressing the annual meeting of the Federation of Indian Chambers of Commerce suggested acquisition of British investments in India : "The British investments in India should be repatriated with the help of our accumulated sterling balances." (*Hindustan Times,* March 18, 1948.)

The hostility had been sharpened in the forties when the British authorities thwarted efforts to build new industries under Indian ownership. The British authorities discouraged ship-building and killed a plan to build up an automobile industry. For, 'some years before World War II preparations were started for this and everything was worked out in co-operation with a famous firm of American automobile manufacturers. A number of assembly plants had already been functioning in India. It was now proposed to manufacture all parts in India with Indian capital and management and Indian personnel.

'By arrangement with the American firm their patents could be used and their skilled and technical supervision was available for the initial period. The Provincial Government of Bombay, which then functioning under a Congress Ministry, promised assistance in various ways. Everything in fact have been fixed and all that remained was to import the machinery. The Secretary of State for India, however, did not approve and gave his fiat against the importation of the machinery. According to him any attempt to set up this industry would divert both labour and machinery which were urgently needed for the war ... It was pointed that plenty of labour, even skilled labour, was available and in fact was idle. War necessity was also a curious argument, for the necessity itself demanded motor transport. But the Secretary of State for India, the final authority, was not moved by these arguments. It was reported that a rival and powerful automobile corporation in America did not approve of the starting of automobile industry in India under someone else's auspices.' ... An attempt was made at the end of 1939 or the beginning of 1940 to start an aircraft manufacturing industry in India. Again everything was fixed up with an American firm and urgent cables were sent to the Government of India and army head quarters in India for their consent. There was no response. After repeated reminders a reply was forthcoming disapproving the scheme. In pre-war days a large number of medicines and drugs used to come to India from Germany. War stopped this. It was immediately suggested that some of the more essential drugs might be made in India. The Government of India did not approve and pointed out that everything necessary could now be obtained from the Imperial Chemical Industries. When it was suggested that the same thing could be made at much less cost, and utilized for army as well as for general public use without any private interest, high authority was indignant at the intrusion of such base consideration in matters of state policy. Government, it was said, was not a commercial institution' (Nehru, *op. cit.*, pp. 350-52.)

Grady Mission : By the middle of 1942 an official American Mission—Grady Mission—came to India to examine the possibilities of expanding the existing industries to meet the growing needs of the war. The mission visited important industrial centres and submitted a report to the Government of India. The Government of India suppressed the report and on the suppression *The Commerce* wrote: "The fact remains that powerful interests are operating abroad for the purpose of throttling further industrialization of this country, so that in the post-war world there would not be any dangerous competition to the West from the East." (November 28, 1942.)

Collaboration : The war had brought prosperity to the Indian industrialists. In fact, 'all war industries including jute and textile mills made vast profits, in spite of the supertax a great deal of capital accumulated. The Government of India had put a ban on capital issues for fresh industrial undertakings.' (Nehru, *op. cit.*, p. 355.)

The British authorities succeeded in softening down the hostility to foreign capital and the Indian big business agreed to collaborate with non-Indians in building new industries. In the summer of 1945 an official industrial mission went abroad. The mission led by Mr J. R. D. Tata and Mr G. D. Birla visited U.K. and U.S.A.

The mission opened a new chapter of Indo-British co-operation for the mission 'found a definite change in the attitude of British industries towards Indian industrial development and large British industrialists were not merely reconciling themselves to the inevitability of industrialization of India but in many cases seemed to be in accord with India's political aspirations.' (*Eastern Economist*, June 29, 1945.)

The mission smoothed the process of collaboration and a number of agreements were concluded.

Advisory Planning Board : By the middle of 1945 the Congress leaders were set free and events moved swiftly. The British Cabinet decided to transfer power. The Cabinet Mission arrived at Delhi and soon Pandit Nehru headed an Interim Government at the Centre. With the formation of the Interim Government activities of the National Planning Committee came to a stop, though the Committee met once after the release of Pandit Nehru. Pandit Nehru set up the Advisory Planning Board to examine the problems of economic reconstruction. The board was composed of industrialists and high officials and examined reports of various industrial panels set up during the regime of Lord Wavell, and its recommendations were based on the principles enunciated by the panels. The Advisory Board was sharply divided on the question of state-ownership and management of industries. This is revealed by the minute of dissent by Prof. K. T. Shah. The principle of state control of certain industries had been laid down by the Government in April, 1945. The industries of national importance to be owned and operated by the state if adequate capital were not forthcoming were iron and steel, chemicals and dyes, automobiles and tractors, electro-chemical and non-ferrous metal industries, railways, ordnance factories, the Hindusthan Air Craft and public-utilities. The Advisory Board did not make any addition to the above list for 'if at the present juncture the state attempted to take into its own hands the ownership and management of a large range of industries, the industrial development of the country might not be very rapid.' The Board was anxious to compromise the question of nationalization of industries and made a conditional recommendation : "It seems to us that it should be our policy to bring under state-ownership and management at least some of the basic industries of the country . . . We recommend, therefore, that apart from Defence Industries and any industry or branch of industry which might be found desirable to start as a state enterprise through the reluctance of private capital to undertake it, the nationalization of the following should be considered: coal, mineral oils, iron and steel, motor, air and river transport." (*Report*, p. 120.)

The Advisory Board examined different aspects of employment of foreign capital in Indian industries and upheld the principle of control and management of industries by the Indians : "The reason for keeping the basic industries of the country free from foreign control and entirely in the hands of the nationals of this country is obvious . . . Even in the case of other industries, e.g. consumers goods industries, we think there are good reasons for a similar restriction. If foreign companies with their vast resources, technical and financial, are allowed to establish themselves in industry in the fields at present not covered by Indian enterprise, there is little chance of that enterprise being brought into existence at a future date. It seems to us preferable that the goods which the country cannot produce at present but would be in a position to produce later on, should continue to be imported from other countries, rather than that their local manufacture should be started or expanded by foreign firms. In the course of time, it would be possible to restrict or discontinue imports ; but foreign vested interests once created would be difficult to dislodge." (*Ibid.*)

Role of Foreign Capital: The board did not ban employment of foreign capital. It laid certain conditions: "In the case of highly specialized industries, it may be necessary, where such a course is found unavoidable in the national interest, to acquiesce in an agreement of management which would leave control of the management in foreign hands for a limited period. In such a case, if participation in capital is made a necessary condition of association, there would be no objection to it provided that effective control is retained in Indian hands. It should, however, be a condition of the agreement that Indian personnel would be trained for all grades of industry so that on the termination of the agreement, Indian personnel could take over the entire management including the Technical Direction of the Company."

Thus the general principle of nationalization of industries was abandoned and participation of foreign capital sanctioned by the board.

Publication of the report of the Advisory Planning Board was followed by a conference between the Government and the leading industrialists in the month of December 1947. The object of the conference was to settle the details of a short-term economic plan on the basis of the recommendations of the Advisory Board. At the conference the industrialists triumphed and the controversy about state-ownership and control of industries was put off though the opening address by the Minister of Industries and Supplies was devoted to the logical examination of the question. The conference welcomed foreign capital. Thus the implacable hostility towards foreign capital softened and the change in attitude was expressed by Pandit Nehru.

Nehru on Foreign Capital : He explained the position of foreign capital in Indian economy in his address to the Associated Chambers of Commerce. We want to develop, said Pandit Nehru, and industrialize our country as rapidly as possible and in order to do so it will help greatly if we have foreign capital. We are not going to stop that. In fact, we shall welcome all this. At the same time it must be made clearly understood by all that we are anxious to preserve our economic independence. We shall welcome foreign capital; we like foreign capital to come to terms favourable to us. (*Amrita Bazar Patrika,* December 16, 1947.) Scope and function of foreign capital was further explained by another minister of India Government. Now that, said

Mr Gadgil, we are free whether it is foreign talent or capital, both are going to be completely under our control, and will be made available and acceptable on our conditions. I do not think in the present-day economic circumstances of the world there are countries which can afford to neglect foreign capital or talent. (*The Statesman,* December 24, 1947.) Mr Gadgil's statement was welcomed by the financial correspondent of *The Statesman* : "In its broad meaning it represents a big advance on the former blank and uncompromising refusal to concede any kind of place for foreign capital in India's economy."

Nehru on State Control : Pandit Nehru tried to put a new interpretation on the question of state control of industries. He said that 'thus far too much attention has been paid to acquiring existing industries by the state. In many cases, existing industries of the basic type might have to be acquired and run by the state, but a far better approach to the problem was for the state to concentrate more on industries of latest types and control these in a larger measure.' The Government of India was not ready to face the question of state-ownership of industries because of the organized opposition by the industrialists. In fact, the Government was eager to appease the industrialists. This was revealed by Sardar Patel's address to the Indian Chamber of Commerce, Calcutta. You have, said Sardar Patel, asked for a clarification of the Government of India's policy regarding nationalization. The policy will take some time to shape. The cry of nationalization is being raised merely to cause panic. If you get panicky, you fall into the trap. (*The Statesman,* January 5, 1948.)

Congress plan : The Indian National Congress had set up a committee to work out the basic principles of economic reconstruction. Pandit Jawaharlal Nehru was the chairman and members of the committee represented right and left wings within the Congress. At the end of January 1948 the report of the Committee was approved by the All India Congress. The report advocated the principle of regional self-sufficiency and held that 'industries providing food and clothes should, as far as possible, be run on a co-operative basis.' The committee recommended that 'new undertakings in defence, key and public utility services should be under public ownership. New undertakings which are in the nature of monopolies or in view of their scale of operations serve the country as a whole or cover more than one province, should be run on the basis of public ownership, and in respect of existing undertakings the process of transfer from private to public ownership should commence after a period of five years.' (*The Statesman*, January 28, 1948.) The Committee suggested certain changes in the existing control and management of certain industries. In private industry, ran the report, the existing system of managing agency should be abolished as early as possible. Private industry will be subject to regulation and control in the interest of national policy of industrial development. Return on capital will be computed on employed capital, i.e., capital plus reserves. Distributed profit will be taxed at higher rate than the undistributed profits. A five per cent dividend in terms of employed capital will be the maximum limit for the distribution of profits. The Committee suggested formation of planning commission to examine India's foreign trade and position of foreign capital employed in India.

Recommendations of the committee were not welcomed by the vested interests, though the question of nationalization of industries had been put off for a number of years. The financial correspondent of *The Statesman* wrote: 'The present pull-baker-pull-devil struggle between rival economic theories is merely undermining confidence in the country's future economy. Almost alternate day some document or pronouncement emerges from source within, or very close to the Government of India which has the effect of casting considerable doubt upon long-term prospects. As a result, confidence in the future of organized industry is withering away to the point of atrophy.' The Calcutta Stock Exchange recorded a downward trend of prices in the week following the publication of the new economic programme. 'Judged by the recent course', wrote the same correspondent, 'the volume of business transacted takes a very poor view of the immediate outlook for Indian industry. It is a fact that there is less money coming forward for investment in old or new concerns quoted on the Stock Exchange of the country than many years.' (*Ibid.*)

Opposition to the plan: Industrialists, both Indian and non-Indian, opposed the economic programme and led an organized campaign against it. The Committee of Indian Merchants' Chamber, Bombay, communicated its views to Pandit Nehru. Nationalization, read the resolution, wherever in vogue, is still in experimental stage. It is too early to be dogmatic about its chances of success as permanent and universally applicable policy. In the limited sphere where the experiment has been tried—the results are disappointing. (*Ibid.*, February 15, 1943.) The Bombay industrialists requested the Government not to implement the recommendations of the committee for these would tend to frighten the existing owners of production by placing before them a plan which pressages their ultimate extinction. (*Ibid.*) The programme was further dissected by Mr D. C. Driver, Chairman of the Indian Chamber of Commerce, Calcutta. The statement, said Mr Driver, made by the exponents of Government policy regarding nationalization, profit sharing, limitation of dividends; expropriation of the industrial investors are having their effect. The investor in industrial shares is preparing to fold his tent and the cautious investor in Government securities is withdrawing his support. (*Ibid.*, February 28, 1948.) Mr Driver said that dividends should not be limited by legislation. For, increased production was not possible in the present circumstances owing to, among other causes, the proposed limitation of dividends to less than five per cent, threats of nationalization, suffocating taxation, proposed abolition of managing agency system. (*Ibid.*) Mr Driver concluded his statement with a warning: "In the surrounding glood where every prospect depresses, the Communist alone is hopeful.' The British vested interests were extremely alarmed and they lost no time to air their view on the economic programme. They asked the Government of India pointblank to abandon the programme or industries would be lamed. Sir H. Cumberbatch, Chairman of the Bengal Chamber of Commerce said : "I have no doubt that unless the Government of India define their policy in very different terms to those of the Programme Committee, production and industry will tend to shrivel fast. We have stated unequivocally that the effect of the adoption of the Committee's recommended policy will be to undermine all confidence, to dry up capital investment from all sources and to drain capital from existing industries, thus resulting in serious financial emzarrassment in further reduction in industrial output and in the immediate discouragement of India's economic and industrial development." (*Ibid.*)

The organized opposition compelled the Government of India to put off the economic programme for 10 years. By a resolution in the Dominion Parliament the Government decided 'to let the existing undertakings . . . develop for a period of ten years during which they will be allowed all facilities for efficient working and reasonable expansion.'

Industrial Policy Resolution : On April 6, 1948 the Government of India adopted the Industrial Policy Resolution. The resolution read : "Any improvement in the economic conditions of the country postulates an increase in national wealth and mere redistribution of existing wealth would make no essential difference to the people and would merely mean distribution of poverty. Any dyamic national policy, must, therefore, be directed to continuous increase in production by any possible means, side by side measures to secure equitable distribution . . . The problem of State participation in industry and conditions in which private enterprise should be allowed to operate . . . must be judged in this context . . . There can be no doubt that the state must play a progressively active role in the development of industries, but the ability to achieve the main objectives should determine the immediate extent of state responsibility and limits to private enterprise. Under the present conditions the mechanism and resources of the state may not permit it to function forthwith in industry as widely as may be desirable . . . They feel, however, that for some time to come, the state could contribute more quickly to the increase of national wealth by expanding its present activity wherever it is already operating and by concentrating on new units of production in other fields rather than on acquiring and running the existing units meanwhile, private enterprise properly directed and regulated, has a valuable role to play."

Industries were divided into three categories, and in the first category fell manufacture of arms and ammunitions, production and control of atomic energy and railway. All these were the exclusive monopoly of the Central Government; and the Government reserved the right to acquire any industry essential for national defence. In the second category fell coal, iron and steel, aircraft manufacture, telegraph and wireless apparatus, and mineral oil. The state undertook to develop new undertakings of the industries of the second category. The third category included all other industries and was open to private enterprise. The question of nationalization of industries was to be re-examined after a period of ten years.

Indian capital on the resolution: The Indian big business was not happy and Mr J. R. D. Tata suggested a re-enunciation of Government policy, while addressing the annual general meeting of Tata Iron and Steel Co. (August 4, 1948). Mr Tata said: "Last April, Government issued a statement of their industrial policy. Although it sets at rest certain doubts and apprehensions in the minds of the industrialists and of the investing public, it was hedged in by many reservations and left several issues vague. The decision to reconsider the question of nationalizing certain industries after a period of ten years, has had an unfortunate effect on large industries where heavy capital investments are required for expansion and improvement which take many years to fructify. The laying down of time-limits defeats its own object and should be avoided. A re-enunciation of Government's policy, so as to inspire some confidence and spirit of enterprise in the completely disheartened business community is necessary."

Fear of the big business was imaginary, for the resolution was 'obviously intended to give some satisfaction to everybody. Nehru could regard it as salving his socialist conscience, in so far as it obviously represented the long step towards the proclamation of socialist objective that was practicable at a time when he shared power with reactionary Patel. So to the leftists he could present it as a kind of New Economic Policy which accepted private enterprise as no more than a temporary expedient; to the rightists he could suggest that it offered the entrepreneur and investor even more opportunities than they would actually be able to seize. At the same time it gave him a weapon to use against crude socialists of the Communist and Socialist Parties, who wanted to nationalize everything at once. Every line bears the mark of compromise, and there is plenty of sheer verbiage designed to paper over ideological cracks.' (Hanson, *op. cit.*, p. 451.)

In fact, 'the resolution marked a considerable retreat from the previously held position ... The resolution's detail was less memorable than the shift it marked in the Government's approach : henceforth, nationalization was to be used as an expedient for increasing production, not a means for attaining a measure of social justice, or a different order of society.' (Kidron, *op. cit.*, p. 85.) The Stock Exchange reacted favourably and shares 'down to the rock bottom' staged a quick recovery.

Implications of the resolution : The Government continued its efforts to win the big business. Towards the end of 1948, while addressing the Associated Chambers of Commerce and Industry, Dr John Mathai, Finance Minister, said : "For so long a period as we can foresee, there will be not only a large but an increasing field for private enterprise in India." (*The Statesman,* December 24, 1948.)

While the Industrial Policy Resolution recognized the positive role of foreign capital in the economy of India, Pandit Nehru's statement (April 6, 1949) laid to rest fears of expropriation and discrimination: "The stress on the need to regulate in the national interest—the scope and manner of foreign capital arose from the past association of foreign capital and control with foreign domination of the economy of the country. But circumstances today are quite different. The object of our regulation should therefore be utilization of foreign capital in a manner most advantageous to the country. In the first place, the Government would expect all undertakings, Indian and foreign, to conform to the general requirements of the industrial policy. As regards existing foreign interests, the Government do not intend to place any restrictions which are not applicable to an Indian enterprise. Foreign interests would be permitted to earn profits; subject only to regulation common to all. If, however, any foreign concerns come to be compulsorily acquired, the Government would provide reasonable facilities for the remittance of proceeds. In that case, compensation will be paid on fair and equitable basis.

"The major interest in ownership and effective control of an undertaking should be in Indian hands. Government will not object to foreign capital having control of a concern for a limited period, if it is to be in the national interest and each individual case will be dealt with on its own merits. In the matter of employment of personnel, Government would not object to the employment of non-Indians in posts requiring skill and experience when Indians of requisite qualifications are not available. But Government attach vital importance to the training and employment of Indians. As regards British interests especially, there is and will still be considerable scope for the investment of British capital in India. These considerations will apply equally to other existing non-Indian interests. The Government have no desire to injure in any way British or other non-Indian interests in India and would gladly welcome their contributions in a constructive and co-operative role in the development of India's economy." (*Constituent Assembly Debate*, Pt. 2, IV, 2385-6.) Principles of ownership and control of industries were amended : "'The Government of India longer think that a majority non-Indian interest in ownership and in some cases effective control can be regarded as *ipso facto* detrimental to the interests of the country. It is, therefore, proposed not to insist too strongly on majority control residing in Indian hands in the formative stages of industries." (*Capital*, September 22, 1949.)

The response was poor, though the Government followed 'open door' policy and during 1948-53 foreign investments went up by Rs. 11 lakhs, exclusive of investments in oil refineries.

Throughout the period attitude of Indian business towards foreign capital was ambivalent. For 'concessions to foreign private capital were seen as concessions to private capital, therefore, welcome, they were at the same time concessions to foreign capital, and therefore threatening. Foreign investments in spheres in which Indian capital was not interested met with little antagonism; potential competition was opposed. Government to Government loans were welcomed for their neutral impact within the private sector; opposed for enlarging the resources of the state sector. Business saw no reason to attract foreign capital; but still wished to be protected against it.'

The amendment opened up possibilities of collaboration between the state and foreign private capital. The Federation of Indian Chambers of Commerce and Industry opposed the open-door policy. The Minister for Industry and Supply assured the National Chamber of Industries that 'Swadeshi would be the guiding policy of the Government of India today and accordingly the entire policy will be formulated.' (*The Statesman,* June 28, 1950.)

The opposition was strong enough to make the Government of India abandon the scheme of Indo-British shipping with P and O in 1949.

Fiscal Commission on Foreign Capital : The Fiscal Commission 1949-50 defined the spheres of foreign capital : "The concensus of opinion is that, as a rule, foreign capital should be confined to—

(a) Projects in the public sector... which depend on the import of capital goods, plant, machinery, equipment, stores, etc. from abroad... or on foreign technical assistance in the establishment or management of new lines of manufacture;

(b) Undertakings in the private sector which involve new lines of production, and where indigenous capital and management are not likely to be forthcoming." (*Report of the Fiscal Commission 1949-50,* Vol. I, p. 213.)

Swadeshi League: The Korean War stimulated Indian economy and the controversy was muted. The boom over, the role of foreign capital compelled the attention of the Indian big business. The All India Manufacturers' Association asked the Government 'to specify clearly the fields of Indian industry where foreign capital might participate directly', demanded 'modification of the policy of non-discrimination between Indian and foreign undertakings; suggested control of foreign capital where it acted in a monopolistic manner detrimental to the interests of indigenous enterprise', urged the Government 'to prevent such foreign enterprise from taking advantage either of the assistance granted to indigenous industries or of facilities provided for consolidated import requirements in respect of compotent and raw materials'. (*Capital,* March 3, 1952.)

Then a deputation of leading Indian industrialists waited upon the Minister of Commerce and Industry to ascertain official policy towards industries facing foreign competition. Of the official policy the delegation could learn little. Again the All India Manufacturers' Organization appealed to the Government to prevent international monopoly organizations 'establishing or expanding factories in India in the field of consumers goods and such other industries as had already been undertaken by national enterprise.'

The campaign led to the formation of the Swadeshi League to enable Indian soap industry to hold its own against Lever Brothers, or the Indian subsidy—Hindustan Lever. During the British days Lever Brothers was in a commanding position in soaps and detergent industry and in the fifties controlled 70 per cent of total products. Soap and detergent apart, Hindustan Lever produces Vanaspati, baby food, dehydrated vegetables, non-soap detergent and did business to the amount of Rs. 1992 lakhs in 1964.

The Federation of Indian Chambers of Commerce adopted the famous Swadeshi resolution. The resolution was hard upon the Government for its 'indifference to the importance of Swadeshi in the economic regeneration of the country.' The doctrine of Swadeshi thinned into irrelevance when India took the road to planned economy.

Chapter 8

FIVE YEAR PLANS

FIRST FIVE YEAR PLAN: On December 8, 1952, Pandit Nehru presented the First Five Year Plan to Parliament. In fact, the plan dated back to 1951 when the Government of India had launched certain industrial projects in the state sector.

The total outlay amounted to Rs. 2068.78 crores and a sum of Rs. 173.4 crores was invested in building industries in the state sector.

Mr G. D. Birla vented his spleen against the size of the plan: "I do not call this document a plan," he said while addressing the tenth annual general meeting of the United Commercial Bank. A critical evaluation of the scope of the plan was presented by a U. N. agency. The plan 'in its final form... appears rather moderate in the scale of expenditure it contemplates, both outlay and in relation to national income. An outlay of Rs. 20,000 million over a five-year period represents more of the percent of national income which is not much more than the rate of investment prevailing before the plan.' (ECAFE, *Economic Survey of Asia and Far East 1953*, p. 59.)

Foreign Capital: The First Five Year Plan defined the role of foreign capital in developing the economy of India: "In view of the fact that the investment of foreign capital necessitates utilization of indigenous resources and also that the best use of foreign capital is as a catalytic agent for dredging forth larger resources for domestic investment, it is desirable that such investment should be channelled into fields of high priority. The broad principle to be followed is that foreign investment should be permitted in sphere where new lines of production are to be developed or where special types of experience and technical skill are required or where the volume of production is small in relation to demand and there is no reasonable expectation that indigenous industry can expand at a sufficiently rapid rate." (Planning Commission, *First Five Year Plan*, pp. 437-38.)

Concession to private sector : In fact, the most dramatic adjustment of Government policy in deference to the private sector's view occurred in the formulation of the plan: "Private enterprise operating in terms of legitimate profit expectation and efficient use of available resources has an important part to play in developing the economy... The large volume of resources needed for all-round development of the economy can... be secured only if the public and the private sectors co-operate closely." (*Ibid.*, pp. 422-23.)

The plan aimed at building up the system of mixed economy. For 'in undertaking programmes of economic development, countries outside the Communist dominated areas devised a variety of mixed economy system in which free enterprise and central direction, private initiative and public responsibility, were variously combined. The mixed economy of India, which drew freely on the thinking and experience of both capitalist and communist countries, afforded a laboratory in which economic development under democratic guidance was tested and worked out.' (UNESCO, *History of Mankind*, Vol. II, p. 710.)

Opposition to State Sector : Building of new industries in the state sector meant import of plant and equipment and India's reserve of foreign exchanges was not enough to meet the bills. So the Government of India tried to borrow from international credit agencies. The international agencies were opposed to the expansion of the state sector and E. R. Black, who was then President of the World Bank, gave vent to it : "If the real benefits of industrialization are to be obtained... Government should undertake ventures, if at all, only as a last alternative and only after a full examination of other alternatives that exist. And in cases where a government may go as far as to start an industrial enterprise, I think, every effort should be made put the venture into the hands of private capital and private management—as quickly as possible!" (E. R. Black, *The Diplomacy of Economic Development*, p. 62.)

Political and economic implications of expansion of the private sector were summed up by another economist, E. Staley, who had been associated with numerous missions of the World Bank to the underdeveloped countries: "By encouraging constructive private enterprise underdeveloped countries can gain progressly important economic and political benefits... and this for main reasons: (1) From the view point of productivity, an underdeveloped economy needs the energy and drive which private initiative can contribute. Governments have tremendous tasks in building a proper framework for development... to the extent that Governments can delegate to private enterprise the filling in of this framework and the day-to-day details of managing production they are wise to do so. Thus a large source of human talent, motivation, and capital formation is tapped, and government machinery is relieved of huge burdens... (2) From the political and social point of view, a vigorous growth of private business enterprise—provided it is widespread and not concentrated in a few hands—broadens the bases of political power, helps to create an independent middle class promising decentralization of authority and leadership, and helps to separate economic power from political and other forms of power. These are among the fundamental requirements... for development of democratic, free societies." (Cited in A. H. Hanson, *Public Enterprise and Economic Development*, p. 19.)

Preservation of the market was the primary object of the developed countries and they could hardly 'ignore the possibilities of competition from developing industries in underdeveloped countries.' In truth, the World Bank and other U.S. credit agencies 'are all subject in a very real and direct way to the political attitudes in the U.S.A.' (S. S. Khera, *Government in Business*, p. 32.)

In fact, 'America ... regards its own economy as the ideal towards which the underdeveloped countries ought to be striving ... The United States will extend a big hand more readily to countries which are trying measure up to Mr Staley's standards. And this very fact, of course, has its influence on the development programmes in the many countries which are looking to America as the main source of financial and technical assistance. In some cases no contradiction is involved, as the holders of political power genuinely agree with the American outlook on these matters, and would adopt the desired pattern of development. ... In other cases, however, the choice of development pattern is made with one eye on Washington. It is open secret ... the prospect of free flow of dollars had a major influence on the democratic governments' decision to shift the emphasis of developmental planning from state enterprise to private enterprise. Dollars may also be used to help maintain in office those whose ideas about development coincide with Americans, thereby inhibiting political changes which might shift the emphasis in an un-American direction.' (Hanson, *op. cit.*, p. 21.)

Steel plant in State Sector: When the Government of India decided to set up a steel plant in the state sector (at Rourkela) and entrusted the project to the West German combine—Krupp-Demag—the World Bank agreed to lend a third of the total capital, provided an equal share went to the Government and the German combine. In fact, the World Bank had planned to convert the state enterprise into the private and a study reveals the plan : "It was Bank's expectation that eventually the loan would be converted into stock and sold on the Indian market to private investors when the steel mill will become a proven enterprise. At the same time, Krupp would have a sufficiently large stock holding in the enterprise to permit it to be in the control of technical and managerial aspects.

"The Government of India would not accept virtual IBRD-Krupp control of a steel mill in India. Krupp in turn, was willing to reduce its equity to 10 per cent of the paid-up capital. This, however, was unacceptable to the I.B.R.D. as it was contrary to its policy of not financing government controlled industrial enterprise." (Friedmann and Kalmawoff, *Joint International Business Ventures*, p. 420.)

The Government of India went ahead with the project without any financial assistance from the World Bank and let the German combine invest Rs. 9.5 crores (in Deutsch marks). The agreement on financial participation was terminated when the German combine demanded interest on the investment at the rate of 12 per cent.

Concession to foreign oil companies: The Refinery agreements with three oil companies—Standard Vacuum, Burmah Shell, Caltex—illustrate Government's dependence upon the private sector. The agreements were a negation of the Industrial Policy Resolution (1948), for Indian participation was limited to 25 per cent and that too in no voting shares. The companies were assured of non-nationalization for 25 years and were permitted to import crude oil free of duty and on the import of machinery were charged duty at the rate of 5½ per cent.

Collaboration made rapid progress and the Government of India concluded a number of agreements with foreign firms and the following were set up: Hindustan Machine Tools, Hindustan Shipyard, Hindustan Cables, Indian Telephone Industries.

New steel plant in private sector (?) : Acceptance of the principle of collaboration by the Government of India signified a change in the concept of ownership and the Government was willing to let the private capital build another steel plant. The Birlas, who can claim close link with the Congress leadership, acted quickly. In 1954 the Birlas registered a company named Durgapore Steel Company with an authorized capital of Rs. 50 crores. Formation of the company was a preliminary step to setting a steel plant in the private sector. The total investment was estimated at Rs. 100 crores and the Birlas were ready to invest Rs. 10 crores. The project would have involved a loan of £ 60 million guaranteed by the Government and the rest was to be supplied by the Government.

In the autumn of 1954 B. M. Birla visited England and met the representatives of British steel industry who were ready to collaborate with the Birlas. In fact, 'the Birlas were not working in the dark. The trend in Government policy in general and active lobbying on their behalf by T. T. Krishnamachari, then Minister of Commerce and Industry, seemed to outweigh anything said in the 1948 Industrial Policy Resolution about reserving steel for public sector. Indeed, the Minister himself was so sure of getting the project cleared that the final rejection by the Cabinet in November 1954 prompted an immediate threat of resignation.' (Kidron, *op. cit.*, p. 93.)

The Government of India turned down the proposal for the private investment too small. (*Report of Public Estimates Committee 1958-59*, No. 33.)

Fiscal concessions: During the period the Government tried to improve relation between the state and the private capital and made many concessions in fiscal and monetary matters. The 1948-49 Budget permitted depreciation allowances and exemption of income tax for a wide range of industrial undertakings. The 1949-50 Budget abolished capital gains tax and the following year the business profits tax, personal income and super tax were reduced. The Government of India set up the Industrial Finance Corporation to extend long-term credits to the private sector.

Fiscal concessions were followed by others and 'the pro-labour bias of early independence was reversed. Much of the legislation then passed, fell to the ground; compulsory recognition of unions was not enforced; implementation of the Plantation Labour Act 1951, waited on the convenience of business until April 1, 1954... The Fair Wages Bill never got beyond the stage of eliciting public opinion even though the Committee out of whose recommendations it came would not recommend payment of a fair wage (less than a living wage) in circumstances but out of regard for industry's capacity to pay opted for the even lower maximum wage and many of the welfare initiatives promised by the Government withered on the branch.'

With the private sector the Government of India held consultations and consultations had far-reaching effects on the development of industries in the state sector.

The Hindustan Machine Tools Ltd. was made to agree to limit the production of lathes to specific types when Kirloskar pointed the possibilities of commercial competition. (*Report of the Public Estimates Committee 1954-55,* No. 14.)

When the Government of India decided to set up a plant for heavy electrical equipment the Minister of Production had to assure the private sector that the new plant would produce only non-scheduled items to supplement the output of the industry. (*Economic Weekly,* May 28, 1949.)

The scheme of state trading has to be put off from year to year for the business community opposed the encroachment of the state upon the private sector.

So the organ of Bombay big business observed: "The Government is keen on securing the co-operation of private enterprise for the implementation of the Five Year Plan. Our own enquiries in high Government circles reveal that the Ministers are quite aware that the Government machinery is not efficient enough to undertake additional responsibility in the sphere of trade and industry." (*Commerce,* March 21, 1953.)

Socialist pattern: The plan progressed on the principles of mixed economy and began to win upon the people when Pandit Nehru defined the ultimate objective of the plan to be the creation of the socialist pattern of society.

With Pandit Nehru socialism became an act of policy, though 'few of the political elite were socialists in any meaningful sense of the term'. When the National Development Council met (November 9-10, 1954) Pandit Nehu made a long speech on the philosophy of planning: "The picture I have in mind is definitely and absolutely a socialistic picture of society. I am not using the word in a dogmatic sense at all, but in the sense of meaning largely that the means of production should be socially owned and controlled for the benefit of society as a whole. There is plenty of room for private enterprise there, providing the main aim is kept clear."

To achieve the objectives Pandit Nehru advocated rapid expansion of the state sector: "The Government wanted to encourage private sector but they wanted to encourage the state enterprise even more." (*Lok Sabha Debates,* December 20, 1954.)

The resolution on the socialist pattern of society was adopted by Parliament on December 20, 1954.

The resolution read: "This House having considered the economic situation in India and the policies of the Government in relation thereto, is of the opinion that (a) the policy of the Government is in harmony with the policy statement of the 6th April, 1948, (b) the objective of our economic policy should be a socialistic pattern of society; and (c) towards this end the tempo of economic activity in general and industrial development in particular should be stepped up to the maximum possible extent." (*Lok Sabha Debate,* Pt. 2, IX, 3692.)

Avadi Resolution: The concept of socialist pattern was again re-affirmed when the annual session of the Indian National Congress was held at Avadi. The Avadi resolution (on economic reconstruction) committed the Congress to socialism. Though 'many highly placed Congress men were luke warm about socialism, but of Nehru's devotion to it there could be no doubt—and Nehru, since the death of Patel had acquired a formidable ascendency.'

At Avadi Pandit Nehru spoke on the need of preserving the private sector: "In our present state to limit resources to the public sector means restriction of our opportunities of production and growth. The main purpose of a socialist pattern of society is to remove the fetters to production and distribution . . . It becomes necessary therefore to have a private sector also and to give it full play within its field." (*Capital,* January 20, 1955.) So, 'confirmed in this way as an integral part of the socialist pattern to which Congress then subscribed, the private sector won its doctrinare battle, thereafter nationalization featured as a practical issue from time to time, or as propagandist device but never as fundamental difference in principle between the Government and private industry.'

So a year later while addressing the annual general meeting of Tata Iron and Steel Co., J. R. D. Tata expressed his view on the socialist pattern of society: "If it means a society in which all have equal rights and opportunities, the underprivileged are protected, economic activities are harnessed to constructive nation-building purposes and controlled by the state for the common good, and selfish abuses and anti-social acts are checked, then we shall support it... Bold planning and determined execution of large schemes of development are essential if we are to raise living standards, relieve unemployment, give opportunities to all and ensure a reasonable degree of social justice."

While the Western bloc stood for the expansion of the private sector, the Eastern bloc stood for the expansion of the state sector in the developing countries. Expansion of the private sector means preservation of colonial economy and colonial economy thrives on exploitation. Transformation of colonial economy into welfare economy is an arduous task and the Government of India tried to achieve it by expanding the state sector of economy.

Indo-Soviet co-operation: End of British rule led to the development of Indo-Soviet relations on the principles of equality and while Stalin was alive there had been an exchange of letters between Stalin and Nehru on the settlement in Korea. Indo-Soviet economic co-operation might have started during the days of Stalin, for as early as January 1952 the Soviet Ambassador in India had offered to supply capital equipment for rupees. The Government of India was not keen on giving concrete shape to the proposal and nothing came of it. With Stalin's death began a period of fruitful Indo-Soviet economic co-operation and an earnest of it was provided by Malenkov's addresses at the Supreme Soviet (August 8, 1953): "The position of such a considerable State as India is of great importance for strengthening of peace in East. India has made her own significant contribution to the efforts of peace-loving countries directed to the ending of war in

Korea. Our relations with India are stronger... We hope that relations between India and the Soviet Union will continue to develop and strengthen with friendly co-operation as their keynote." (Cited in K. P. S. Menon, *The Lamp and the Lamp Stand,* p. 41.)

Towards the end of 1953, India concluded a trade pact with the Soviet Union and it was followed by the shipment of oil products. In August 1954 a Soviet technical mission visited India and submitted a report on the construction of a steel plant. The report accepted, the two Governments concluded an agreement on the construction of a steel plant at Bhilai (Feb. 1955). On the implications of the agreement observed K. P. S. Menon, then Indian Ambassador to the USSR: "It was a symbol of a new era, not only in India, but in Asia and Africa. For three centuries... Asians and Africans have been treated as hewers of wood and drawers of water. It was their role to supply raw materials to the rich nations of the West who manufactured them, exported them at enormous profits and thus became rich. Even after Asian states began to become independent, it was feared that this pattern of economic relationship would persist. This was broken once and for all when the Soviet Government came forward with an offer to put up a steel plant at Bhilai... on unprecedently favourable terms." (Menon, *op. cit.,* pp. 63-64.)

By the middle of 1955 Pandit Nehru visited the U.S.S.R. and the visit smoothed relations between the two countries. Towards the end of 1955 the Soviet leaders—Bulganin and Khrushchev—paid a visit to India. The visit was historic and wherever they went they were greeted by thousands. Calcutta honoured the Soviet leaders in a manner unprecedented in modern times. The city empitied itself in the street and it looked like a sea of humanity. A mechanical defect marred the historic scene, for the car of the Soviet leaders broke down and they had to be driven in a closed police van to the Government House. Next day Pandit Nehru and the Soviet leaders addressed a mammoth gathering.

Back from the Asian countries, the Soviet leaders plunged into the historic twentieth Congress and re-affirmed opposition to the formation of power blocs: "The USSR do not try to buy the conscience of peoples, their rights and liberty. The USSR has extended a hand to the peoples and said that they themselves decide their destiny, that the USSR recognizes their rights and aspirations, and does not demand their adherence to military pacts or blocs." (*Cominform,* Feb. 17, 1956.)

Implication of Soviet aid : The Soviet programme of aid has stood the developing countries in good stead and India has benefited from it. An American economist has pointed out special merits of the Soviet programme: "Interest rates and terms of repayment are designed to make the Soviet programme attractive. Loans usually carry an interest charge of 2 to 2½ per cent, compared with 4 to 5 per cent charges by Western agencies. The Soviet rates are low enough to undercut Western rates and make Western leaders rapacious by comparison and they are high enough to support the claim that Soviet aid is extended on business-like basis between two equals... A tremendous asset of the Soviet aid programme is the policy of permitting an underdeveloped country to repay loans in its own currency. The accumulations of this local currency are then used by the Soviet Union to purchase customary exports of the country. This provision removes the difficulty encountered by many countries receiving Western aid, of acquiring dollars or sterlings or other foreign currency needed to repay their loans, and it transfers to the Russians the responsibility for finding the commodities which the debtor country can make available and which are in effect, the repayment of the loan... Another advantage of the conditions of Soviet aid is the willingness of the USSR to give aid with no questions asked as to how the funds are to be used. Their position is in deliberate contrast to that taken by the Western agencies which require an evaluation of the economic soundness of requests for aid and of the contributions the proposed projects can make to the genuine economic growth. Inevitably the Western policy kindles resentment and discord while the Soviet policy avoids the danger of trampling on the sensibilities of the recipient governments... Of all the advantages the

Russians advertise in their aid programme, perhaps the one that has made greatest impact is the assertion that aid is given with no strings attached. To many underdeveloped countries, proud of their newly won sovereignty, this assertion provides a welcome contrast to the American policy, which they believe, favours aid to those countries which accept military alliance with the United States, allow American air bases to be constructed on their soil and agree to assistance which strengthens private sector, as opposed to the public sector of the economy... Unlike Western private direct investment in which foreign companies construct plans and then continue to own them, Soviet aid goes to the industrial establishments which become the property of the recipient country." (J. S. Berliner, *Soviet Economic Aid*, pp. 50-51.)

Indo-Soviet economic co-operation made steady progress and the East European socialist countries followed the lead of the Soviet Union. In fact, aid became a matter of working out details and India reaped the fruits. The Soviet programme added prestige and influence to the planners and state sector industrializers who led the drive for heavy industry.

Achievement of First Plan: Early in 1956 the First Five Year Plan was completed. During five years (1951-56) national income rose from Rs. 8,870 crores to Rs. 10,420 crores (17.5 per cent) and per capita income from Rs. 246.3 to Rs. 272.1 (10.5 per cent). The rise in national income was not even and the third year of the plan recorded a rise of 13 per cent. The sudden rise was due to good harvests that year when total production of foodgrains rose to 68.8 million tons. The last year of the plan registered a fall and total production of foodgrains came down to 64.9 million tons. Cotton, jute, and oil seeds maintained an upward total. Cotton textile industry produced 5,102 million yards and exceeded the target by 400 million yards. Production of cement rose from 2.7 million tons to 4.6 million tons. Generation of electricity rose from 2.3 million kwts to 3.4 million kwts. Private sector flourished and investments went up by Rs. 600 crores during the period.

Of the new industries in the state sector production of the following commenced during the period: penicillin, ammonium chloride and D.D.T. Progress of bigger industrial undertakings was uneven. While Sindhri Fertilizer Factory, Chittaranjan Locomotive Works and Indian Tele-the First Plan was followed by this adoption of another could not keep up with the general rate of growth.

Second Industrial Policy Resolution : Completion of the First Plan was followed by the adoption of another Industrial Policy Resolution (April 30, 1956). The resolution enunciated the general principles of ownership and control of industry : "The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, requires that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the state, in the present circumstances, could provide have also to be in the public sector. The state has therefore to assume direct responsibility for the future development of industries over a wide area."

Industries were divided into three categories. The state undertook to develop the industries of the first category and these were :

1. Arms and ammunition and allied items of defence equipment.
2. Atomic energy.
3. Iron and steel.
4. Heavy castings and forgings of iron and steel.
5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.
6. Heavy electrical plant including large hydraulic and steam busting.
7. Coal and lignite.
8. Mineral oils.
9. Mining of iron ore, manganese ore, chromium ore, gypsum, sulphur, gold and diamond.

10. Mining and processing of copper, zinc, molybdenum and wolfrum.
11. Minerals specified in the schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
12. Aircraft.
13. Air transport.
14. Railways transport.
15. Shipbuilding.
16. Telephones and Telephone cables, Telegraph and Wireless apparatus (excluding radio receiving sets).
17. Generation and distribution of electricity.

Of the industries, railways and air transport, arms and ammunition, and atomic energy were to be state monopoly. As for others, all the new units would be established by the state, except where their establishment in the private sector had been approved. This did not exclude the expansion of the existing privately owned units, or the possibility of the state securing the co-operation of private enterprise in the establishment of new units when national interest so requires.

The following are the industries of the second category:

1. All other minerals except minor minerals as defined by Section 3 of the Minerals and Concessions Rules, 1949.
2. Aluminium and other non-ferrous metals not included in Schedule A.
3. Machine tools.
4. Ferrous alloy and tool steels.
5. Basic intermediate products required by chemical industries such as the manufacture of drugs, dyestuffs and plastics.
6. Anti-biotics and other essential drugs.
7. Fertilizers.
8. Synthetic rubber.
9. Carbonization of coal.
10. Chemical pulp.
11. Road transport.
12. Sea transport.

The state would increasingly establish new undertakings in the industries of the second category without denying the private sector its opportunity.

The third category embraced the remaining industries.

Growing Unemployment: Adoption of the resolution was hastened by certain economic factors, particularly the rise in the number of the urban unemployed. On the completion of the First Plan the number of the urban unemployed rose to two millions and a half and life was hard in West Bengal where a third of the urban population was without work. The literate unemployed grew restive and sought a quick solution to the economic ills. As discontent mounted agitation for linguistic state gathered momentum and language riots followed.

Of the effects of growing unemployment the Congress leadership grew conscious and as early as May 1953 the Congress Working Committee sounded a note of warning: "The major test of the success of any plan is the measure in which one deals with the problem of unemployment." (Indian National Congress, *Resolution 1924-1954*, pp. 79-80.) The Working Committee offered the Gandhian solution—expansion of cottage and village industries. In July 1953 the All India Congress Committee expressed 'its concern at the increase in unemployment... not withstanding the fact that generally there has been an upward trend of production.' (*Ibid.*) The A.I.C.C. asked the state 'to accept an increasingly active and positive role in regard to the development of industries. Thus protagonists of cottage industries lost ground and rank of non-Gandhians swelled who advocated rapid industrialization. At Ajmere the A.I.C.C. (July 1954) viewed 'with concern the unemployment that exists more especially in the urban areas.' (*Ibid.*) At Avadi the Congress resolved to achieve full employment within ten years.

Pressure for rapid industrialization came from the leaders of the private sector who knew that expansion of industries would create new avenues of employment. Resistance to the state sector had ceased with the realization of the limitation of the private sector and G. D. Birla was frank enough to admit that big schemes of economic reconstruction were beyond the capacity of the private sector. (*Hindu,* December 24, 1954.) J. R. D. Tata has supported the Avadi resolution.

The Industrial Policy Resolution reflected the new trends and recognized the private 'as an agency for planned national development' and assured that 'the private sector will have the opportunity to develop and expand.' The resolution conformed to the principles of mixed economy and its 'aim was to increase production, not to change society.'

SECOND FIVE YEAR PLAN: With the adoption of the resolution the Second Five Year Plan was launched and to the building of heavy industries was given a top priority. The total investment was estimated at Rs. 4,800 crores against Rs. 2,000 crores (First Plan). The Second Plan 'was a plan for industrialization, with seven times as much as was spent in the first, and with a bias in favour of large projects. Above all, it was a plan for public sector, which was to increase its share of total investment from an actual 44 per cent to a projected 61 per cent in the Second.' The following formed the core of the Second Plan: Steel, Coal, Railways, Ports, Power Projects, Neiveli Lignite Project.

Investment in the core projects was estimated at Rs. 1,900 crores and cost of the projects in foreign exchange at Rs. 962 crores.

State Sector and Western Bloc: The Soviet programme of economic aid made the Western bloc revise its attitude to the state sector and Great Britain undertook to build a steel plant at Durgapur. In October 1956, the Government of India concluded an agreement with the ISCON on the construction of a steel plant in the state sector. The Durgapur agreement was an example of turn-key job. The plant was completed by the ISCON and delivered to the proprietors. The agreement has nothing in common with the agreement on the construction of the Bhilai Steel Plant. The Soviet authorities had let the Indian engineers work with the Soviet personnel while the design of the plant and machinery was is progress and they mastered all the technical details. The training reduced the degree of foreign dependence. Training of Indian personnel was excluded from the Durgapur agreement.

Kaldor Report: Mobilization of internal resources was the first essential for the successful completion of the plan and the Government of India took certain measures to achieve the end. The Imperial Bank and Life Insurance were nationalized. Keen on improving public finance, the Government invited Prof. N. Kaldor to examine the tax structure and to suggest measures to improve it. Prof. Kaldor visited India, examined various aspects of public finance and made a number of useful suggestions. Though reluctant to write the suggestions into law, the Government of India adopted some radical innovations and revenue took a sharp turn upwards.

New Measures: The Fourth Amendment to the Constitution simplified the process of state acquisition of private property and the question of compensation ceased to be the subject of judicial review. The Companies Act of 1956 was another measure to rid the private sector of many evils associated with the growth of managing agency. The Banking Companies (Amendment) Act, 1956 armed the Reserve Bank with power to regulate appointment and remuneration of executives.

Certain industries came in for scrutiny by the Government. The Plantation Enquiry Commission (August, 1956) recommended abolition of managing agency of Indian-owned plantation and restriction on the payment of dividend. Earlier the Pharmaceutical Enquiry Commission had suggested revision of patent laws to enable Indian manufacturers to produce essential pharmaceuticals without having to pay heavy royalties to the foreign firms. The question of nationalization of coal-mining industry was examined and the industry was left to the private sector with limits on the areas to be worked. At the same time the Government set about supplying finance and technical skill to the private sector.

Forum of Free Enterprise: These are some of the measures the Government adopted to quicken the pace of economic reconstruction and soon met with organized opposition. In August 1956, the Forum of Free Enterprise was founded and the organization led a tearing campaign against planned economy. Its literature was heavy with quotations from American economists who asked the people to accept private enterprise as an affirmative good. Some of the founders of the Forum are now members of the Swatantra Party and speak against the state sector inside and outside Parliament.

Retreat: As the opposition mounted the Government retreated and early plans to refashion certain industries were abandoned. Though copper was reserved for the state sector, the Indian Copper Corporation (British) was exempted from nationalization. The Industrial Credit and Investment Corporation of India set up by the Government was transferred to the private sector at the instance of World Bank and was financed by private subscription in the U.S.A., Britain and India, as well as by the U.S. and India Governments.

Within a year India faced an acute shortage of foreign exchange and in February 1957 the import of capital goods was reduced and businessmen were asked to seek deferred payment abroad. In July all import licences were suspended for three months and in September only essential imports were renewed. Towards the end of 1957 India made an organized effort to seek aid from the West and in May 1958 the size of the Second Plan was reduced. While the financial investment was cut down by Rs. 300 crores, the real investment suffered much more, for prices had gone up by 14 per cent in a year.

Abridgement of State Sector: The diminution of investment was likely to cripple the plan. So the Government was made to abridge the state sector. Abridgement of the state sector led to the encroachment of private sector into the spheres reserved for the state and the Government condoned the encroachment. Of the seventeen industries (in Schedule A) reserved for the state sector, seven were opened to the private sector and these included heavy plant and machinery. Of twelve industries (in Schedule B) nine went to the private sector. Though expansion of aluminium industry was reserved for the state sector, a project (in the private sector) was announced in

March 1958 and the Birlas concluded an agreement with Kaiser (U.S.). The Hindustan Aluminium came into being and aluminium was dropped from the list of reserved industries.

Soviet aid and pharmaceutical industries: The Government of India's efforts to set up a number of drug plants came to nothing, for the Western firms demanded high royalty and exclusive right to the secrecy of processes. So the Government was compelled to consider a Soviet plan of an integrated drug plant. Early in 1956 a Soviet team visited India and surveyed internal requirements. The team submitted a report on the construction of an integrated drug plant capable of meeting three-quarters of internal requirements. Indian and Western pharmaceutical firms opposed expansion of the industry in the state sector and 'found a champion in the Ministry of Commerce and Industry.' The Ministry opposed the original invitation to the Russians and, after they had arrived and reported, postponed consideration of the report until it had sent its own team to Moscow. The Indian teams recommended that the industry should remain in the private hands and that aid be sought in Italy, West Germany and the United States.'

Again in 1957, the Soviet Government offered a loan of eighty million roubles to meet the cost of import of equipment and the loan was to be repaid in rupees and the rate of interest was 2½ per cent. No royalty on the products was to be charged. The proposal was killed by the Ministry. After a year had passed a Second Soviet team was invited and visit of the Soviet team coincided with the conclusion of an agreement with Merck (U.S.) on the expansion of Hindustan Antibiotics. The Government agreed to pay high royalty ($2\frac{1}{2}$ per cent tax free) and 5 per cent on sales abroad. The chemical intermediates plant went to a West German combine and foreign manufacturers were encouraged to undertake productions of antibiotics and synthetics. The West German combine abandoned the plan to set up the plant when the Government of India revised the cost of production and targets.

All tthese illustrate the retreat from the state sector and the retreat rejoiced the private sector. On the conclusion of the agreement with Merck an American trade journal observed: "Drug officials started looking at India about two years ago, just as the Russians began a big push to have India freed from dependence on Western chemicals and pharmaceuticals. Soviet engineers, loans and all else needed would be provided if the Indians would take USSR help and build the state-owned industry. Fortunately for the free world, Merck and other U.S. and Western drug and chemical firms have not been idle....Merck's efforts have helped in part to stall the Soviet offensive... The Soviet offer is shelved and the Indian pharmaceutical industry will not be a government monopoly." (Cited in S. S. Sokhey, *Indian Drug Industry*, p. 3.)

Abridgement of the state sector renewed West's interest in India and Soviet Union's 'bid to win rather than overthrow the new governments in the backward countries, shifted the locus of conflict from the periphery of Asia to its heart. India became central to Western strategy.' During 1956-57 a number of western industrial and trade missions visited India.

Foreign exchange crisis : Alarmed at the acute shortage of foreign exchange, the Government of India made frantic efforts to secure loan from the U.S. By the middle of 1956 B. K. Nehru visited Western Europe in search of loan.

Of the consequences of shortage of foreign exchange the Indian private sector was fully aware and tried to help the Government to tide over the crisis. In the summer of 1956 an industrial mission visited important western countries to ascertain 'the attitude of the big industries in these countries towards India and her plans of industrialization.' It was 'the most ever-impressive delegation to have travelled abroad.' Members of the delegation were: G. D. Birla (Leader), Babubhai Chinai, M. R. Ruia, R. A. Poddar, S. P. Jain, S. L. Kirloskar, B. D. Garware, D. P. Goenka, S. S. Kanoria, R. Venkataswami Naidu, C. H. Bhaba, M. Mangaldas and G. L. Bansal.

Towards the end of 1956, Pandit Nehru paid a visit to the U.S.A.

Government on foreign capital: In the meanwhile official view on the role of foreign capital had undergone a change. While addressing the annual general meeting of the Associated Chambers of Commerce and Industry, T. T. Krishmamachari, Finance Minister, said: "So far as the Government are concerned they would welcome foreign capital but foreign capital would have to make its terms with indigenous capital and enterprise." (*The Statesman*, December 11, 1956.) To the foreign investors he made important concessions by withdrawing the restrictions on the exclusive ownership of industries by non-Indians. Besides the ownership of industries, the Government was ready to grant bigger concessions to the British investors and the Director General of British Federation of Industries (March, 1958) 'revealed that British investors were invited to join the Indian Government on a minority ownership basis and yet with full managerial control, the Government transferring its share to the Life Insurance Corporation after the project began to make profits or in any event, within five years.' (Kidron, *op. cit.*, p. 158.)

Industrial Mission's report: The Indian Industrial Mission returned convinced that Indian and foreign capital had common interest and that possibilities of investment in the private sector were limitless: '(There is no limit to the amount of commercial credits that may be available from abroad, provided the climate is made favourable here for the raising of matching rupee capital." (*Capital*, December 12, 1957.)

The mission's report to the Government of India offered concrete suggestions: 'For the raising of rupee capital, it is essential that both personal and corporate savings should be promoted. In order to promote them the Government of India should modify the present tax structure, reorganize the country's existing credit institutions and banking system so as to create a capital market and leave royalties on joint enterprises to be settled between the concerned foreign and Indian manufacturers." (*Hindu*, November 18, 1957.)

G. D. Birla asked the Government to stop borrowing from abroad because, ultimately the problem of repayment will become acute ... It would be better to create a favourable atmosphere in which foreign capital would feel encouraged to invest in our enterprises ... The question of repatriation of capital would normally not arise so long as private enterprise is allowed to function with a reasonable degree of freedom." (*Capital*, April 17, 1958.)

Birla's views were elaborated into a resolution by the Federation of Indian Chambers of Commerce and Industry: "The Federation is of opinion, and feels that Government concurs in its views, that as far as possible foreign exchange should be less in the form of loan and more in the form of investment. The Federation, therefore, feels that in consultation with those foreigners who are willing to invest in India ... any reasonable difficulties felt by them should be removed to facilitate their investments. The Federation notes with satisfaction the efforts made by individual industrialists ... to get foreign collaboration and foreign exchange aid as far as possible through their own efforts, to start or expand various industries, and trusts that Government will make it easy for them to make such arrangement, without, of course, undue loss to the country." (*Proceedings of the Federation of the Indian Chambers of Commerce and Industry, 1959, Vol. III,* p. 43.)

The mission laid the basis of a united private sector front and collaboration became the guiding principle of industrial expansion.

Finance Minister's visit to West: The following year, the Finance Minister visited capitals of western countries to explain the ultimate objectives of economic reconstruction in India. At a meeting of the Far-Eastern Congress (New York) T. T. Krishnamachari said: "Let me say quite categorically that socialism in India indicates nothing more sinister than a society in which there is equality of opportunity ... The basic desiderata of the egalitarian society as we understand it are precisely those of the American society as it now exists." (Cited in *The Call*, December, 1957.)

At an international conference of industrialists at California, H. V. Ienger, Governor of the Reserve Bank, said: "The socialism contemplated in India does not, by any stretch of imagination, mean communism; it does not mean state capitalism... It is a system under which private competitive enterprise has and will continue to have a vital role to play; it is a system which respects private property and provides for private prosperity and provides for the payment of compensation if such property is acquired by the state. I submit there is nothing in the system which should be repugnant to the social conscience of the U.S.A." (Cited in *The Call*, May, 1959.)

Foreign investors and taxation : The Finance Minister's tour yielded results and the Western Bloc organized a relief operation. The *Aid India Club* came into being and India received \$ 600 million in loan. Yet the foreign investors were not ready to pour money in the expansion of industries for the Government took away the major part of profits. The representatives of foreign capital suggested reduction of taxes. When the Associated Chambers of Commerce and Industry met towards the end of 1957 J. D. K. Brown said : "We must, nevertheless, utter a warning that unless the present trend of heavy and increasing corporate taxation is revised before very long the inevitable consequences must follow. These consequences must be very unpleasant—to all concerned—capital, labour and the Government... in a country which has still such a long way to go before it can hope to get within the reach of its economic goal. We feel that far too great a proportion of the total tax burden is levied on corporate enterprise and those who make it work... We say firmly that the best hope for steadily expanding revenues from the so-called private sector is in an enlightened tax policy which, shorn of its present ambiguities and contradictions, will encourage steady growth and expansion of existing businesses by enabling them to maintain their full capital resources in terms of real value and at the same time providing some portion of the finance required for the orderly development... Some immediate sacrifice of revenue must be made if existing industry is to continue to play its part in the development of the country and if private foreign capital is to be attracted to India in any worthwhile manner." (*The Statesman*, December 17, 1957.)

Pandit Nehru's presence at the meeting was significant. His address was a theoretical defence of the state sector and he said little on taxation.

Concession to foreign investors : The Government acted quickly and concluded an agreement with the United States for payment of profits in dollars and a permanent branch of the World Bank was established at Delhi.

The corporate taxation and royalty were reduced in 1959 and the following countries were exempted from double taxation: U.S.A., Sweden, Norway, Denmark, West Germany.

The Government of India simplified the process of collaboration by setting up the Indian Investment Centre, an autonomous organization with branches abroad, to advise on the collaboration projects between foreign and Indian capital. Foreign firms were invited to fill in industrial gaps, 'as a rule ... not in the industries listed in Schedule A of the Industrial Policy Revolution of 1956 ... except where, after full consideration, this is found to be in the public interest' and no ratio between foreign and domestic capital was fixed, though an Indian majority would be generally welcome but the extent of foreign share-holding would be judged on merits'. (*Company News and Notes*, August, 1964.)

Oil and foreign companies : With the abridgement of the state sector, the Government tried to preserve the core of the plan and oil illustrates it. Facts are interesting and merit a recital. Anglo-Persian Oil Company was the principal supplier, and prices were fixed arbitrarily. Shipped to India a barel cost 160*s*, while the price at the refinery was 32*s*. Oil cost Rs. 100 crores in foreign exchange a year. About the time of transfer of power the Government of India 'was considering an intensive oil prospecting programme with the aid of up-to-date machinery and experts imported from America and Russia ... contacting Russian authorities to find out if and how the import of Russian oil could be revived, securing a share in the management and control of oil companies and in the distribution and fixation of prices for petrol, and obtaining facilities for Indians to receive training in the business as well as the operational side of the oil industry.' (*Economic Weekly,* May 9, 1947 and *Capital,* July 10, 1947.)

The plan abandoned, the Government tried to secure the co-operation of foreign companies in setting up refineries. Negotiation dragged on for three years and finally broke down. Nationalization of the Anglo-Persian Oil Company led to a sharp rise in prices and the Government was compelled to find an alternate source of supply. Negotiations are reopened with foreign companies and agreement on the construction of refineries was completed.

Again, the question of prices cropped up and the Government appointed a committee to enquire into prices particularly in Assam, where a refinery worked. Price of oil in Assam was the subject of a heated debate in Parliament and the debate revealed that the company was earning profits between 100 and 300 per cent. The debate led to a reduction of prices by 4 annas a gallon at Shillong and by 2 annas in other parts of Assam.

Oil and Socialist bloc : Little was heard for a time and the companies invested heavily in the refineries. Though fully aware of the high price India was made to pay, the Government could do nothing to modify the terms of the agreements. The Government's efforts to secure co-operation of other foreign companies met with little success. The dead-lock came to an end in September 1955 when K. D. Malaviya returned from Moscow with the outlines of an agreement on exploration. In January 1956, the Soviet team of experts suggested prospecting in Combay (Gujrat). India and Rumania concluded an agreement for the supply of technicians and of a drilling rig. In 1956, three Soviet rigs were set up and the Government decided to extend prospecting to other areas. The Soviet and Rumanian technicians supervised prospecting.

State partnership : Now the Government decided to exact concessions from the foreign companies by making state partnership a condition for issuing prospecting licences. Standard Vacuum agreed on the terms of state partnership and Assam Oil converted itself into a rupee-company with one-third Government share for prospecting licence covering 800 square miles. State partnership accepted, the Government tried to reduce foreign investments to less than a half. 'Not one farthing less than 51 per cent,' said Maulana Azad, who was then Minister-in-Charge of Natural Resources. The industrial policy resolution had put oil under Schedule A, thus reserving the industry for the state sector. Later the Government drew back and foreign private companies were invited to prospect on mutually acceptable terms. Foreign companies awaited development and negotiations continued. Oil India was granted a licence to prospect and the company's financial participation was halved.

Again prices and profits challenged the attention of Parliament and the Government offered to examine profits earned by the refineries (Aug. 1957). The companies acted quickly and Burmah-Shell and Standard Vacuum surrendered their right of duty protection on motor spirit by 2 annas per gallon.

The Suez war led to a rise in prices, though the sources of supply were east of the canal. The Minister asked the company to revise the prices (Aug. 1957). Another request was made in October, 1957. Negotiations continued and yielded nothing. In May 1958, the Government of India 'considered it necessary to examine the quantum and propriety of all charges included by them (companies) in their selling prices of each product.'

Refineries in State Sector : Revision of prices meant diminution of profits and the companies were not ready to part with profits. The companies are allied with international combines and monopoly could be breached by building more refineries in the state sector. The Government proceeded to it. K. D. Malaviya visited Eastern Europe and returned with an agreement for a refinery at Nonamati near Gauhati to be set up and financed by Rumania. The Soviet Government offered to build another refinery at Barauni and granted a credit of Rs. 11.91 crores.

In October 1959, the directorate of oil and natural gas was converted into a statutory body by an act of Parliament for the development of petroleum resources and sale of petroleum and petroleum products produced by it.

Indian Oil Corpn. was formed and it became the principal supplier to the Government. Formation of Indian Oil was a step towards building up an organization capable of distributing the products when the refineries (in the state sector) were commissioned. Of the total product, a tenth went to Indian Oil and the rest was distributed by the companies. The companies wanted to make good the loss by increasing production. Burmah-Shell offered to forgo a part of duty protection and the Government accepted it. Another bargain was struck with the Standard Vacuum.

By the middle of 1960 when International oil market faced the problem of disposing the surplus the Soviet authorities offered to supply crude at prices below 15 per cent ruling prices. In June 1960, an agreement was concluded for the supply of 1½ million tons at a discount and the quantity increased to 2½ million tons at the end of the year. Assured of the supply at lower prices, the Government raised objections to various clauses of the agreement. Companies refused to refine the Soviet crude when requested by the Government.

World Bank on India's oil policy : The Government set up the Oil Price Enquiry Committee. With the arrival of Soviet oil Indian oil was compelled to wage a war of rates. The companies reduced prices and the Government suspended shipment of Soviet oil. In 1960, a mission of World Bank suggested modification of the oil policy : "There is a good prospect that the inflow of business capital will be larger in the third Plan than in the second, but, apart from oil, private foreign investment cannot be expected to make a major contribution to the financing of the Plan—the amounts involved are too small. The policy pursued by the Indian government over the past few years of excluding private capital from further investment in oil and refineries has added very considerably to the immediate pressure on foreign exchange reserves. A change in this policy could free significant amounts of foreign exchange for other uses during the third Plan by attracting additional foreign capital into the oil industry." (*Capital*, Sept. 8, 1960.)

Oil and Aid India : Oil diplomacy went to work to make Government of India modify the oil policy. Aid India Club suggested that 'it is hardly its job to make good foreign exchange deficits that could be avoided by a different oil policy.' B. K. Nehru, Indian Ambassador to the U.S.A., paid a visit to Delhi and succeeded in winning the Government to the view of the World Bank. The Aid India Club met in Washington and secured far reaching concessions to the companies. Members of the Aid India Club agreed to raise a sum of Rs. 616 crores for the 1st year of the 3rd Plan.

The Oil Price Enquiry Committee recommended reduction of prices by 10 per cent. The companies rejected the recommendation, yet they were granted foreign exchange 'to buy crude requirements abroad'. A proposal to nationalize refineries was turned down by the Upper House.

New Refinery : With the outbreak of border conflict with China there was a sudden rise in domestic demand and the Government let the companies increase production by 50 per cent. Oppositions to the establishment of refineries in the private sector softened and the Government of India concluded an agreement with Philips Petroleum, U.S.A. to build and operate a refinery at Cochin. The agreement entitled the Government to hold 51 per cent of shares and Philips 25 per cent. Though financial participation was limited, Philips was permitted to appoint the Managing Director and to construct the refinery. Other concessions included a high processing margin for 10 years, irrespective of prices of crude and royalties.

The agreement arrested left swing, and set the pattern of negotiations for the construction of other refineries. The Western critics of the state sector were not satisfied and early in 1960, the World Bank's mission visited India and Pakistan and found that, 'the issue of public versus private enterprise has lost some of its sharpness . . . because it has become widely recognized that both sectors of the economy have their contribution to make.' (World Bank, *Report of the Banker's Mission to India and Pakistan,* 1960, pp. 17-18, 25.)

World Bank and State Sector: Another report of the experts of the World Bank suggested a change in the Govt's oil policy to enable private interest to participate in industrial expansion. On coal mining industry, the report was categorical, 'the private collieries should be encouraged to raise all the coal they can, restrictions on the issue of new mining leases should be lifted and prices should be adjusted to provide with larger resources for investment.' (*Capital*, Sept. 8, 1960.) The experts questioned the wisdom of investment in another steel plant while the possibilities of achieving further expansion in the private sector were unexplored.

Achievements of Second Plan : Officially the Second Five-Year Plan was completed in March, 1961. During the five years (1956-61) national income rose from Rs. 10,480 crores to Rs. 12,530 crores (an increase of 19.5 per cent) while per capita income rose from Rs. 267 to Rs. 288, an increase of 7.8 per cent.

During the Second Plan production of foodgrains fell below the target set by the Planning Commission and causes of the failure were many. The Planning Commission pointed out the important causes : "Greater progress might have been achieved during the Second Plan if the benefits of the substantial investment incurred, for instance, in the extension of irrigation, both from small and large irrigation works, if the establishment of seed farms could have been realized more speedily. Programme which requires large-scale participation on the part of the people, such as soil conservation, made limited progress. The consumption of fertilizer increased very slowly during the first four years of the Second Plan. This was due to shortage of foreign exchange and to the inadequate progress made to establish new fertilizer plants. When the agricultural targets were reviewed... it was specially emphasized that the programme for the multiplication of improved seeds, for the use of fertilizers and for irrigation, soil conservation, etc. would be implemented so as to yield maximum benefits within the shortest time. It was envisaged that there would be a carefully worked out programme for covering every acre of land enjoying irrigation or assured rainfall with the improved seeds and that the supply of fertilizers and organic and green manures would be ensured. Sufficient progress was not made in these directions... In the Second Plan it was proposed to bring under irrigation an additional area of 12 million acres from major and medium projects. When the plan was reviewed in 1958, this was reduced to 10.4 million acres. In several states, the programme lagged behind on account of inadequacy of technical personnel. In some cases, progress was retarded owing to short supply of essential materials; such as steel, cement, coal, etc. Also, in the past, under the pressure of local or regional demands, some projects have commenced despite incomplete investigations and inadequate surveys, and this has resulted in these projects lingering on, with consequent delay in accrual of benefits from them. Increase in wages and costs of materials have also led to the reduction in the physical achievements anticipated from the outlay." (Planning Commission, *the Third Five-Year Plan,* p. 303, 383.)

The Planning Commission summed up the growth of industries both in state and private sectors: "In this short space of time, three new steel works, each with 1 million tonnes capacity, have been completed in the public sector and two existing steel works in the private sector have been doubled... The foundations have been laid of heavy electrical and heavy machine-tools industries, heavy machine building and other branches of heavy engineering... In the field of chemical industries, there has been an advance on a wide point... The output of many other industries has increased substantially... There can be no doubt that in the industrial field far-reaching gains have been secured. It must, however, be recognized that this success, considerable though it is, has so far been insufficient to make any great impact on the general conditions of the mass of the population or radically to alter the structure of the economy. Moreover, compared with the industrial targets which the country set itself, there have been some large shortfalls. Thus, while the setting up of three new steel plants, under the Second Five-year Plan, was by itself a most impressive achievement, their combined output was only 0.6 million tonnes in 1960-61 as against the target of 2 million tonnes. Similarly in the case of Tata Iron & Steel Works production has fallen short of the target set for the Second Plan period, the actual output of salable steel for the five-year period being only 4.5 million tonnes as against 5.2 million tonnes reckoned upon in the 1955 forecasts. In the field of fertilizers, the expansion of the Government Sindri Fertilizer Factory and, in the private sector the ammonium chloride project of Baranasi were not completed till 12 to 18 months after the scheduled date and have since been facing serious teething trouble in reaching capacity output. The three new fertilizer plants, in the public sector... have all been delayed by one or two years; whereas they were all planned to be more or less in production in 1960-61, the Nangal plant came into partial production only in January, 1961, the other two are still under construction. The delay in their case, as also in that of the Heavy Electrical Project at Bhopal, is mainly due to foreign exchange difficulties. The same can be said of the heavy machinery, the mining machinery and the foundry forge projects. All these three projects which should by now have been quite far advanced in their construction are still in their initial stage and instead of making a variable contribution to the Third Plan will only begin to yield output at the end of it. In the case of the project for the manufacture of organic intermediates, which is of cardinal importance for the dyestuffs, plastic and drug industry, the delay in implementation has been due, apart from the time involved, in defining the exact scope and content of the project and other preliminaries, to difficulties in concluding negotiations with overseas collaborators... The main industrial targets which have not been achieved are those set for iron and steel, fertilizers, certain items of industrial machinery...The shortfalls have unfortunately occurred in some of the very industries which are of crucial importance and have deprived the economy of benefits for the start of the Third Plan. (*Ibid.*, pp. 452-54.)

On the completion of the Second Plan the number of the unemployed rose to 9 million and the number of the under-employed varied between 15 and 18 millions.

Plan and private sector : The private sector fulfilled its targets. In the First Plan private investments reached Rs. 1,800 crores and in the Second Plan overshot the mark of Rs. 2,400 crores or nearly 40 per cent. The increase in investment led to the concentration of economic power and an analysis of finances of joint stock companies throws light on the degree of concentration. Paid-up capital of 28,250 joint stock companies at work (1957-58) amounted to Rs. 1.059.5 crores. Companies having paid-up capital less than five lakh rupees numbered 25,000 and total paid-up capital of these companies stood at Rs. 161.5 crores. In other words, paid-up capital of 88 per cent of the joint stock companies was about 15 per cent of the total paid-up capital of all the joint stock companies. At the top, there were 26 joint stock companies each with paid-up capital of Rs. 1 crore and above and the paid-up capital of these companies totalled Rs. 355.8 crores. These companies, though forming 0.4 per cent of the total number of companies, claimed 33.5 per cent of the total paid-up capital.

Concentration of economic power was followed by the concentration of control of production in various sectors of the economy and the Census of Indian Manufacturers (1957) conducted by the Government of India brings out the degree of concentration. The Census covered as many as 29 groups of industries and 6,780 factories. 4,969 factories employed less than a 100 workers while 506 giant factories employed more than a 1,000 workers. The small factories contributed 16 per cent to the total of gross industrial products and the share of the big ones was 53 per cent.

The big industrial establishments are controlled by a limited number of persons who form the managing agency and determine the composition of directorships of companies managed by them. An analysis of representation on the boards of joint stock companies reveals the degree of concentration of economc power.

During the period 10 families held 619 directorships of joint stock companies in Eastern India and they were Singhania (107), Dalmia and Jain (103), Ruia (80), Birla (69), Goenka (55), Poddar (55), Bangur (52), Jatia Brothers (51), Thapar (35), and Tata (21). (Figures within brackets indicate the number of companies controlled by each group.)

Of the composition of directorship in Western India, two research officers (of Company Law Administration) produced an illuminating study : "Our study reveals that the total number of directorships of the 117 big-sized companies of the Western Region, comprising the present states of Maharashtra, Guzrat and Madhya Pradesh totalled 917 held by 546 per cents. On the average a person who served as a director in any of these companies held 1.7 or in rounded terms two of 117 companies. On the All-India basis, the aforesaid 546 persons held a total of 4,174 directorships on the boards of 1,905 companies. On a country-wise basis, the average number of directorship held by a person came to 7.6 or in rounded terms eight directorship." (Cited in A. Roy, *Planning in India*, p. 416.)

THIRD FIVE YEAR PLAN: Drafting of the Third Five Year Plan commenced towards the end of 1958. It went through many stages and the final form was approved by Parliament in August 1961. The planners undertook to build up an egalitarian system :

"It is a basic premise in India's Five Year Plans that, through democracy and widespread public participation, development along socialist lines will secure rapid economic growth and expansion of employment as well as equitable distribution, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society. These are vital objectives. Economic activity must, therefore, be so organized that the tests of production and growth and those of equitable distribution are equally met.

"Firstly, a socialist economy must be efficient, progressive in the approach to science and technology, and capable of growing steadily to a level at which the well-being of the mass of the population can be secured. In underdeveloped countries, a high rate of economic progress and development of a large public sector and a cooperative sector are among the principal means for effecting the transition towards socialism.

"Secondly, a socialist economy should ensure equal opportunity to every citizen. As a first step, it should provide for the basic necessities, in particular, for food, work, opportunity for education, reasonable conditions of health and sanitation, improvement in conditions of housing, and a minimum level of income which, in the given circumstances, will ensure tolerable living standards.

"Thirdly, through the public policies it pursues; a socialist economy must not only reduce economic and social disparities which already exist, but must also ensure that rapid expansion of the economy is achieved without concentration of economic power and growth of monopoly.

"Finally, the greatest stress should be placed on social values and incentives and on developing a sense of common interest and obligations among all sections of the community. The aim of public policy is to help build up a society which is fundamentally integrated from within and derives its strength from common values and a sense of shared citizenship." (Planning Commission, *Third Five Year Plan—Summary*, pp. 4-5.)

The principal objectives were:

(1) to secure an increase in national income of over 5 per cent per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent plan period;

(2) to achieve self-sufficiency in foodgrains, and increase agricultural production to meet the requirements of industry and exports;

(3) to expand basic industries like steel, chemical industries, fuel and power and establish machine-building capacity so that the requirements of further industrialization can be met within a period of ten years or so mainly from the country's own resources;

(4) to utilize to the fullest extent possible the manpower resources of the country and to ensure a substantial expansion in employment opportunities; and

(5) to establish progressively greater equality of

opportunity and to bring about reduction in disparities in income and wealth and a more even distribution of economic power. (*Ibid.*, p. 17.)

The total investment (in the Third Plan) was estimated at Rs. 11,600 crores. Of the total, investment in the state sector was fixed at Rs. 7,500 crores and at Rs. 4,500 crores in the private sector. The plan aimed at increasing national income by 30 per cent and per capita income by 17 per cent.

The Planning Commission set the following targets :

TABLE 47

SELECTED TARGET OF THIRD FIVE YEAR PLAN

Item	*Unit*	*1960 61*	*1965-66*	*Percentage increase in 1965-66 over 1960-61*
index number of agricultural production	1949-50 = 100	135	176	30
foodgrains production	million tons	76	100	32
nitrogenous fertilizers consumed	000 tons of N	230	1000	335
area irrigated (net total)	million acres	70	90	29
cooperative movement : advances to farmers	Rs. crores	200	530	165
index number of industrial production	1950-51 = 100	194	329	70
production of :				
steel ingots	million tons	3.5	9.2	163
aluminium	000 tons	18.5	80	332
machine tools (graded)	value in Rs. crores	5.5	30.0	445
sulphuric acid	000 tons	363	1500	313
petroleum products	million tons	5.7	9.9	70
cloth :				
mill made	million yards	5127	5800	13
handloom, powerloom and khadi	million yards	2349	3500	49

Item	*Unit*	*1960-61*	*1965-66*	*Percentage increase in 1965-66 over 1960-61*
total	million yards	7476	9300	24
minerals :				
iron ore	million tons	10.7	30.0	180
coal	million tons	54.6	97.0	76
exports	Rs. crores	645	850	32
power :				
installed capacity	million kW	5.7	12.7	123
railways :				
freight carried	million tons	154	245	59
road transport :				
commercial vehicles on road	000 numbers	210	365	74
shipping : tonnage	lakh GRT	9.0	10.9	21
general education :				
students in schools	million nos.	43.5	63.9	47
technical education :				
engg. and technology-degree level intake	000 numbers	13.9	19.1	37
health :				
hospital beds	000 numbers	186	240	29
doctors practising	000 numbers	70	81	16
consumption levels :				
food	calories per capita per day	2100	2300	10
cloth	yards per capita per annum	15.5	17.2	11

(*Ibid.*, pp. 22-23)

Cost of developing industries and minerals in the state sector was put at Rs. 1,800 crores and the foreign exchange component at Rs. 8,00 crores.

Third Plan and Aid from Socialist bloc: Economic aid from the socialist bloc had started flowing too late to be listed with the Second Plan. By the beginning of the Third Plan socialist aid covered eight of the sixteen India Government's projects carried over from the Second Plan, and twenty-two new projects for which external aid was guaranteed. The credit from the socialists bloc accounted for more than half the foreign exchange expected to be spent on these projects and nearly one-third of the total investment.

The following were key projects in the programme of heavy industrialization in the Third Plan :

TABLE 48

	Project	*(Rs. crores) Location*	*Total Invest-ment*	*Foreign Exchange*	*Loans and Technical Aid from*
A.	Projects under execution and carried over from the Second Plan :				
1.	Hindustan Steel (three plants)	a. Rourkela	50	20	West Germany
		b. Bhilai			USSR
		c. Durgapur			Britain
2.	Rourkela Fertilizer factory	Rourkela			Uncertain
3.	Heavy Machinery plant	Ranchi	80	55	USSR
4.	Foundry Forge shop	Ranchi			Czechoslovakia
5.	Mining Machinery plant	Durgapur			USSR
6.	Heavy Electricals plant	Bhopal	16	7	Britain
7.	Drug Projects :				
	a. synthetic drugs plant	Sanatnagar, AP			
	b. antibiotics plant	Rishikesh, UP			
	c. phytochemicals plant	Munnar, Kerala	30	15	USSR
	d. surgical instruments plant	Guindy, Madras			
8.	Organic Intermediates plant	Panvel, Maharashtra	11	6	West German Consortium

	Project	*(Rs. crores)* *Location*	*Total Invest- ment*	*Foreign Exchange*	*Loans and Technical Aid from*
9.	Expansion of Hindustan antibiotics	Pimpri, Maha- rashtra	neg		US
10.	Trombay Fertilizer factory	Trombay, Maha- rashtra	25	13	US
11.	Nahorkatiya Fertilizer factory	Nahor- katiya, Assam	12	7	Britain
12.	Neiveli Fertilizer factory		16	12	Italo-W. German Consorti- um
13.	Briquetting and carbonization plant	Neiveli, Madras	14	9	US
14.	Thermal Power plant		10	6	USSR
15.	Nunmati Oil Refinery	Nunmati, Assam	9	5	Rumania
16.	Barauni Oil Refinery	Barauni, Bihar	23	8	USSR

B. New projects in the Third Plan :

1.	Expansion of Heavy Machinery plant	Ranchi	14	11	USSR
2.	Expansion of Foundry forge project	Ranchi	10	6	Czecho- slovakia
3.	Expansion of Mining machinery plant	Durgapur	15	10	USSR
4.	Second and third Heavy Electricals a. b.	a. Hyderabad, AP b. Hardwar, UP	69	45	Czecho- slovakia USSR
5.	Heavy Machine Tools project	Ranchi	11	9	Czecho- slovakia

	Project	(Rs. crores) Location	Total Invest-ment	Foreign Exchange	Loans and Technical Aid from
6.	Precision Instruments project	Kotah, Rajasthan Palghat, Kerala	8	6	USSR
7.	Ophthalmic Glass project	Durgapur	3	2	USSR
8.	Raw Film project	Ootacamund	8	5	France
9.	Watch Factory	Bangalore	3	2	Japan
10.	Expansion of Steel plant	Bhilai	138	56	USSR
11.	Expansion of Steel plant	Durgapur	56	27	Britain
12.	Expansion of Steel plant	Rourkela	90	50	West Germany
13.	Expansion of Hindustan Machine Tools	Bangalore	3	2	France
14.	Basic Refractories project	Bhilai	3	2	USSR
15.	New Machine Tools works	Pinjore, Punjab	5	3	East Germany
16.	Gujerat Oil Refinery	Koyali, Gujerat	30	15	USSR
17.	Expansion of Praga Tools	Secunderabad (AP)	1	1	Poland
18.	Heavy Structurals works				
19.	Heavy Plate and Vessels works	Undecided	12	17	Uncertain
20.	Fertilizer factory	Gorakhpur	18	8	Japan
21.	Security Paper Mill	Hoshangabad (MP)	6	4	Britain
22.	Expansion of Hindustan Cables	Rupnarainpur (WB)	4	1	Britain

(Planning Commission, *Third Five Year Plan*, pp. 493-5.)

Aid India Consortium : Besides the socialist bloc, Aid India Consortium is an important source of financial assistance. The original members of the consortium were World Bank, United States, West Germany, Britain, Canada and others of the Western bloc joined the consortium later.

Mechanism of aid giving and aid receiving is complex. An examination of workings of the consortium will help assess the actual impact of aid upon the economy of the country. Here is an analysis of the workings of the consortium :

"An important distinction is that between project aid and non-project aid. The former is a specific sum of money which is intended to cover the foreign exchange cost of an identifiable project within the total aid allocation. Such aid need not cover the whole foreign exchange component of the project, though it normally does. Donors provide aid to the Government of India, which makes funds available, on its own terms, to the authority responsible for the project. Conditions may be attached by the donor to consultancy, supervision, bidding for contracts, shipping arrangements. These 'strings' are of a different nature from the more general 'conditions' relating to performance in the economy at large.

"Non-project aid refers to all other goods provided under the aid programme : primary products, semi-finished products, spare parts, components, machine tools, equipments which are needed to keep existing firms going or to start new projects generally to support the balance of payments. Most of the U. K. non-project aid consist of general purpose loans, which the Indians are free to spend on a wide range of imports from the donor country.

"In addition to being tied to projects, aid may be tied to purchase in the donor country. This is procurement tying. At present nearly all bilateral U. S. aid and over half of bilateral U. K. aid is wholly or partially tied in this manner. Only a small portion of German aid is formally tied, though in effect the proportion is much higher, for the Germans tend to avoid making commitment for projects in sectors in which German firms are not competitive. Donors tie their aid to protect their balances of payments. For the recipient country the main disadvantage is that it cannot buy its imports in the cheapest market.

"Double-tying occurs when aid is both project and procurement tied. Donors double-tie to make it more certain that aid will produce extra demand for their goods. With procurement-tied aid for programmes, a recipient can select those commodities he would buy from the donor in any case. Double-tying makes such selection more difficult, since it is unlikely that a single donor will be the cheapest suppliers of all the goods required for a project.

"There are three stages in the process of aid-giving and aid-receiving: pledging, committing and disbursing. First, each donor pledges a total amount at the meetings of the Aid India Consortium. Pledges of one donor influence pledges of others. At the next stage, the pledged aid is *committed, allocated* or *authorized.* At this stage aid is divided between project and non-project aid. The final stage is that of utilization. The rate of disbursement is clearly faster for non-project aid than for project aid, because the range of imports is wider, and for soft loans than for hard loans, because higher interest rates, payable when goods have been ordered, induce greater caution in giving orders." (P. Streeten and M. Lipton, *The Crisis of Indian Planning,* pp. 323-324.)

Project-tied aid is expensive and India has to pay 20-30 per cent above the ruling prices for the imports. To the high price of imports must be added the costs of debt services. The table shows the repayment of external debt and the interests on loans (including the private sector). Debts to the International Monetary Fund are excluded :

TABLE 49

Year	Capital repayments	Interest payment	(Rs. crore) Total
1960-61	29.0	20.9	49.9
1961-62	58.8	35.0	93.8
1962-63	50.3	40.1	90.4
1963-64	50.4	45.1	95.5
1964-65	83.3	56.7	140.0

(Government of India, *Economic Survey 1964-65,* p. 40.)

During 1962-66 India's debt servicing obligations rose by 84 per cent while exports by 14 per cent. (World Bank, *Annual Report 1965-60*, p. 33.)

The consortium expanded rapidly, yet the total amount of aid fell off with the onset of a serious crisis in foreign exchange. In fact, 'In 1961, the United States put a ceiling on future contributions, to be reached only if there were matching credits from other countries; a year later she ostentatiously stopped soliciting on India's behalf in Europe. The Club's fourth meeting, convened in June 1961 to raise funds for the first two years of the Third Plan, fell short of its target by a tenth; a fifth meeting scheduled for the autumn had to be postponed until January 1962, and still produced no further contributions; a sixth, again postponed from May to the end of July, added something but still not enough to reach the original target.

'The reasons for the decline are complex: the continuing see-saw weakness of the dollar and the pound, and a temporary decline in Western Germany's surpluses on foreign account had something to do with it as did—from 1962 onwards—the growing insularity of Franco-German Europe. Fed by the obvious failure of their (largely military) aid programmes in Asia, the US Congress's natural antipathy to foreign aid as such hardened irremediably throughout the sixties. While other countries, notably Pakistan, had been inspired by India's example to press for, and gain, Aid Consortia of their own, the purely bookkeeping resources that sustained some of the initial contributions were quickly spent. India contributed to the growing discontent by rejecting, after protracted diplomatic parleys, Western counsels not to absorb Goa at the end of 1961, not to buy Russian military aircraft the following summer, and not to aggravate Pakistan—then beginning to chafe at the constraints of exclusive commitment to the West—over Kashmir. Overall, there was the unsteady, interrupted, but none the less substantial thawing of the Gold War between the Russian East and the West, and the rapid transition of the Sino-Indian development race into open hostilities.

'Not even the Himalayan war has reversed the trend. After an initial Indo-Western honeymoon marked by an immediate, favourable response to India's request for arms aid and a number of concessions in return, Western policies came up against India's resistance to settling the Kashmir issue; and, soon after the fighting ceased, many of the long-term trends re-asserted themselves. The United States and Britain proved reluctant to meet many of India's requests for military equipment, refused to supply the supersonic fighters which topped her shopping list and left her to find, independently, the \$ 1,400-1,700 million of extra foreign exchange she considered necessary for military purchases during the remaining years of the Third Plan. Consortium aid followed its downward course: the \$ 1,250 million requested for 1963-4 was met by an offer of \$ 850 million in April 1963, raised to \$ 915 million in June and \$ 1,052 million in August—still below the \$ 1,070 raised the year before and the \$ 1,295 the year before that; France and Germany cut aid drastically; the United States lowered their ceiling from \$ 500 to \$ 450 million while still making it conditional on matching contributions from others; and the saga of negotiations on a United-States-aided steel mill at Bokaro finally petered out in August, with an adverse decision in the American Congress. The following year, Consortium aid fell slightly further to \$ 1,028 million, albeit on easier terms.' (Kidron, *op. cit.*, pp. 120-122.)

Table no. 50 shows the total aid pledged by the Consortium :

During the last year of the Third Plan, there were 'delays in tying up the needed external credit and the virtual suspension of bulk of credits'. (*Fourth Five-Year Plan—A Draft Outline*, p. 5.)

Bokaro : Of the inner story of negotiations with U.S. on the construction of another steel plant (state sector) little is known. Prof. Galbraith, then U.S. Ambassador to India, tried to talk the Kennedy Administration into shedding the prejudice against the state sector. Prof. Galbraith did not succeed in his efforts and resigned. On September 11, 1963 the Union Minister for Steel, Mines and Metals

TABLE 50

ASSISTANCE PLEDGED BY THE AID INDIA CONSORTIUM

(*Rs. Crores*)

Source of the Loan	*1961-62*	*Aid Pledged in :* *1962-63*	*1963-64*	*1964-65*	*Cumulative Total*	*Total amount for which agreements had been signed upto 30-9-64*	*Total value of orders placed upto 30-9-64*	*Total amount disbursed upto 30-9-64*
1. Austria	...	2.38	3.33	0.48	6.19	6.11	4.00	1.63
2. Belgium	...	4.76	4.76	...	9.52	9.52	4.71	...
3. Canada	13.33	15.71	14.53	19.52	63.09	51.45	28.52	21.48
4. France	7.14	21.43	9.52	9.52	47.61	47.61	26.00	N.A.
5. West Germany	107.14	66.19	47.38	45.24	265.95	265.81	208.57	123.82
6. Italy	...	25.24	21.43	17.14	63.81	64.18	17.38	6.92
7. Japan	23.81	26.19	30.95	28.57	109.52	109.52	73.81	34.70
8. Netherlands	...	5.24	5.24	5.24	15.72	15.78	3.33	0.53
9. United Kingdom	86.67	40.00	40.00	40.00	206.67	199.32	155.81	108.47
10. U.S.A.	259.53	207.14	207.14	207.14	880.95	630.20	447.24	342.54
Total of countries	497.62	414.28	384.28	372.85	1,669.03	1,399.50	969.37	640.09
I.B.R.D. and I.D.A.	119.05	95.24	116.67	116.67	447.63	284 99	177.57	116.18
Grand Total :	616.67	509.52	500.95	489.52	2,116.66	1,684.49	1,147.94	256.27

(Government of India, *Economic Survey 1964-65*, Table 7 : 4) announced : "The time has come for us to withdraw the Bokaro Steel Plant from the list of projects for which we seek U.S. Aid." (*The Statesman*, Sept. 12, 1963.)

Some months later (May 1, 1964) the Minister announced the Scheme of Indo-Soviet collaboration on the construction of the fourth steel plant:

"The House has been showing great concern, which I share, about the financing of the Bokaro steel plant, particularly with reference to assistance from foreign countries towards the cost of equipment to be imported. As the House is aware, after we had withdrawn the request for assistance for this project from the United States of America, we had planned to float global tenders of specifications drawn up by our consultants. Our intention was that on the basis of the successful tenders, we should negotiate credit from various countries. Steel plant manufacturers in various countries had shown considerable interest to participate in the tenders. We were exploring the possibility of securing collaboration from the USSR, who have extended large-scale assistance to us in a number of heavy engineering, electrical and steel projects.

"I have great pleasure in announcing for the information of this House and the country that the Government of the USSR have now expressed their willingness to assist India in the building of the integrated Bokaro steel plant. The first stage of the project is intended to produce 1.5 million tons of ingots and will have a built-in provision for expansion to produce four million tons ultimately. The assistance which the USSR has now offered will be for building the first stage of Bokaro up to 1.5 million tons of ingots. Credit will be provided on the same terms as has been provided for building the steel plant at Bhilai.

"Further technical details have to be worked out and a contract entered into. For this purpose, a team of Soviet experts will be coming over here soon.

"I think this is the occasion to express our thanks to the Government of the USSR for having so readily come forward to assist us in building this national project which is of such vital importance to the growth of our country's economy. The USSR has been of great assistance to our country in the planning and building up of basic industries. I am confident that in many more such projects to come we can count on their friendly assistance..." (*The Statesman*, May 2, 1964.)

A formal agreement between the two Governments was concluded on January 25, 1965. The plant was no turn-key job. The agreement guaranteed maximum participations of Indian organizations in the designing of works and supply of equipments and materials.

While the total cost of the plant was estimated at Rs. 670 crores import of the Soviet equipment would cost only Rs. 158 crores. The Soviet Government agreed to extend the necessary credit on easy terms. Reduction of imports of equipment was made possible simply because certain branches of heavy engineering industries were developed enough to undertake production of equipment for the plant.

Achievements of the Third Five-Year Plan: During the first quarter of 1966 the Third Plan was completed. The period was full of crisis. The Himalayan War and Pak aggression led to a steep rise in defence expenditure and the burden of indirect taxes increased. During the period the all-India index of prices went up by 36 per cent. Anti-inflationary measures could not arrest the upward trend and the common man suffered most. A severe drought brought the country on to the verge of famine. Besides 'the vagaries of the monsoon rain, there was a serious failure on the part of the states to implement the programmes and projects for raising agricultural output. Significantly, no Chief Minister of the state had assumed the agricultural portfolio in his government. Most of them apparently did not share the view of the Planning Commission that programmes of land reform were crucial and had by no means been completed or fully implemented.' (G. Myrdal, *Asian Drama*, vol. I, p. 282.)

Production of foodgrains declined from 82 million tonnes (1960-61) to 72 million tonnes (1965-66). Total national income rose from Rs. 14,490 crores (1961-62) to Rs. 1,59,930 crores (1965-66). National income increased at the rate of 2.5 per cent and 1.7 per cent in the second year of the Third Plan. The downward trend was arrested in the third year when national income increased at the rate of 4.9 per cent and rose to 7.6 per cent in the fourth year. The last year of the Plan was marked by a sharp decline and national income fell by 4.2 per cent.

On the achievement of the Third Plan the Planning Commission observed :

"Although judged by aggregate statistics like national income and its rate of growth over short periods and certain broad targets like food production, the performance of the Third Plan is disappointing, there are a number of sectors where the targets were substantially reached... The rate of growth of key industrial sectors such as machinery, metals, chemicals, fertilizers, etc. has been more than 15 per cent per annum. The increase in production in industries like aluminium, automobiles, ball and roller bearings, electric transformers, machine tools, textile machinery, power driven pumps, diesel engines, jute textiles, sugar, jute, iron ore, cement, petroleum products, etc. has been substantial. The rate of growth of capacity has been even faster than that of production in several cases." (*Fourth Five Year Plan—A Draft Outline,* p. 5.)

Table 51 shows growth of key industries during 1950-66.

Investments (state sectors) rose from Rs. 7,500 crores to Rs. 8,630 crores, yet 'an appreciable part of it was neutralized as a result of rise in prices'.

During the Third Plan there was a marked change in the territorial distribution of external trade and value of exports to the socialist bloc increased from Rs. 49.6 crores (1960-61) to Rs. 156.6 crores (1965-66). Composition of exports underwent a change and besides the traditional commodities (*viz.,* tea, jute, cotton, textiles) India exported iron ore, sugar, iron and steel, and engineering goods.

Finances of State Sector: On March 31, 1966, there were 214 Government companies with a total paid-up capital of Rs. 1,247 crores. The Reserve Bank of India analysed finances of 68 companies. Of sixty-eight companies, six were giants and they formed a separate group.

TABLE 51

GROWTH OF KEY INDUSTRIES DURING 1950-66

	1950-51	1960-61	1964-65	1965-66
Finished steel (000 tonnes)	1040	2300	4430	4600
Aluminium ingots (000 tonnes)	4.0	18.3	54.1	65.0
Diesel engines—stationary (000)	5.5	43.2	74.1	85.0
Automobiles (000)	16.5	55.0	70.8	68.5
Machine tools (value in Rs. crores)	0.3	7.0	20.0	23.0
Sugar machinery (value in Rs. crores)	nil	4.2	9.1	8.0
Bicycles (organized sector) (000)	59	1071	1442	1700
Sulphuric acid (000 tonnes)	101	361	695	664
Cement (million tonnes)	2.7	8.0	9.8	10.8
Nitrogenous fertilizer (000 tonnes of N)	9	99	234	233
Caustic soda (000 tonnes)	12	99	192	218
Coal (million tonnes)	32.8	55.7	64.4	70.0
Iron ore (million tonnes)	3.0	11.0	15.1	23.0
Petroleum products (million tonnes)	0.2	5.8	8.4	9.9
Electricity generation (million kwh)	6575	20123	29280	36400

The value of production of 62 companies rose to Rs. 311.1 crores (1965-66) from Rs. 282.2 crores in 1964-65 (25 per cent rise). With the rise in production operating expenses increased from Rs. 243.6 crores to Rs. 299 crores. Profits (before tax) declined by 1.5 crores to Rs. 16.1 crores.

Gross profits of the giant companies rose from Rs. 18.4 crores (1964-65) to Rs. 54.2 crores in 1965-66. The ratio of gross profit to sales advanced from 1.3 per cent to 3.3 per cent.

Gross profits of 62 companies recorded an increase of Rs. 0.5 crores. After tax profits declined from Rs. 9.0

crores (1964-65) to Rs. 7.4 crores in 1965-66. Retained profits dropped from Rs. 5.3 crores in 1964-65 to Rs. 4.4 crores in 1965-66. Chemical companies earned higher profits. Gross profits earned by the engineering companies fell from Rs. 8.5 crores to Rs. 8.1 crores in 1965-66. Profitability declined from 6.2 per cent to 5.3 per cent.

During 1965-66 value of total assets of the giant companies increased by Rs. 289.1 crores, and a major portion was in the form of fixed assets (Rs. 205.8 crores). Addition to plant and machinery accounted for Rs. 149.2 crores.

Value of total assets of 62 companies rose to Rs. 84.8 crores while total assets of giant companies rose from Rs. 1417.8 crores to Rs. 1665.6 crores in 1965-66. The share of net fixed assets in the total net assets was 69 per cent and that of inventories was 14 per cent during the period. Value of total net assets of 62 companies rose from Rs. 378.1 crores to Rs. 457.6 crores in 1965-66.

By the end of March 1967 the number of Government companies rose to 232 with an aggregate paid-up capital of Rs. 1391.5 crores. The number of giant companies rose by two to eight. Here is an analysis of finances of 73 companies.

During 1966-67 production and net sales of giant companies recorded an increase over the previous period. Rise in production led to an accumulation of stock and finished products and inventories rose by 33.9 per cent. The net capital formation was 6.6 per cent and net assets formation was 6.1 per cent. Gross profits of the giant companies were almost halved and the companies sustained a loss of Rs. 23 crores in 1966-67.

During 1966-67 the value of production of 8 giant companies rose from Rs. 474.1 crores to Rs. 596.0 crores. Net sales recorded a rise of Rs. 105.2 crores (23.1 per cent) from Rs. 455.5 crores to Rs. 560.7 crores during the period.

Total expenditure (including payment of interests) rose from Rs. 446.9 crores to Rs. 583.3 crores and gross profits fell from Rs. 34.0 crores to Rs. 15.6 crores in 1966-67.

Value of production of non-giant companies rose by Rs. 100.3 crores to Rs. 411.0 crores in 1966-67. The net sales rose from Rs. 288.6 crores to Rs. 376.9 crores.

Gross profits increased from Rs. 24.6 crores to Rs. 36.9 crores in 1966-67.

Chemical companies of the non-giant groups recorded a sharp rise in the value of production (45.2 per cent). The engineering companies did well and the value of production went up by 26.5 per cent.

There was a fall in the ratio of gross profits to the net sales of giant companies from 7.5 per cent (1965-66) to 2.8 per cent in 1966-67. The ratio of gross profits to total capital employed declined from 1.8 per cent to 0.7 per cent. Only one company gave Rs. 4.0 crores in dividend and the ratio of dividends to paid-up capital worked out to 0.4 per cent.

The non-giant companies fared better and gross profits increased by 50 per cent in 1966-67. Profits (before tax) rose from Rs. 16.3 crores to Rs. 24.7 crores. Profits (after tax) stood at Rs. 11.9 crores, or a rise of 64.5 per cent.

The ratio of gross profits to net assets of giant companies dropped from 7.5 per cent to 2.8 per cent in 1966-67 and non-giant companies improved the ratio from 8.5 per cent to 9.8 per cent.

The giant companies increased the value of assets by Rs. 286.6 crores in 1966-67. The gross value of assets of non-giant companies went up by 125.4 crores in 1966-67. (Reserve Bank, *Bulletin,* October 1963; September 1964; September 1965; July 1967; September 1968.)

In 1966-67 production of Hindustan Steel declined by 5.5 per cent and the company sustained a net loss of Rs. 40 crores. The fall of production was caused by general economic depression. The causes of loss were many and the principal cause, according to Mr K. C. Pant, is the formula of pricing laid down by the Tariff Commission years ago. The formula is based on capital block obtaining in some of the steel plants in private sector. The formula works against the Hindustan Steel, for it has a high capital structure. (*The Statesman,* April 4, 1969.)

During 1967-68, the Hindustan Steel contributed Rs. 54 crores to the depreciation fund and paid Rs. 30 crores in interest on loans. During 10 years the Hindustan

Steel produced steel worth Rs. 1,000 crores and saved the huge sum in foreign exchange.

During 1967-68, Hindustan Steel's export earning rose to Rs. 30.9 crores. Hindustan Steel exports its products to 30 countries including the U.S.A., U.K., Australia, Japan and the Soviet Union.

Total investment in Hindustan Steel plants on capital account based on Government funds at the end of March 31, 1967 stood at Rs. 1,072.5 crores (equity Rs. 553.0 crores and loans Rs. 520.5 crores). In November 1967, the share capital increased by Rs. 5.00 crores to Rs. 557.0 crores.

Total investment in the state sector stood at Rs. 2,057 crores in 1966-67.

Part Three

MONOPOLY IN INDIA

Chapter 9

SOME MONOPOLY GROUPS

Of the evils of concentration of economic powers the planners are fully conscious: "The excessive economic power in relatively few hands and the uses to which it may be put, disturbs the balance of power in a democracy, exposes the social structure to new strains and tensions and comes in the way of diffusion of economic opportunities. The tendency towards concentration of economic power has to be countered." (*The Third Five-Year Plan*, p. 13.)

The Government has not succeeded in putting an end to the concentration of economic power and an eminent Indian economist had analysed the effects of concentration upon the economy: "Industrial enterprises in the private sector remain unaffected in their management and organization by the socialist objective, and labour laws and other measures intended to mitigate the rigour of the pursuit of private gain are either evaded by them or accepted with very bad grace. For them socialism is an unmixed evil and their avowed purpose is to impede its advance, enlarge their empire as much as possible and when they cannot prevent the adoption of socialist policies, to do all that they can to negate or undermine them. The Indian private enterprises find in the foreign-owned or controlled enterprises powerful allies, who as a rule operate under cover, and through all kinds of schemes of collaboration and the appointment of dummy directors strengthen their hold and have become even more formidable bastions of private enterprise in this country. The Indian and foreign private enterprises are working in close alliance with those who have as administrators an important share in shaping and implementing policy decisions and count upon and in fact receive support in protecting and promoting their interests. They (the Indian administrators) are being duly rewarded by being appointed to high lucrative posts in industry after retirement and in some cases find it worthwhile to retire even before time and take important positions in private firms. Interlacing of big business and high bureaucracy is a fact of increasing importance in this country and has an ominous significance. Industrial development of the country has meant increasing power of private industrial interests, and their prominent representatives not only get appointed to the boards of directors of public undertakings but otherwise exercise great power in the economy as a whole, by controlling the press, the banks and other financial institutions, and contributions to the election funds of the ruling and other political parties they are known to possess and exercise malign influence on men in high places in administration, politics and the entire economy. The economic growth of the country has greatly increased the strength and power of these interests. The basic assumption of the company law is that shareholders are the masters of the joint stock companies, and if their formal consent is obtained for the appointment or re-appointment of managing agents, terms of their agreement, appointment of the relations of directors in the firm or selling or buying contracts and similar other important matters, democratic control of major decisions in industrial management is established. This assumption, not only in India, but all over the world, is completely at variance with the facts of the case, and $4\frac{1}{2}$ to 5 lakhs of shareholders of the corporate undertakings in India, it is very well known, have no power even to influence, much less determine, policy decisions of their administration. The directors are really self-appointed at the start and every time at the renewal of their tenures, and it is pure fiction to hold that they are responsible to shareholders and under their direction and control. All the regulatory measures of the Company Law are based upon the fiction and are, on that account, lacking in positive content. The boards of directors of the joint stock companies are oligarchies everywhere and much more so in India owing to the operation of the Managing Agency System. The Managing Agencies in India exercise control of capital resources, production and assets which is largely based upon investments of shareholders who are, to repeat, in no position to exercise any control themselves, and the directors' power is derived from not their own private investments, which are, as is well known, a small fraction of the total investment, but those of the shareholders and of the accumulated reserve built from the earnings of the corporate concerns. If ownership of capital investments and the risk involved is the justification for private sector in corporate enterprise, the justification is not valid for those who own but do not control and those who control but do not own. The directors are in a fiduciary position from the legal standpoint but are virtually their own masters. The corporate form of private enterprise, to the extent to which it is a success, is an argument not for private ownership of industry but its socialization. The success is achieved not by the incentive of private gain, but presumably by a sense of public obligation. In fact, however, it means exercise of enormous economic power by the directors without rendering account to anyone except themselves and among the directors only a few really count and the rest are merely figure-heads. This fiduciary position is combined with complete allegiance to acquisitive values and power is exercised without owing responsibility to the community as a whole... There is a growing concentration of economic power in organized industry owing to, as stated above, vast resources, largely drawn from public sources, which it commands or controls and a few what are really family houses have acquired a dominant position in our economy. This process has, as is well known, been greatly helped by our 'unique' managing agency system.

The Company Acts of 1936, 1951 and 1961 provided correctives for its gross abuses and restrictive measures are intended to 'mend' the system because it is held that it cannot be ended without creating 'a dangerous vacuum'. Under the Company Act of 1956 all agreements between the managing agents and the managed companies had to be terminated by August 15, 1961, and new applications had to be made for being appointed or re-appointed as managing agents. Before the due date 1,345 companies were granted permission to have their affairs administered by the managing agents. Of these 120 were placed under new managing agents and the rest under the old well-established managing agents. Most of the important concerns, which had been managing the major undertakings of the corporate sector, were re-appointed." (Gyan Chand, *Socialist Transformation of Indian Economy*, pp. 214-218.)

The Report of the Monopolies Inquiry Commission 1965 throws light on the growth of concentration of economic power in recent years. In 1964 the paid-up capital of the corporate sector (Government and banking companies excluded) was estimated at Rs. 1465.56 crores and assets at Rs. 5552.14 crores. Of the total paid-up capital, 44.1 per cent was held by 75 groups (Indian and non-Indian) and the proportion of assets of 75 groups to non-Government and non-banking companies worked out to 46.9 per cent. Here is an analysis of finances and activities of some Indian and non-Indian groups.

Tata—The Tatas rank first among the seventy-five. The Tata group comprises 53 companies, and five of this group act as managing agents, secretaries and treasurers. In 1964, the paid-up capital of these companies stood at Rs. 10,231 lakhs and value of assets of Rs. 41,772 lakhs. In 1964 these companies did business to the amount of Rs. 32,498 lakhs. Activities of the Tata group include the following : Engineering (5), Chemicals (5), Trading (3), Textiles (5), Managing Agency (5), Iron and Steel (3), Electricity Generation and Supply (3), Edible Oils and Food (3), Finance and Investments (3), Insurance (2), Mining (1), Non-Ferrous Metals (1), Electric goods (1), others (8). One company is not doing any business. The figures within bracket indicate the number of companies controlled by the group. The network of the Tata organization is spread over the world. The Tatas have a number of companies incorporated abroad. There is Tata Ltd., London, founded in 1907. Tata Incorporated, New York, was established in 1945 and Tata International A. G., Switzerland. And of the capital owned by Tata Sons Private Ltd. about 81 per cent is held by philanthropic trusts endowed by the members of the Tata family. This raises interesting questions of taxation.

TABLE 52

TURNOVER OF MAJOR INDUSTRIES OF THE GROUP IN 1964

			(Rs. in lakhs.)
Iron and Steel	...	...	13,265
Engineering	...	...	8,568
Taxtiles (Cotton)	...	...	2,853
Tobacco	...	...	675
Edible Oils & Foods	...	...	410
Refractories	...	...	287
Electrical Goods	...	...	128
Mining	...	...	107
Non-ferrous metals	...	...	69
Electricity	...	...	1,603
Insurance	...	...	1,534
Chemicals	...	...	2,318
Miscellaneous	...	...	681
			32,498

Tata Engineering Locomotive Co. Ltd. is the top producer of automobile leaf-spring. Twenty-seven companies of the Tata group have assets above Rupees one crore each. They are :

TABLE 53

ASSETS OF THE TATA GROUP OF COMPANIES

(Rupees in crores)

Tata Iron & Steel Co. Ltd. ...	159.24
Tata Engineering Locomotive Co. Ltd.	58.49
Tata Power Co. Ltd. ...	26.30
Voltas Ltd.	21.69
Indian Tube Co. (1963) Ltd. ...	15.57
Andhra Valley Power Supply Co. Ltd. ...	13.36
Tata Hydro-Electric Power Supply Co. Ltd.	11.10
Tata Chemicals Ltd.	10.15
Tata Oil Mills Co Ltd. ...	9.39
Tata Sons Private Ltd. ...	8.94
Central India Spg. Wvg. Manufacturing Co.	6.25
Investment Corpn. of India Ltd. ...	6.10
Belpahar Refractories Ltd. ...	5.82
Swadeshi Mills Co. Ltd. ...	5.38
Tata Mills Co. Ltd.	5.10
Ahmedabad Advance Mills Ltd. .	3.47
Gokak Mills Ltd.	2.77
Sasoon David & Co. Ltd. ...	2.48
Investa Machine Tools & Engg. Co. Ltd.	2.08
West Bokaro Ltd. ...	1.96
Tata Fison Ltd.	1.94
Tata Industries (P) Ltd. ...	1.47
Forbes Forbes Campbell & Co. Ltd. ...	1.21
National Ekco & Radio Engg. Co. Ltd.	1.10
Indian Standard Metal Co. ...	1.11
Armstrong Smith Ltd.	1.01
Tata Finlay	1.11

After the Monopolies Inquiry Commission had completed the investigations four companies of the Tata group went into liquidation and the following were added to the group :

Tata Merlin & Gerin Ltd.
Unval Industry Ltd.

Tata, Sand L. Sales Ltd.
Scottish India Machine Tools Ltd.

Gross profits earned by the group amounted to Rs. 44.7 crores in 1966-67. During the same period the ratio of profit (after tax) to the paid-up capital was 16.5 per cent.

Birla—The Birla group is made up of 151 companies and stands second. Included in this number are five managing agency companies, managing 47 companies, 31 managing agents and 16 as secretaries and treasurers. Seven of the managed companies are subsidiaries of the managing agents. Twenty-two more companies are subsidiaries of the managed companies. Seventy-seven more companies are under the control of the group. Excluded from the total are the following companies incorporated outside India:

Bharat Overseas Corporation.
Pakistan Motors Ltd.
Indo-Ethopian Textile Share Co.
Indo-Nepal Industrial Corporation.
Birla A. G. Zug.
Traders International Inc.

Bharat Overseas Corpn. and Pakistan Motor Ltd. are subsidiaries of Birla Jute Manufacturing Co. Ltd. and Hindustan Motors Ltd.

Indo-Ethopian Textiles Share Co. and Indo-Nepal Industrial Corporation are managed companies of Birla Brothers (Private) Ltd.

Birla A. G. Zug. is a subsidiary of Jiyajee Rao Cotton Mills Ltd. and Traders International Inc. is a subsidiary of Birla A. G. Zug.

The Birlas are Maheswaris from Pilani in Rajasthan and they had migrated to Bombay to seek fortunes a hundred years back. Shivnarain Birla, grand-father of G. D. Birla, was in trade and used to lend money. In 1890, his son, Baldeodas came to Calcutta and opened a branch and the first industrial venture was a cotton spinning mill set up in 1916. The industrial venture was followed by the formation of a limited company, Birla Brothers. When the

First World War came to an end the Birlas went into jute industry, then fully controlled by the Europeans. To jute textile, they added cotton textile by setting up a mill at Gwalior, Jiyajee Rao Cotton. During the thirties, the Birlas were active in cotton, sugar, paper and publishing industries. At the end of the Second World War there was a rapid prolification of Birla enterprises and the group took up manufacture of textile machinery, automobiles, bicycles, ball bearings, fans, non-ferrous metals, rayon, vegetable oil, acquired interests in tea and coal. The Birla group acquired an insurance company and founded a bank.

In the fifties, the group acquired the control of Century Spinning & Weaving Bombay, Sirpur Paper, Sirsilk and Hyderabad Asbestos, Hyderabad, Bally Jute, Rameswara Jute and Air-conditioning Corporation in Eastern India and Shree Digvijaya Woollen in Saurashtra.

In 1954 the Birla group registered a company named Durgapur Iron & Steel with an authorised capital of Rs. 50 crores. Formation of the company was a preliminary step to setting up a steel plant in the private sector. The plan fell through for the Government had decided to retain new steel plants in the state sector. The company was dissolved.

United Commercial Bank, one of the six leading banks in the private sector, is controlled by the group.

In 1964 the paid-up capital of the companies controlled by the Birlas was Rs. 7634 lakhs and assets stood at Rs. 29272 lakhs. These companies did business to the amount of Rs. 29024 lakhs in 1964.

TABLE 54

ACTIVITIES OF THE COMPANIES CONTROLLED BY THE BIRLA GROUP

Field of activity	No. of companies engaged in it.
Tea Plantations ...	2
Coffee Plantations ...	1
Coal Mining ...	3
Bauxite Mining ...	1

Field of activity		No. of companies engaged in it.
Edible Oils and Food	...	4
Sugar	...	7
Cotton Textiles	...	15
Woollen Textiles	...	1
Jute	...	5
Other Textiles	...	1
Automobiles	...	1
Cycle	...	1
Other Engineering	...	10
Electric Goods	...	2
Chemicals	...	7
Cement	...	1
Paper	...	1
Shipping	...	2
Salt Manufacturing	...	1
Investment	...	26
Trading	...	10
Managing Agency	...	5
Publication	...	5
Property Dealers	...	10
Iron & Steel	...	1
Miscellaneous Manufacturing activities	...	4
Misc. Non-Manufacturing activities	...	6
Non-Ferrous Metals	...	2
	...	136

The amount of business done by some of the industries (of the Birla group) in 1964 is indicated below :

TABLE 55

		(Rs. in lakhs)
Tea Plantations	...	588
Coffee Plantations	...	9
Coal Mining	...	176

	(Rs. in lakhs)
Bauxite Mining ...	21
Edible Oils and Food ...	1,375
Sugar ...	1,606
Cotton Textiles ...	7,329
Woollen Textiles ...	230
Other textiles ...	2,231
Jute ...	1,169
Non-ferrous metals (Aluminium)	1,114
Automobiles ...	3,410
Cycle ...	230
Other Engineering (Textile Machinery, Ball & Roller Bearings, machine tools etc.) ...	2,767
Electrical goods ...	597
Chemicals ...	1,400
Iron & Steel ...	148
Cement ...	592
Paper ...	1,615
Others ...	2,417
...	29,024

Fifty-three companies of the Birla group have assets above rupees one crore each. They are:

TABLE 56

	(Rs. in crores)
Orient Paper Mills Ltd. ...	22.46
Hindustan Motors Ltd. ...	20.81
Gwalior Rayon & Silk Mfg. & Wvg. Co. Ltd.	18.96
Century Spg. & Mfg. Co. Ltd. ...	17.22
Hindustan Aluminium Corpn. Ltd. ...	16.45
Kesoram Industries & Cotton Mills Ltd. ...	15.40
Jiyajee Rao Cotton Mills Ltd. ...	13.47
Textile Machinery Corpn. Ltd. ...	13.07
Birla Jute Mfg. Co. Ltd. ...	12.51
Sirsilk Ltd. ...	7.90

		(Rs. in crores)
Sutlej Cotton Mills Ltd.	...	7.08
Sirpur Paper Mills Ltd.	...	6.96
Jayshree Tea & Industries Ltd.	...	5.34
National Engineering Industries Ltd.	...	5.03
Birla Cotton Spg. & Wvg. Mills Ltd.	...	4.83
Central India Machinery Mfg. Ltd.	...	4.42
New Swadeshi Mills Ahmedabad Ltd.	...	4.28
Electric Construction Equipment Co. Ltd.		3.94
Hyderabad Alwyn Metal Works Ltd.	...	3.90
Bharat Commerce & Industries Ltd.	...	3.31
Jayshree Textile & Industries Ltd.	...	3.14
Oudh Sugar Mills Ltd.	...	3.18
Ratnakar Shipping Co. Ltd.	...	3.16
Pilani Investment Corpn. Ltd.	...	3.12
Orient General Industries Ltd.	...	2.52
Upper Ganges Sugar Mills Ltd.	...	2.50
Bharat Kala Bhandar Ltd.	...	2.46
India Smelting and Refinery Co. Ltd.	...	2.41
Universal Cables Ltd.	...	2.38
Hind Cycles Ltd.	...	2.31
Bally Jute Co. Ltd.	...	2.28
Kores (India) Ltd.	...	1.98
Birla Brothers Private Ltd.	...	1.86
Hindustan Gas & Industries Ltd.	...	1.83
Sree Digvijay Woollen Mills Ltd.	...	1.83
Gwalior Commercial Co. Ltd.	...	1.61
Hyderabad Asbestos Cement Products Ltd.		1.54
Hindustan Times Ltd.	...	1.48
Western Bengal Coal Fields Ltd.	...	1.48
Hindustan Motor Corpn. Ltd.	...	1.45
Tungabhadra Industries Ltd.	...	1.43
New Swadeshi Sugar Mills Ltd.	...	1.43
Indian Tools Mftrs. Ltd.	...	1.41
Air-conditioning Corpn. Ltd.	...	1.38
Cotton Agents Pvt. Ltd.	...	1.37
New India Sugar Mills Ltd.	...	1.25
Gobind Sugar Mills Ltd.	...	1.18
Central India Coal Fields Ltd.	...	1.15

		(Rs. in crores)
Industrial Trust Ltd.	...	1.12
Central India Industries Ltd.	...	1.08
Indian Linoleum Ltd.	...	1.08
Indian Plastics Ltd.	...	1.03
Zenith Steel Pipes Ltd.	...	2.56
Total Rs.	...	269.33

The following companies have been added to the group :

Century Enka Ltd.
Assam Fruit-products Ltd.
Indian Rayon Corpn. Ltd.
Atlas Iron & Alloys Ltd.
Bihar Alloys Steel Ltd.
Hindustan Heavy Chemicals Ltd.
Mysore Cement Ltd.
Jaishree Export Ltd.
Moon Corporation Ltd.
Auto Meters Ltd.
Lionel Edwards Ltd.
Indian Steamship Co. Ltd.

During 1964-67 total assets of the group increased by 73.8 per cent and paid-up capitals by 37 per cent. In 1966-67 the ratio of net profits to paid-up capital was 8.3 per cent.

Martin Burn—Martin Burn is one of the oldest managing agencies in India. Founded in 1781, Burn was a firm of architects and builders in Calcutta. In 1895, the individual business was transferred to a limited company, named Burn & Co. and the original partners became managing agents of the limited company.

Founded in 1892, Martin carried on business as engineers, builders and contractors. Later it expanded the field of activity and went into railways, collieries, docks, manganese mines, tea and timber. In 1926, Martin acquired the unincorporated firm of Burn with the companies under its management. The group took up the manufacture of steel. In 1964 the two—Martin, Burn—merged into one Martin Burn.

The group sold interests in tea and timber and gave up cement to Dalmia Sahu Jain. Now the group's interests consist of basic integrated iron and steel, engineering, power and light railways.

The ancestor firms were European in origin, but a Bengali Brahmin—Sir Rajendra Nath Mookherjee—came in as a partner in the first decade of the century. Now the Martins, Mookherjees and Banerjees control Martin Burn.

The Martin Burn group stands third among the seventy-five. The group is made up of 21 companies and Martin Burn Ltd. is a managing agency. It functions as the managing agents of the companies and acts as secretaries and treasurers for nine more. In 1964 the total paid-up capital of this group stood at Rs. 2228 lakhs and value of assets at Rs. 14961 lakhs. The group did business to the amount of Rs. 10872 lakhs.

The managing agency carries on trading. Seven companies carry on generation and distribution of electricity, six companies are engaged in railway transport, three companies are engaged in the manufacture of wagon, light rolling stock, heavy engineering and refractory products, and one company each is engaged in the manufacture of iron and steel and ship-building, manufacture of cranes.

TABLE 57

THE ANNUAL TURNOVER OF THE INDUSTRIES CONTROLLED BY MARTIN BURN IN 1964

	(Rs. lakhs)
Indian Iron and Steel ..	7,104
Engineering (Railway Wagons & Cranes)	1,834
Electricity Generation & Supply ..	482
Refractory Products ..	387
Others (including Rly. Transport) ..	1,063
Total	10,872

Two companies of the group between themselves account for 27 per cent of the total production of wagons in India and are the top-most manufacturers of railway wagons in private sector. It is the biggest producer of cast iron and spun pipes in India.

Nine companies of the group have assets above Rs. one crore each. They are—

TABLE 58

		(Rs. in crores)
Indian Iron & Steel Co. Ltd.	...	103.1
Burn & Co. Ltd.	...	14.6
Indian Standard Wagon Co. Ltd.	...	8.3
Martin Burn Ltd.	...	8.1
United Provinces Electric Supply Ltd.	...	4.3
Agra Electric Supply Co. Ltd.	...	1.9
Banaras Electric Supply Co. Ltd.	...	1.6
Hooghly Docking & Engg.	...	1.6
Jubbulpore Electric Supply Co. Ltd.	...	1.0

Bangur—The Bangurs are the members of the Maheswari Community from Didwara in Rajasthan. In the twenties Mugneeram Bangur, the founder of the group, was well established in the world of trade and commerce. He was a broker, jute trader and share-broker. During the early part of the Second World War, the Bangurs registered a small bank and a number of finance and investment companies in the native states of Rajasthan. In 1934 the family acquired a cotton mill in Bombay and set up another in Rajasthan towards the end of the war. The third industrial venture was the establishment of a cement company in Sourashtra.

At the end of the Second World War, the group became active in Bengal and acquired a number of jute companies from Europeans. In 1954, it took over an English Managing Agency—Kettlewell Bullen—and set up a paper mill in Mysore. During the fifties, the group acquired interests in several companies managed by

Andrew Yule and in Bengal Paper Mills managed by Balmer Lawrie. Now the group manages Bengal Paper Mills. The principal interests of the group are cotton, jute, cement, paper, real estate, sugar, chemicals, engineering, food, construction and transport. The group is made up of 81 companies, five of these are managing agency companies, managing twelve as managing agents and four more as secretaries and treasurers. Three of the managed companies are subsidiaries either of the managing agency companies or the managed companies. The managed companies have five other subsidiaries. Fifty-five more companies are under the control of the group. In 1964 the paid-up capital of all the companies of the Bangur group stood at Rs. 1,968 lakhs and assets at Rs. 7,791 lakhs. The companies turned over Rs. 6,529 lakhs. The Bangur group stands fourth among seventy-five.

Fifteen companies of the group have assets above Rs. 1 crore each:

TABLE 59

	(Rs. in crores)
Shri Digvijay Cement Co. Ltd.	8.05
Fort Gloster Industries Ltd.	6.50
West Coast Paper Mills Ltd.	6.39
Bengal Paper Mills Ltd.	6.25
Shri Niwas Cotton Mills Ltd.	4.90
Shri Madhusudan Mills Ltd.	4.23
Hastings Mills Ltd.	3.95
Maharaja Shree Umaid Mills Ltd.	3.19
Fort William Co. Ltd.	3.15
Bowreah Cotton Mills Ltd.	2.85
Dunbar Mills Ltd.	2.71
Mugneeram Bangur & Co. Pvt. Ltd.	2.22
Kettlewall Bullen & Co. Ltd.	1.63
Laxmi Cement Distributors Ltd.	1.32
Phosphate Co. Ltd.	1.02

A.C.C.—The group under the joint control of several business houses comprises 5 companies. The managing agency company in the group—Cement Agencies Ltd.—manages the leading company of the group—Associated Cement Co. Ltd. A.C.C. was formed in 1936 by the amalgamation of 11 independent cement companies and has a subsidiary—Cement Marketing Co. of India Ltd. Two other companies—ACC-Vickers-Babcock Ltd. and its subsidiary, Babcock & Wilcox (India) Ltd.—are controlled by the group. In 1964 the total paid-up capital of the group totalled Rs. 2,423 lakhs, assets Rs. 7,736 lakhs and turnover was Rs. 4,413 lakhs. The group ranks fifth.

The principal industrial interest of the group is production of cement and cement-making machinery. In 1964 the group produced 36.4 per cent of total cement produced in India.

ACC-Vickers-Babcock Ltd. manufactures water-tube boiler pressure vessels, cement-making machinery, mining equipment and other heavy engineering equipment.

Thapar—The group is composed of 43 companies. Two companies are managing agents and control 23 companies. Nineteen more companies are under the control of the group. Of the managed companies 4 are subsidiaries of the managing agency company—Graves Cotton & Co. (India) Ltd. In 1964 the paid-up capital of the companies under the control of the group totalled Rs. 1,429 lakhs and assets Rs. 7,190 lakhs. Turnover of all the companies amounted to Rs. 7,061 lakhs. The group stands sixth among the seventy-five.

Sixteen companies (excluding Oriental Bank of Commerce Ltd. and India Trade & General Insurance Co.) have assets about Rs. 1 crore each:

TABLE 60

	(Rs. in crores)
Ballarpur Paper & Straw Board Mills Ltd. ...	9.40
Greaves Cotton & Co. (India) Ltd. ...	7.93
Shree Gopal Paper Mills Ltd. ...	7.89
Karamchand Thapar & Bros. Pvt. Ltd. ...	6.12
Karamchand Thapar & Bros. (Coal Sales) Ltd.	5.50
Jagatjit Cotton Textile Mills Ltd. ...	5.11

	(Rs. in crores)
Crompton Parkinson (Works) Ltd. ...	3.53
Greaves Cotton & Crompton Parkinson Ltd.	3.49
Bhowra Kankanee Collieries Ltd. ...	2.54
Ruston & Horneby (India) Ltd. ...	2.22
Oriental Coal Co. Ltd. ...	1.66
Indian City Properties Ltd. ...	1.52
Standard Refinery & Distillery Ltd. ...	1.38
Hindustan General Electric Corpn. Ltd. ...	1.29
United Collieries Ltd. ...	1.15
Modern Agencies Ltd. ...	1.03

Karam Chand Thapar & Bros. Pvt. Ltd., apart from functioning as managing agents and secretaries and treasurers, is also engaged in trading. Greaves Cotton & Co. Ltd., apart from holding office of secretaries and treasurers, is engaged in the manufacture of paper cones and tubes (used by textile industry) and diamond drill bits and dressing tools (used by mining industry) as also in trading. Of the other companies in the group, six companies each are engaged in the manufacture of sugar (with activities like refining, purchase, import, export and deal in sugarcane, molasses and other by-products), manufacture of engineering goods (like colliery equipment and tools, diesel engines and pumps, textile machinery and accessories, gears and marine gear boxes, steam straps and regulating instruments) and in coal mining. Two companies are manufacturing paper; three manufacture electrical goods and one company each is producing starch and allied products, cotton textile, inter-stranded ropes and bandings, chemicals (foundry fluxes). There is an insurance company also in the group. The remaining companies are engaged in trading investment and owning properties.

Sahu Jain: The group is a managing agency company with eight companies under its control, seventeen other companies are under the control of the group master. In 1964 the paid-up capital of all the companies of the group stood at Rs. 1,962 lakhs and value of assets was Rs. 6,769 lakhs. These companies did business to the amount of

Rs. 6,106 lakhs in 1964. The group occupies seventh place.

There are three companies manufacturing cement excluding the Rohtas Industries Ltd. which, apart from being engaged in manufacture of cement, has widely diversified lines of business like manufacture of paper, edible oils, sugar and chemicals. There is one coal mining company and one limestone quarrying company; three are engaged in the business of trading and five in investment. Two companies manufacture plywood products. The industrial activity of the other nine companies are respectively (i) managing agents, and as manufacturers of (ii) jute and chemicals, (iii) sugar, (iv) industrial machinery (cement, paper, chemicals etc.), (v) bicycle and bicycle parts, (vi) railway transportation, (vii) printing and publishing, (viii) rendering common service to group companies and (ix) as property dealers.

Twelve companies of this group have assets of not less than Rs. 1 crore each:

TABLE 61

		(Rs. in crores)
Rohtas Industries Ltd.	...	16.82
New Central Jute Mills Co. Ltd.	...	14.52
Jaipur Udyog Ltd.	...	7.85
Ashoka Marketing Co. Ltd.	...	5.61
Bennett Coleman & Co. Ltd.	...	4.95
Bharat Nidhi Ltd.	...	2.80
Ashoka Cement Ltd.	...	2.39
Shree Krishna Gyanoday Sugar Ltd.	...	2.03
Sone Valley Portland Cement Co.	...	1.88
Shree Raishabh Investment Ltd.	...	1.50
Sahu Jain Ltd.	...	1.44
Bharat Collieries Ltd.	...	1.20

J. K. Singhania—The group is composed of forty-seven companies. Of these, four are managing agency companies, ten are companies managed by the managing agencies, one is a subsidiary of a managed company and thirty-two others are under the control of the group. In 1964 the total paid-up capital of the group amounted to Rs. 1,419 lakhs and value of assets stood at Rs. 5,920 lakhs. These companies turned over Rs. 5,443 lakhs. The group stands ninth among seventy-five.

The four managing agency companies are not engaged in any other business activity. There are eleven trading companies in the group. Six companies are engaged in investment; and five companies in the manufacture of chemicals including paints and varnishes, one in nylon; four companies are manufacturing cotton textiles; two companies each are engaged in mining of manganese and soap stone, manufacture of jute, iron and steel and engineering products. One company each is engaged in the manufacture of paper, typewriters, non-ferrous metals, woollen textiles, drugs and pharmaceuticals, sugar, crushing of oilseeds, oil refining and manufacture of soaps, insurance and banking. Two companies are not engaged in any business activity.

Fourteen companies of the group have assets above Rs. 1 crore each.

TABLE 62

	(Rs. in crores)
Aluminium Corporation of India ...	9.42
Straw Products Ltd. ...	8.43
J. K. Cotton Spg. & Wvg. Mills Co. Ltd. ...	6.13
Ganges Mfg. Co. Ltd. ...	4.55
Raymond Woollen Mills Ltd. ...	4.10
J. K. Synthetics Ltd. ...	3.60
J. K. Jute Mills Co. Ltd. ...	2.65
Muir Mills Ltd. ...	2.55
New Kaiser-i-Hind Spg. & Wvg. Mills Co.	2.12
J. K. Steel Ltd. ...	2.10
J. K. Manufacturers Ltd. ...	1.27
Motilal Padampat Sugar Mills Co. Ltd. ...	1.27
J. K. Iron & Steel Ltd. ...	1.05

Soorajmull Nagarmull—The group is made up of two closely related families, Bajorias and Jalans. The group comprises seventy-six companies and one firm. There are five managing agencies within the group and they manage forty-two companies, seventeen as managing agents and twenty-five as secretaries and treasurers. Four of the managed companies are subsidiaries of the managing agents, twenty-four more companies are under the control of the group. In 1964 the paid-up capital of all companies of the group amounted to Rs. 1,284 lakhs and value of assets stood at Rs. 5,737 lakhs. These companies did business to the amount of Rs. 4,483 lakhs in 1964. The group ranks tenth.

Nineteen companies of the group are engaged in plantation and eighteen in investment. Fifteen companies are engaged in the manufacture of jute; six companies are engaged in trading; four in railway transport and three in engineering. Two companies each are engaged in manufacturing sugar; chemicals; and as property holders; and one company each is engaged in iron and steel; and textile industry.

Eighteen companies of the group have assets not less than Rs. 1 crore each.

TABLE 63

(Rs. in crores)

Britannia Engineering Co. Ltd.	...	6.03
Hasimara Industries Ltd.	...	4.13
Howrah Training Co. Ltd.	...	3.61
Mcleod & Co. Ltd.	...	3.48
Kelvin Jute Co.	...	3.30
Bengal Jute Mills Co. Ltd.	...	3.11
North Bengal Sugar Mills Co. Pvt. Ltd.	...	2.17
Asiatic Oxygen Acetylene Co. Ltd.	...	2.41
Alliance Jute Mills Co. Ltd.	...	1.77
Asiatic Oxygen Ltd.	...	1.70
Alexandra Jute Mills Ltd.	...	1.56
Chitavalsah Jute Mills Co. Ltd.	...	1.47
Calcutta Gas Co.	...	1.46

		(Rs. in lakhs)
Empire Jute Co. Ltd.	...	1.42
Nellimarla Jute Co. Ltd.	...	1.25
Raigarh Jute Mills Co. Ltd.	...	1.19
Setabgunj Sugar Mills Pvt. Ltd.	...	1.15
Naskarpara Jute Mills Co. Ltd.	...	1.09

Walchand—The group is made up of twenty-five companies. Walchand & Co. Pvt. Ltd. and Aero Auto Ltd. are managing agency companies. Walchand & Co. manages seven companies. Three of the managed com-companies are subsidiaries of another managed company —Premier Construction Co. Ltd. Indian Hume Pipe Co. Ltd. has a subsidiary—Hindustan Spun Pipe Ltd., another managed company—Hindustan Construction Ltd—has a subsidiary. The other managing agency—Aero Auto Ltd.—manages two companies. One of the managed companies has three subsidiaries. Nine other companies are under the control of the group. In 1964 the paid-up capital of all companies of the group totalled Rs. 1,441 lakhs and assets Rs. 5,517 lakhs. These companies turned over Rs. 5,402 lakhs. Among the seventy-five the group stands eleventh.

Walchand & Co. Pvt. Ltd., apart from being managing agents, is also insurance agents. The other managing agency—Aero Auto Ltd.—is not engaged in any other business activity. Six companies are manufacturing engineering goods, e.g. R.C.C. and pre-stressed concrete pipes, hume steel pipes, steel pensocks, oil engines, machine tools, agricultural implements, textile machinery, structural steel works and construction equipment, fuel tanks etc. Four companies are engaged in investment business. Two companies each are engaged in the manufacture of (i) sugar and sugar machinery and chemicals; (ii) automobile and auto spare parts; (iii) construction, and (iv) trading. One company each is engaged in the manufacture of (i) refractories and ceramic goods; (ii) rubber goods; (iii) in property deals and (iv) in hire purchase business. The remaining one company has not yet commenced any business.

Eight companies of the group have assets above Rs. 1 crore each.

TABLE 64

		(Rs. in crores)
Premier Automobiles Ltd.	...	19.64
Hindustan Construction Co. Ltd.	...	9.38
Walchandnagar Industries Ltd.	...	7.15
Indian Hume Pipe Co. Ltd.	...	4.66
Cooper Engineering Ltd.	...	3.68
Premier Construction Co. Ltd.	...	3.27
Ravalgaon Sugar Farm Ltd.	...	1.92
Walchand & Co. Pvt. Ltd.	...	1.43

Shri Ram—The group is made up of two firms and sixteen companies. Two firms and three companies are managing agents. Madanmohan Lal Shri Ram Pvt. Ltd. is a subsidiary of the managing agency company. Seven other companies are under the control of the group. In 1964 the paid-up capital of the group stood at Rs. 959 lakhs and the value of assets at Rs. 5,468 lakhs. These companies did business to the amount of Rs. 5,985 lakhs. The group ranks twelfth among the seventy-five.

Five companies are engaged in the manufacture of (i) textiles, sugar and chemicals, (ii) sewing machines and fans, (iii) crockery and insulators, (iv) ball bearing and (v) sealed unit; one company manufactures vacuum flasks and other glassware. Three companies are engaged in the manufacture of (i) tungsten carbide products, (ii) capacitors, (iii) electrical wires and cables; one company each is engaged in mining, and trading and the remaining two are investment companies. The three managing agency companies are not engaged in any manufacturing or trading activity.

In 1964 seven companies of the group had assets above Rs. 1 crore each.

TABLE 65

		(Rs. in crores)
Delhi Cloth & General Mills Co. Ltd.	...	30.88
Jay Engineering Works Ltd.	...	9.59

		(Rs. in crores)
Usha Sales Pvt. Ltd.	...	3.66
Bengal Potteries Ltd.	...	2.86
Madanmohan Lal Shri Ram Pvt. Ltd.	...	2.63
Bharat Ball Bearing Co. Ltd.	...	1.38
Bharat Ram Charat Ram Pvt. Ltd.	...	1.37

Goenka—The group comprises one firm and fifty-two companies. The firm and three companies are managing agents and they manage thirty-four companies. One company is a subsidiary of the managing agents—Duncan Brothers Co. Ltd.—while two more companies are subsidiaries of the managed companies. Twelve other companies are under the control of the group. In 1964 the paid-up capital of the group amounted to Rs. 1,284 lakhs and assets came to Rs. 4,695 lakhs. These companies turned over Rs. 4,356 lakhs in 1964. The group stands fourteenth.

As many as twenty-two companies are engaged in tea plantation, but in terms of turnover, it is the production in jute and cotton and woollen industries which together account for nearly 60% of the group's turnover.

Thirteen companies of the group have assets above Rs. 1 crore each.

TABLE 66

		(Rs. in crores)
Anglo Indian Jute Mills Co. Ltd.	...	5.2
Hukumchand Jute Mills Ltd.	...	4.6
Duncan Bros. & Co. Ltd.	...	4.1
Patrakola Tea Co. Ltd.	...	3.4
Philips Carbon Black Ltd.	...	3.0
Patna Electric Supply Co. Ltd.	...	1.9
Kamala Mills Ltd.	...	1.9
Isaac Holders (India) Ltd. (Woolcombers of India)	...	1.6
Octavius Steel & Co. Ltd.	...	1.6
Central Cotton Mills Ltd.	...	1.5
Calcutta Investment Co. Ltd.	...	1.2
Coorla Spg. & Wvg. Co. Ltd.	...	1.1
Salem Erode Electric Distribution Co. Ltd.	...	1.1

Mafatlal—The Mafatlals are Patels from Ahmedabad. Mafatlal Gagalbhai, the founder of the group, went into cloth trade in his early years. A chance meeting with a European manager who have bought an old cotton mill near Ahmedabad opened a new chapter in his life. Mafatlal worked under the European and learnt much about the industry. He made a fortune during the First World War. The War over, he set up a limited company named after the group. At the end of the First World War when Indian cotton textile industry faced a crisis, Mafatlal acquired eight cotton mills in Bombay and one jute mill in Bengal.

The group is made up of one firm and twenty companies. The firm and four companies are managing agents. The firm manages two companies and the four companies one each. Four of the managing companies and four other companies of the group are subsidiaries of Mafatlal Gagalbhai & Co., another company is a subsidiary of one of the companies of the group. There are six more companies under the control of the group. In 1964 the paid-up capital of the group amounted to Rs. 1,026 lakhs and value of assets stood at Rs. 4,591 lakhs. This company did business to the amount of Rs. 4,311 lakhs. The group stands next to the Goenkas.

Six of the twenty-one companies are engaged in the manufacture or processing of textiles, in which they held a pre-eminent position. Three companies manufacture chemical products like dyestuffs, organic and inorganic chemicals, plastics and petro-chemicals. Four are managing agents. The remaining eight companies are respectively engaged in the manufacture of sugar, jute goods, and plywood and as investors, owner of managing agency rights, textile engravers ; insurance agents and in rendering technical and other services to companies belonging to the group.

Ten companies of the group have assets above Rs. 1 crore each in 1964.

TABLE 67

		(Rs. in crores)
Indian Dyestuff Industries Ltd.	...	8.45
New Shorrock Spinning & Manufacturing Co. Ltd.	...	7.19
Standard Mills Co. Ltd.	...	6.17
Mafatlal Gagalbhai & Co. Pvt. Ltd.	...	5.68
Sassoon Spinning & Weaving Co. Ltd.	...	5.57
Mafatlal Fine Spinning & Weaving Co. Ltd.		3.63
Ahmedabad Jayabharat Cotton Mills Ltd.	...	2.24
Gagalbhai Jute Mills Pvt. Ltd.	...	1.98
Surat Cotton Spinning & Weaving Mills Pvt. Ltd.	...	1.92
Phalton Sugar Works Ltd.	...	1.68

Sarabhai—The group is composed of twenty-seven companies. Two companies are managing agents and manage three companies. One company is a subsidiary of the managing agency while five others are subsidiaries of the managed companies. In 1964 the paid-up capital of the group amounted to Rs. 614 lakhs and value of assets stood at Rs. 4,316 lakhs. The total turnover of the group came to Rs. 5,429 lakhs. The group ranks sixteenth among seventy-five.

Karamchand Premchand Pvt. Ltd., apart from functioning as managing agents, is also engaged in the manufacture of pharmaceuticals, fine chemicals, glass vials and in the manufacture and fabrication of machinery and equipment. Sarabhai Sons Pvt. Ltd. is only a managing agency company and has no other business activity.

Two companies are engaged in the manufacture of cotton textiles. The Ahmedabad Manufacturing and Calico Printing Co. Ltd. also manufactures chemicals and plastics. The Swastik Oil Mills Ltd. is engaged in crushing of seeds and in the manufacture and sale of toilet and washing soaps, hair oil, raw and refined oils, medicinal castor oil, cakes, synthetic detergents, phenyle, estergum and stearic acid.

Four companies of the group are engaged in the manufacture of pharmaceuticals and other chemicals. One company is an advertising agent and also carries on business in printing. The remaining companies are engaged in trading, property and construction works.

Eight companies of the group have assets above Rs. 1 crore each.

TABLE 68

		(Rs. in crores)
Ahmedabad Manufacturing & Calico Printing Co. Ltd.	...	16.49
Karamchand Premchand Pvt. Ltd.	...	9.21
Suhrid Geigy Ltd.	...	3.36
Synbiotics Ltd.	...	2.70
Swastik Oil Mills Ltd.	...	2.51
Ilac Ltd.	...	2.01
Sarabhai Merck Ltd.	...	1.53
Standard Pharmaceuticals Ltd.	...	1.49

Of non-Indian groups the following are important : Bird Heilgers, Andrew Yule, I.C.I., Macneill & Barry, Jardine Henderson.

Bird Heilgers—The group is made up of sixty-four companies. Two of these companies—Bird & Co. Private Ltd., F. W. Heilgers Pvt. Ltd.—are managing agency companies. Bird & Co. manages eight companies and is secretaries and treasurers for nine other companies. Heilgers & Co. manages two companies and is secretary & treasurer for one. Twenty-six companies of the group are subsidiaries either of the managing agency companies or of the managed companies, thirteen being subsidiaries of the companies. Eighteen other companies are controlled by the group.

In 1964 the paid-up capital of all companies of the group stood at Rs. 1,492 lakhs and the value of assets totalled Rs. 6,010 lakhs. These companies turned over Rs. 5,829 lakhs. The group stands eighth.

Including the two managing agents who are also traders there are ten trading companies in this group; another fifteen are investment companies, eleven are coal mining lessees, nine mining and quarrying companies, eight jute manufacturers, four engineering companies and two trustees. Of the remaining five companies, one is not doing any business, being practically a non-working company (Benthalls Pvt. Ltd.). The other four are respectively in the business of manufacturing paper, firebricks, supply of electric energy and erection of tubewells.

Eighteen companies of the group have assets not less than Rs. 1 crore each :

TABLE 69

	(Rs. in crores)
Titaghar Paper Mills Ltd. ...	11.0
Burrakur Coal Co. Ltd. ...	4.9
Kinninson Jute Mill Co. Ltd. ...	3.4
Bird & Co. Pvt. Ltd. ...	3.2
North Brook Jute Co. Ltd. ...	3.2
Kumardhubi Engineering Works Ltd. ...	2.8
Auckland Jute Co. Ltd. ...	2.8
Dalhousie Jute Co. Ltd. ...	2.7
Kumardhubi Fireclay & Silica Works Ltd. ...	2.5
Bolani Ores Ltd. ...	2.4
Becker Gray & Co. (1930) Ltd. ...	2.0
Union Jute Co. Ltd. ...	1.9
Bisra Stone Lime Co. Ltd. ...	1.9
Eastern Investments Ltd. ...	1.8
Orissa Minerals Developments Co. Ltd. ...	1.6
Union Trust Pvt. Ltd. ...	1.3
Karanpura Development Co. Ltd. ...	1.2
F. W. Heilgers Pvt. Ltd. ...	1.0

Andrew Yule—The group is composed of twenty-nine companies. Andrew Yule & Co. Ltd. manages nine companies and is secretaries and treasurers for fourteen companies. Nine of the managed companies are subsidiaries. There are three subsidiaries of the group while two other companies are under its control without being subsidiary or managed. In 1964 the paid-up capital of the group totalled Rs. 1,067 lakhs and assets Rs. 4,189 lakhs. These companies turned over Rs. 3,430 lakhs. The Andrew Yule group ranks seventeenth among the seventy-five.

The main industrial interests of the group are coal mining, tea plantation and jute. Eight companies are engaged in tea plantation, five in coal mining, three each in jute manufacturing and in investments and two each in generation and supply of electricity and in trading. Each of the remaining five companies (excluding the managing agency company which has no other business activity) are respectively engaged in manufacturing paper, inland water transport, printing and publishing, insurance, mechanical engineering and boat building.

The group has fourteen companies with assets above Rs. 1 crore each.

TABLE 70

		(Rs. in crores)
Bengal Coal Co. Ltd.	...	9.97
Andrew Yule & Co. Ltd.	...	3.64
Calcutta Discount Co. Ltd.	...	3.05
Delta Jute Mills Ltd.	...	2.48
India Paper Pulp Co. Ltd.	...	2.40
Concord of India Insurance Co. Ltd.	...	2.07
Clive Row Investment Holding Co. Ltd.	...	2.02
Cheviot Mills Co. Ltd.	...	1.94
New Beerbhoom Coal Co. Ltd.	...	1.75
Dishergarh Power Supply Co. Ltd.	...	1.62
Port Engineering Works Ltd.	...	1.50
Budge-Budge Jute Mills Co.	...	1.35
Banarhat Tea Co. Ltd.	...	1.13
Associated Power Co. Ltd.	...	1.04

I. C. I.—The group is composed of five companies and four of these are subsidiaries of Imperial Chemical Industries Ltd., London. The fifth company, Atul Products Ltd., was formed on the principle of collaboration between Kasturbhai Lalbhai and the Imperial Chemical Industries, London. Two subscribed in equal proportion to the share capital of the company. In 1964, the paid-up capital of the group amounted to Rs. 941 lakhs and value of assets stood at Rs. 3,639 lakhs. The group turned over Rs. 3,816 lakhs. I. C. I. stands nineteenth.

The group is wholly interested in the manufacture of chemicals like dyestuffs, textiles auxiliaries, blasting explosives, safety fuse and smoke generators, plastic chemicals, paints and polyester fibre. The company which is engaged in manufacturing polyester fibre, being of recent incorporation, has not gone into production yet.

All the companies of the group have assets of not less than Rs. 1 crore each.

TABLE 71

		(Rs. in crores)
Alkali & Chemical Corpn. of India Ltd.	...	11.84
Imperial Chemical Industries (India) Ltd.	...	10.71
Indian Explosives Ltd.	...	8.41
Atic Industries Ltd.	...	4.06
Chemicals & Fibres of India Ltd.	...	1.87

Jardine Henderson—The group is composed of twenty companies. Jardine Henderson is a managing agency and manages eight companies, four being subsidiaries. There are seven more companies outside the group. The group controls three other companies. In 1964 the paid-up capital of the group amounted to Rs. 831 lakhs and assets totalled Rs. 2,851 lakhs. The group turned over Rs. 3,142 lakhs and stands twenty-third.

The main industrial interests of the group are jute manufacturing, engineering and tea plantation. The managing agency also has trading activity. Five companies are engaged in tea plantation, three companies each in jute, investments and manufacturing packaging materials, two each in coal mining and engineering and one in trading.

Six companies of the group have assets of not less than Rs. 1 crore each.

TABLE 72

		(Rs. in crores)
Jardine Henderson Ltd.	...	8.95
Howrah Mills Co. Ltd.	...	2.50
Kamarhatty Co. Ltd.	...	2.25
Kanknarrah Co. Ltd.	...	2.00
Diamond Products Ltd.	...	1.78
Braithwaite & Co. (India) Ltd.	...	5.92

Macneill and Barry—The group is composed of thirty-two companies. Macneill & Barry Ltd. is a managing agency and there are twenty-one companies under its control. Subsidiaries of the managing agency number six. There are three other companies under the control of the group. Macneill & Barry Ltd. is a subsidiary of Inchcape & Co. Ltd., London. In 1964 the paid-up capital of the group totalled Rs. 828 lakhs and assets Rs. 2,921 lakhs. The group turned over Rs. 2,698 lakhs in 1964 and stands twenty-second.

The Macneill & Barry Ltd., apart from being managing agents, is also engaged in the manufacture of coal drills, coal drip panels, chain and belt conveyors and haulages. It is also a trading company. Thirteen companies are engaged in the production and manufacture of tea. Six companies are engaged in the manufacture of engineering goods, two companies each are engaged in the manufacture of jute goods, business in real property and as investment companies; one company each is engaged in coal mining, manufacture of ropes, printing and publishing, harbour boating and manufacturing cardboard boxes.

Five companies of the group have assets above Rs. 1 crore each.

TABLE 73

		(Rs. in crores)
Macneill & Barry Ltd.	...	5.59
Gourepore Co. Ltd.	...	4.21
Equitable Coal Co. Ltd.	...	4.21
Kilburn & Co. Ltd.	...	3.50
Nuddea Mills Ltd.	...	2.48

(*Report of the Monopolies Enquiry Commission, 1965*, Volumes I and II; R. K. Hazari, *The Structure of the Corporate Private Sector*; *Company News and Notes*, January, 1969.)

Chapter 10

LEGISLATIONS ON MONOPOLY

On April 1, 1970, the system of managing agency came to an end. Abolition of managing agencies deprives the managing agents of huge sums in commission and annual commissions ran into crores.

Abolition of the managing agency does not mean loss of control over the industries managed by the houses. For the law permits appointment of secretaries or treasurers to a company and representatives of managing agents are fulfilling the functions.

The managing agents were shrewed enough to take steps to defeat of the objectives of the new legislation by converting existing companies into units within a single company. Thus Kesoram Industries & Cotton Mills Ltd. has the following divisions within a single company: textile, rayon, transport, paper, spun pipe and foundry, refractory, cement. Another jute textile company has a chemical division within it engaged in the production of heavy chemicals. Creation of new divisions is a form of merger and on the boards of the companies are representatives of the former managing agents.

On June 1, 1970, came into force the Monopolies and Restrictive Trade Practices Act. Monopoly is the acme of capitalist development. It guarantees market, high profits and eliminates small producers. In India growth of monopoly is associated with the rise of managing agency houses. The

Monopolies Enquiry Commission observes: "Our study of product-wise concentration brings out prominently the fact that in a large number of industries, a single undertaking is the only supplier or at least has to its credit a very large portion of the market as compared with its competitors. Such an undertaking has the power to dictate the price of the commodity or services it supplies and to regulate its volume of production in such a manner as to maximize its profits...Every monopolistic practice is on the face of it a restrictive practice. We shall confine the words 'restrictive practice'...to mean practices other than those pursued by monopolists which obstruct the free play of competitive forces or impede the free flow of capital or resources into the stream of production or of the finished goods in the stream of distribution at any point before they reach the hands of the ultimate consumer. As instances of restrictive practices that are widely pursued in many countries, we may mention the following:

(i) horizontal fixation of prices;
(ii) vertical fixation of price and resale price maintenance;
(iii) allocation of markets between producers;
(iv) discrimination between purchasers;
(v) boycott;
(vi) exclusive dealing contracts;
(vii) tie-up arrangements." (*Report*, pp. 125-127.)

Under the Act there will be a commission and the commission will investigate all matters relating to concentration of economic power and restrictive trade practices. The commission is an advisory body. Under the Act, the prior approval of the Government is necessary for substantial expansion of dominant undertakings and when these undertakings establish new production units or consider schemes for merger, amalgamation, take-over, etc. of other companies. To control monopolistic trade practices, the Act empowers the Government to issue orders, when deemed necessary, in regard to: (a) regulation of production, supply and distribution of goods and services; (b) fixation of prices and terms and conditions of sale of goods; (c) prohibition of practices which have the effect of preventing or lessening competition in production, supply or distribution; (d) fixing standards of goods; and (e) declaring any agreements as unlawful or requiring their termination.

Anti-Monopoly Legislations in other countries:—An anti-monopoly legislation is not anti-capitalist, for many capitalist countries are armed with powers to curve monopolistic practices. As early as 1890, the United States of America enacted the Sherman Act. The Sherman Act declares illegal 'every contract, combination in the form of trust or otherwise conspiracy in restraint of trade or commerce'. Every party to any such contract, combination or conspiracy is made punishable with a fine exceeding 5,000 dollars or imprisonment not exceeding a year. Later amendment raised the fine to 50,000 dollars. Criminal proceedings may be instituted for the violation of the Act. The Sherman Act was followed by the Clayton Act and the Federal Trade Commission Act (1940). The Federal Trade Commission Act set up a new machinery to enforce all anti-trust legislations. A Federal Trade Commission Act prohibited unfair methods of competition in commerce. The Clayton Act prohibited:

(i) discrimination between competing purchases,

(ii) inter-locking of directorates between competing concerns each of which has a capital of one million dollars or more,

(iii) inter-corporate investment by acquisition of either stocks or assets where the effect of such acquisition may be substantially to lessen competition or tend to create a monopoly,

(iv) tie-up agreements.

Canada had enacted an anti-trust law earlier than U.S.A. Every person who combines, conspires or agrees with another person to commit restrictive practices would be guilty of misdemeanour and the offence would be punishable with imprisonment for two years. The Act was amended and new ones were enacted. The Canadian Law as it stands at present is directed against:

(1) limiting unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article,

(2) preventing, limiting or lessening unduly the manufacture or production of an article,

(3) enhancing unreasonably the price of an article,

(4) preventing or lessening unduly competition in the production, manufacture, purchase, barter, sale, storage, rental, transportation or supply of an article or in the price of insurance upon persons or property,

(5) restraining or injuring trade or commerce in relation to any article.

The Act bans formation of a merger or monopoly. Any person guilty of the offence is liable to imprisonment for two years. The Act prohibits illegal trade practices and violation of prohibition is punishable with fine or imprisonment for two years. All the Scandinavian countries have similar anti-trust laws in operation.

Great Britain and France enacted anti-trust laws in the fifties. The French Law declares the following to be illegal in connection with prices:

(1) Refusal by a producer, trader or person engaged in industry or craftsman to satisfy to the best of his ability and upon the customary trade terms any request for the purchase of goods or the performance of services which has no abnormal character and is made in good faith—(This interesting provision was designed to combat the black market resulting from shortages);

(2) Habitually to apply discriminatory conditions for sale or discriminatory price increases which are not warranted;

(3) to make the sale of goods or the performance of services—conditional upon the purchase of other goods or upon the purchase of a stipulated quantity or upon the performance of another service;

(4) Taking part in concerted action which has to object or may have the effect of interfering with full competition by hindering the reduction of production costs or selling prices or by encouraging the artificial increase of prices;

(5) Fixing, maintaining or imposing minimum prices for goods or services or trading margins.

Offence under the law can be prosecuted by the aggrieved party and complaints are to be lodged with the Economic Investigation Directorate. The Directorate may ask the offender to compound by paying a certain sum to the treasury.

Great Britain enacted the Monopoly & Restrictive Practices Inquiry Act in 1948. It was followed by the formation of a commission to investigate monopolies and restrictive practices. The Commission is not a court and derives authority to investigate a matter on a reference made to it by the Board of Trade. When the findings of the Commission are published, the Board may ask the trade to give up the practice pronounced undesirable by the Commission. The Board may issue statutory orders if any trade is bent on going against the findings. Such orders required Parliamentary approval. Under the Act, monopolistic conditions are said to prevail in relation to the supply of any goods if one-third or more of such goods are supplied by one person or two or more inter-connected persons. Another Act called Restrictive Trade Practices Act was passed in 1955. With the enforcement of the Act, the Restrictive Practices Court was created. Under the Act agreements under which restrictions are accepted in matters of prices, terms or conditions of trading, quotations or descriptions of goods, area of places of trading of persons with whom business is done, have to be registered with the Registrar of Trade Practices. The Registrar may refer any agreement to the Restrictive Practices Court. Restriction accepted in pursuance of a registered agreement is presumed to be contrary to the public interest and the person has to satisfy the Court that the restriction is not unreasonable.

INDEX