State Aid to Industry: Madras 1921-37

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The State Aid to Industries Act passed in 1923 seemed to epitomise the spirit of the Indian Industrial Commission that active promotion of industry was a legitimate function of the government. But 12 years later the Public Accounts Committee of the Madras legislature held that the act had not served its purpose. The contest around the nature of the rules and the definition of enterprises eligible for state aid was the form in which the real contest between rising capitalist interests in India and the colonial administration was conducted.

THE State Aid to Industries Act was passed by the Madras legislative council in 1923. The act governed all forms of aid to private enterprise. At the time of its passage, it seemed to epitomise the spirit of the Indian Industrial Commission, that active promotion of industry was a legitimate function of the government. However, in a review of the act 12 years later, the Public Accounts Committee of the legislature stated that the act had not served its purpose, and actually suggested that it should be modified, or the rules changed, so that the government's policy could be made effective.[1]

Certainly the results, even in numerical and financial terms were unimpressive. Upto the end of 1935, of the 80 applications, only 18 had been accepted. Of these, 16 applications were for loans and here a single and costly failure accounted for almost 90 per cent of the Rs 8.8 lakh that had been advanced in total. Most of the applications had been rejected either because the enterprises were not eligible or the application did not meet the rules laid down for some other reason.[2]

With such a high rate of rejection, the question must be asked as to whether the act or the rules had at all been framed with a view to encouraging the granting of aid. The argument of this paper is that it was not intended to be a positive inducement to industrialisation, but that this view did not go unchallenged. The contest around the nature of the rules and the definition of eligible enterprises was the form in which the real contest between rising capitalist interests in India and the colonial administration was reflected, sometimes within the administration itself.

This paper is divided into five sections. After a brief discussion of the context in which the State Aid Act was passed, the influence of the Indian Industrial Commission is noted. The third and fourth sections deal with the attempts to modify the act in the case of factory-based and cottage-based industries respectively. The paper concludes with some observations on the changes in the act which were actually made at the end of the period under consideration.

I

Political and Economic Context of Policy

The political system of dyarchy was in force between 1921 and 1937 as a result of the Montagu-Chelmsford reforms of 1919. It was superseded by the new political structure embodied in the 1935 Government of India Act, which came fully into operation in April 1937. Dyarchy therefore represented a definite stage in the political evolution of India. On the one hand it was the result of the prevailing balance of forces between the imperial system and the nationalist forces in India in the period leading to the end of the First World War. On the other hand it provided a specific form of 'political space' in which a section of Indian opinion, which was in favour of working in the reformed structure, could attempt industrial development with the limited degree of administrative power which lay in its hands.

Quite apart from the limitations imposed by the administrative system that existed, let alone the problems inherent in initiating development by administrative means alone, these forces had to operate within a number of larger constraints. Politically these included the negotiation through the opposition of the other half of dyarchy. The officials who controlled most of the important departments and who remained responsible to the governor of the province and ultimately, through the Viceroy, to the British parliament were opposed to any thoroughgoing steps for industrialisation. Conversely, there was also the need for both the groups—Indians in the ministries formed under dyarchy and officials—to preserve the legitimacy of dyarchy in the face of the Gandhian-led mainstream of the nationalist movement which was determined to demonstrate its unworkability.[3] There was the limitation of the social character of the ministerial personnel themselves which was crucial when it came to problems of economic development. This lay in the fact that they and their supporters retained strong links with landed property of the traditional landlord kind.[4] This link with landlordism and the hostility it implied to the development of any trends tending to the consolidation of peasant proprietorship placed a major handicap in the path of the realisation of any plans they may have had for thoroughgoing industrial development. For one of the major problems that sustained industrial development posed was that of the creation of a large and growing internal market—and this could not be created without steps to relieve the land ownership concentration that prevailed and the poverty that went with it.[5]

The major economic factor that hindered any substantial industrial development effort lay in the very nature of the political system in which dyarchy operated. The relationship of the government of India to the government of the provinces had also been defined by the 1919 reform proposals. This relationship was political, financial and administrative in nature. More specifically in the context of the concerns of this paper, tariff, essential protection for any new industrialisation attempt was conceived of as purely a revenue measure and its control remained with the government of India. Formal responsibility for industrial development, however, lay now with the provincial governments.

Bagchi has shown that although there was undoubted hostility on the part of manufacturing interests in Britain and their agents in India to any concerted effort for industrial development, the real handicap lay in the system of imperial finances.[6] The need for a balance in the financial system which would permit the smooth transfer of resources from India to Britain by the traditional sources of land revenue and 'home charges' played a paramount role in decision-making. Expenditures of the order necessary for industrial stimulation would have seriously jeopardised the prevailing system of balance. Funds allocated for the encouragement of industrial development were, therefore, meagre and tightly controlled.

The encouragement of industrial development also implied that resources would have to be found from amongst the finances of the presidency. Significantly, following dyarchy, a new Finance Secretariat had been established to provide uninterrupted scrutiny of expenditure proposals, also leaving the Chief Secretary free to attend to the political tasks of supervising the public department.[7] As under dyarchy, the secretariat remained responsible to the governor and, ultimately, to the Secretary of State for India, the financial expenditures sanctioned had also to be in line with imperial interests.[8] Proposals for active government intervention which involved major financial commitments were likely to be opposed not only by existing 'commercial' interests, but also by the state administrative agencies which tended to operate as the more general exponents of such interests.

Dyarchy in the Madras presidency was signified by the establishment of a new secretariat department, development, which had the field departments of industries, agriculture, cooperation and veterinary services responsible to it. It is with the activities of the industries department, and the evolution of the provisions of the State Aid to Industries Act in Madras during dyarchy, that this paper is concerned.

II

Impact of Industrial Commission's Report on Policy

The department of industries, and administrative support to industrialisation, had started in Madras in the early part of the century. After fairly substantial progress had been made in demonstrating the possibility of manufacture of a range of articles, the department was abruptly asked to close down its activities. This order by the Secretary of State for India followed protest by British manufacturing interests under the argument that the government was thus going beyond its natural functions. The Madras government was allowed to restart the department under very specific conditions in 1914, and during the First World War an effort was made to encourage simple industrial activities, particularly for the war effort.[9]

As far as industrial development is concerned, the formation of the Indian Industrial Commission (IIC) of 1916-18, and the recommendations its report advocated are as important as the 1919 reforms. For while the reforms provided the space or arena for development efforts, the recommendations of the commission provided the terrain of permissible experiments in industrial development activities. This was because the report itself represented the prevailing consensus between British officialdom and constitutionally-minded Indian leaders, the forerunners of the stream which took part in the elections under dyarchy and were represented in the legislative council or even became members of the governor's council, either as ministers or nominated councillors.

Of the recommendations of the Industrial Commission, there were two which were to have particular operational significance for the policies pursued in the Madras presidency.[10] These were the recommendations about the kinds of enterprise which would be eligible for state aid, and about industrial finance as a prerequisite for rapid industrialisation. Both of these led to initiatives in the direction of supplying state sponsored aid; and although the later development of these measures were subject to vagaries of different kinds, which are in fact to be discussed in this paper, their origin in the industrial commission's report itself provides evidence for the importance of the report as a legitimated source of ideas.

III

Policy as Reflection of Contending Interests: Factory-based Industrialisation

The report of the Indian Industrial Commission formed the basis of industrial policy under the decentralised system of dyarchy. The co-ordination of policy amongst the provinces was achieved by conferences of the directors of industry, meeting under the aegis of the central department of industries.

Four conferences were held in the period 1920-22, following which no conference took place until 1933, when the prospects of political change under the Government of India Act 1935 made it necessary to have a new basis for co-ordination.[11]

At the meeting held in Kanpur in November 1920, the question of industrial banks was considered.[12] This had been suggested by the IIC which had noted that the banks should be established by the government and later handed over to the private sector when their viability had been proven. In 1919, the government of India had considered the suggestion of appointing an expert committee but had postponed a decision on the grounds of the undefined nature of the positions of the central and provincial governments, under the new constitution in respect of the development of industries and the extension of financial assistance. The next meeting of Directors of Industry was held at Simla in May 1921, when the officials were expected to accompany the newly appointed ministers in charge of industries because by then "the whole subject had been classified as provincial and transferred. It was now for provincial governments acting with their ministers to determine the course of action for establishing facilities for industrial banking."[13]

Although the officials of the development department in Madras were sceptical about the feasibility of an industrial bank in the province, it seems that at this stage an active role for the government was envisaged.[14] Initially, in response to the minister's suggestion that the agenda for the May 1921 conference could include the question of the deputation of an official to study the various possible forms of state aid, the Director of Industries said that the previous ten years experience could be studied. The Secretary of the department disagreed. Pointing out that these were abnormal periods of war, he felt that the experiences of Japan and Germany in their early stages of development would be more appropriate. The implication of this was clearly that extensive measures of state administrative support for industrialisation could, in principle, be considered if not actually implemented.[15]

Implementation of industrial policy was not, however, merely a matter of sifting accumulated knowledge and introducing relevant procedures. For industrialisation meant the growth of new capitalist interests, and though the IIC had somewhat unctuously stated that "there should be no limitation on government aid to a new enterprise, on the ground of its competing with an established external trade", opposition to such aid was bound to be vocal.[16] At an industrial conference in Madras prior to the Simla meeting, the Chairman of the Chamber of Commerce and the representative of Gorden Woodroffe and Company argued against any government assistance to industrial banks. P Theagaraja Chetty, a major figure in the handloom-industry disagreed with this and claimed that opposition to the proposal came from 'commercial' as opposed to 'industrial' interests.[17]

The convening of this conference by the minister for development is itself an indication of the contentious nature of the matter. For the board of industries, established also on the basis of a recommendation by the IIC, and consisting almost exclusively of non-officials, had earlier resolved categorically that bank finance to industries was not sufficient and that the government should have the power to give advances to new industrial enterprises along the lines of the Mysore Princely State.[18]

Industrial finance was certainly an important new function for the department of industries. Upto that time a slow and rather haphazard initiation of activities had led to six main functions of the department.[19]

(i) General assistance to trade and industry (including collection of statistics, industrial and commercial information, sources of and markets for various articles).

(ii) Experiments and inquiries with the objective of starting of new industrial enterprise, by the private sector or by the government either in entirely new or in existing industries, or of improved processes.

(iii) Management by the government of manufacturing concerns which had passed the experimental stage.

(iv) Assistance to scattered industries not undertaken in factories (principally handlooms).

(v) Assistance for those engaged in agriculture through the boring of wells.

(vi) Industrial education including arts and crafts and scholarships.

In the controversy over the form that the State Aid to Industries Act of 1923 would take the contradiction between established and potential industrial interests was to become apparent. This act, which attempted to give a statutory form to some of the recommendations made by the IIC on industrial finance, also flowed out of the proceedings of the Conference of Directors of Industry held in April 1920. There, it had been suggested that the government should participate in the equity issues of new companies, withdrawing as these companies grew. In Madras, however, the concern of the department was with smaller enterprises (presumably the unincorporated firms) and here the system of loans as in Mysore seemed a 'promising idea'. It was suggested by the Director of Industries that a committee could be established to consider the subject of loans, mentioning in passing the significant point that the Secretary of State for India had asked the government of India 'for recommendations' on this subject.[20] This implied, of course, that the provincial governments were not in a position to prepare schemes looking only to their own situation. The implications of this were to become clear later.

The Minister of Development himself drafted an act to provide State Aid to Industries which underwent major modifications before it reached the stage of a bill to be introduced in the Madras Legislative Council. In the original version the kinds of enterprise which would be eligible for State Aid was left undefined, the merits of each application to be decided, presumably, by a legally constituted Board of Industries. However this approach met with strong opposition in the finance secretariat.[21]

> If no restrictions are intended I regard the bill with the greatest apprehension on both financial and political grounds. The sphere of our potential commitments will be immensely extended, we shall be brought into incessant conflict with established interests and the administration of the act will tend inevitably to be dominated by political interests and influences.

In response to this expression of opinion the bill was modified by the addition of clause 5 to include three specific classes of industrial enterprise which would get state aid. (1) Enterprises in 'new or nascent' industries (2) Enterprises to be introduced into areas where the industry was undeveloped (3) cottage industries. The degree of controversy over the act was indicated by the fact that while the bill as introduced allowed the delegation of sanctioning loans up to Rs 10,000 to the first two classes of industry, it was silent on the delegation of loans to the third, cottage industry, surely not an obvious source of contention. On the other hand nationalist opinion as expressed in the *Swadeshimitran* and the *Dravidian* newspapers demanded that representative of organisations connected with cottage industries be appointed to the Board of Industries to whom, presumably, delegation would be made, and the existing Board of Industries did also point to the anomaly.[22] The Madras Chamber of Commerce which, as noted above, had been opposed to the idea of industrial banks, in effect, also opposed the introduction of the act. For they argued that "though an industry may not hitherto have been established in a particular area, such area may constitute one of the sources of supply of raw material to the industry established elsewhere or a buying market for the finished product of such established industry".[23] The "incessant conflict with established interests" forecast in the finance department's noting was clearly close to the real situation.

However the bill, introduced in the legislative council in November 1922 and referred to a select committee was passed and the act established in December 1922. A committee formed to frame rules for the administration of the act reported, in turn, in February 1923, and a specific application form was prescribed later that year.[24]

Although the rules for administering the act involved a cumbersome procedure even as late as the end of 1925, it was felt that as "... doubts have arisen as to what classes of industries should receive aid... [it was] ...too early to sanction delegation..."[25] This echoed the views of the department of industries which felt that section 5 of the act which defined the kinds of industries in which enterprises could be helped gave rise to considerable difference of opinion. It was felt that the industries which were to be helped should be more clearly defined.[26] Already by that time, although only a year or so had passed since the act came into force, the director of industries noted that "...I am coming round to the view that the section is unnecessarily restrictive and might prevent aid being given to promising enterprises..."[27] In other words, clause 5 which had been introduced to limit financial profligacy was both restrictive and controversial.

A year later, the contradiction between the approach of the forces in the industries department and the Minister for Development favouring a liberal approach to industrial finance, and the finance department, was resolved by a new set of guidelines to interpret clause 5. These were evolved after the active intervention of the Governor of the presidency who sided quite clearly with the conservative finance view.[28] Thus the meaning of a "nascent industry" was to be considered with reference to the condition of the industry in the presidency as a whole. In the case of enterprises newly introduced into an "area", the conditions of the specific industry such as the availability of raw material, workers, capital and markets was to be examined. Cottage industries were also defined in a specific manner, to be discussed later in this paper.[29]

None of these clarifications was likely to increase the number of firms actually seeking, let alone being granted aid.[30] The report of the department of industries for 1925-26 noted:[31]

> The period during which the act has been in force is so short that it is difficult to express a definite opinion as to the extent to which it is likely to further industrial development, although it can hardly be claimed that the results so far have fulfilled expectations.

Apart from the definition which precluded many firms from getting aid, there was also the problem that new enterprises, currently without assets, were not eligible for aid, for the security for the loan was based on the existence of such assets.[32] A system of hire purchase, which would have overcome this problem had been ruled out as a possibility at the time of discussion of the bill introducing the act. The minister for development had then argued that the hire purchase system offered no advantage to the borrower. In fact, he said, the twenty per cent down payment required in hire purchase would be a positive disincentive for prospective industrialists.[33]

During this entire period the department of industries continued to press for a more expansionist industrial policy in which they were cautiously supported by the development secretariat.[34] In the annual reports on the administration of the State Aid Act, which was not published, the Director of Industries was more forthright:[35]

> That the restrictive character of section 5 of the act does limit the number of applications for assistance ...is beyond doubt and there appears to be a feeling in some quarters that the act should be liberalised to admit of the grant of assistance to established industries, or even to set up additional mills and factories, e g, cotton mills in Madura, even though they may not be new or nascent industries.

After pointing out that there were also arguments to the contrary, i e, the danger of supplying credit to one firm at the expense of another thus exposing the "government to the criticism that they were interfering with private enterprise" he concluded by saying that in south India, state administrative support for industrial development was desirable. This was a 'large' policy issue but unless reasonably sound enterprises which were unable to tap private sources of capital could obtain government support, the act would not have served its purpose.[36]

Apart from the advocacy of an advanced industrial policy by the department of industries, there were also attempts made by non-official persons, usually Indians, to prevail on the government to take decisive action.[37] The government in some cases was unable to withhold the 'previous' sanction required by the Governor for privately sponsored legislation, for amending the State Aid Act in particular, but it was always able with its official majority in the legislative council to defeat any resolutions it disagreed with.[38]

The result was that by the middle of 1928, seven years of dyarchy had led to a situation where the assistant secretary in the development secretariat could note:[39]

> During the last ten years, the only work of any industrial importance that can be laid to the credit of the department is soap making and perhaps also ink manufacture. Experiments with glue and fruit preservation were a failure. There is no doubt a general feeling that the department has not brought into existence or materially assisted in improving any major industry in the presidency.

This was written during the relatively better years before the depression of 1929-33. During the depression, the condition of the people, both peasants and workers came under scrutiny of the Royal Commissions on labour, on agriculture, the Provincial and Central Banking Enquiry Committees, and the Economic Depression Enquiry Committee. Each of these had recommendations as regards industrial development, which were examined in the Madras Presidency; but as they all involved increased expenditure while the depressed conditions were leading actually to measures of retrenchment, none of them had any noticeable effect on the industrial development measures, such as they were.[40]

The development of the Mettur area and the possibilities of providing electricity at a concessional rate raised the question of a more 'forward' industrial policy.[41] As far as government enterprises were concerned the policy laid down in 1925 had, in fact, moved in a more conservative direction. Earlier, there had been two stages through which a public enterprise evolved, the demonstration and the pioneer. Demonstration referred to technological feasibility, and pioneer to commercial feasibility. After the successful achievement of pioneer status, the enterprise was to be sold to private enterprise (or closed down if not found viable).[42] However, in 1925, the government decided that with the enactment of the State Aid Act, the experimental stage of the department of industries was to be confined to laboratory tests while manufacture on a commercial scale was to be left "mainly, if not entirely, to private enterprise".[43]

As far as more general help in the industrial development of the Mettur area was concerned, the department of industries rationalised that the size and compact nature of Mysore—with whose industrial policy Madras policy had been unfavourably compared—allowed easier development of its resources; while the financial commitments flowing from direct assistance to industries was less than that required for Madras. In any event it was stated, as things stood in Madras, the State Aid Act determined the nature and form of aid which it was possible to give.[44] Here the very nature of the act, as opposed to some of its clauses was being held responsible for the lack of effective government support to industrialisation and this was confirmed by a development secretariat noting.[45]

Also of some significance were the earlier responses to attempts to establish co-ordinating agencies necessary for industrial programming. As early as 1921, the government of India had asked for reactions to its proposal for an industrial census which had been opposed by most provinces on financial grounds.[46] Under these circumstances the publication *Large Industrial Establishments in India* which was a list of enterprises coming under the Factories Act had to serve as the most reliable data series available.[47] In 1922, a modification in the Factories Act allowed provincial governments to 'notify' industries in which enterprises employing more than 10 workers, with or without power, would be treated as factories (normally only enterprises with more than 20 workers and using power came under the Factories Act).[48] However, the situation regarding data was such that when in 1929, a legislative council question asked for the capital employed in industry in the province, the only information available was said to be in the published reports of the department of industries or the Companies Act.[49] A list of all enterprises which were not registered under the Factories Act was compiled for the Royal Commission on Labour in 1930.[50] A follow-up by the government of India to persuade provincial governments to undertake an economic census also met with a lukewarm response.[51] Neither did the suggestion to form a Provincial Board of Economic Enquiry find favour.[52] Even a development board where the heads of all the development departments would meet to discuss common problems was opposed by some department heads, and the proposal dropped.[53]

The period from the late 1920s to the end of dyarchy did signify growing uneasiness in the development secretariat about the lack of encouragement to large-scale industry.[54] In considering the report of the Madras Provincial Banking Enquiry Committee, a secretariat note acknowledged that in principle the State Aid Act had not been useful in encouraging such industry. For this, specialised industrial banks were necessary.[55] However, even by 1935, the government doggedly continued to ask the Director of Industries to specify why a modified State Aid Act was not a sufficient alternative to industrial banks.[56] It was not as if recognition was lacking in the highest levels of government by this time that in the previous twelve years the act had not stimulated industrial development.[57]

In the case of large-scale industries a review of firms established under the Companies Act during 1934-35 showed that the absence of applications for loans was not due to the lack of formation of new companies.[58] Given that there was a well-accepted view that industrial development was often retarded due to the banking system's inability to lend for long periods, while even for short periods advances were often difficult to secure, it seemed logical to think of new schemes of financial assistance.

However, it was not until 1936, when under the new political system the governor's power to act independently of the council of ministers was substantially reduced and the secretariat was made responsible to ministers that modifications were made in the State Aid to Industries Act.[59] These allowed aid to be given to new enterprises in existing industries; it was now possible in principle to obtain aid for new textile or sugar mills, areas in which the risks were less than in industries totally new to the presidency.[60]

IV

Policy as Reflection of Contending Interests: Cottage Industry

'Cottage industries' were the third of the specific category of industries to which State Aid could be given under the act. Their importance to the industrialisation process lay in the fact that the majority of small industrial producers working in their homes had been effectively subordinated to merchant capital.[61] The corollary to this was the fact that concentrations of capital in money form already existed and could be used to further industrial development, if the general economic conditions and state administrative policy were conducive.

Foremost amongst such industries, of course, was handweaving which employed the largest number of persons of any occupation after agriculture. However, the great bulk of production outside of manufactories took place under the aegis of a merchant-middleman who provided the link between small producers and the large-scale market. Capitalist industrial development obviously required the recognition of this situation and the initiation of suitable measures to increase production simultaneously with structural changes such as the concentration of small home producers in larger workshops with uniform working conditions.[62] In accordance, if not in conscious recognition of this fact the department of industries modified the definition of cottage industries suggested by the IIC to one more closely fitting the existing situation. The IIC had suggested the definition "cottage industries are industries carried on in the homes of workers in which the scale of operation is small and there is but little organisation so that they are, as a rule, capable of supplying only local needs". The department of industries, with the support of the Board of Industries suggested "industries carried on in the homes of the workers as distinct from those carried on in factories".[63]

However, as is clear from the extract quoted below this approach was not acceptable to the Finance Member of the governor's council:[64]

> We are asked to give a loan to a firm of sowcars which supplies loans and yarn to hired labourers working in their own homes, men who have no property either in the looms or the yarn or the finished products, who remain hired labourers throughout and are not in the least assisted to own their own business. If they worked in a shed presumably even development [department] would not suggest that the act covered such a loan to the sow- cars. Is it suggested that because these hired labourers work at home the whole character of the business is transformed and brought within the purview of the act? In Great Britain the question raised would not be whether this was a cottage industry but whether it was a sweated trade. I must ask development department again to consider what a cottage industry is...

When the matter was pressed by the Minister in charge of the development department, the Governor threw his weight behind the Finance Member arguing as follows:[65]

> I do not presume to offer an accurate definition of the term 'cottage industries' but I would venture to suggest that the main idea lying behind it is to aid the workers themselves with the ultimate intention of helping them to pursue this industry either as whole time work or as an addition to their other pursuits in the evenings. I cannot believe that the term 'cottage industries' was ever meant to imply that assistance should be given to an industry purely carried on for commercial purposes and for the benefit of the owners in which it happened that the workers carried out their work in their cottage and not in a factory. If assistance was

given to a cottage industry carried out under these conditions, surely the assistance would merely tend to benefit the employers and not the employees: this seems to me contrary tothe idea of cottage industries.

The government, therefore, defined cottage industries as "industries carried on exclusively for the benefit of, and by, workers in their own homes and not industries carried on for the benefit of middlemen though the workers happen to work not in factories but in their own cottages".[66] This definition was to remain in force for ten years in spite of attempts within the legislative council and by the department of industries itself to extract a definition which would enable small capital controlling home producers to receive State Aid.

The government was not overtly opposed to helping small capitalists.[67] In fact the Finance Secretary, at the time of drafting the State Aid to Industries Act, had derided the gentility of the IIC's term "middle class industrialist" and suggested that they be referred to as small capitalists.[68] However, the government was apparently not actively interested in helping small capital particularly in the home industries.[69] Even the favoured small industrial capitalist would, after all, have under section 5 of the act to initiate a new or nascent industry or introduce an industry unknown earlier in an area. Given the level of technological development, the chances of a small enterprise being established in such industries was low. The net result was likely to be a dearth of eligible applications for aid from small capitalists, unless the term 'cottage industry' was suitably interpreted.

It was to this end that the department of industries made the first of the efforts to modify the definition of cottage industry. In a reference to the advocate general it was pointed out that the existing definition made assistance to the handloom industry impossible for in this

> ...the greatest proportion of workers are dependent on middlemen capitalists who advance them yarn or money and sell their finished product. These middlemen are in many cases small local business... capital is required which the weaver cannot supply for himself and it is immaterial whether it is supplied in the form of a loan or advance of yarn or money to individual weavers or whether the weaver working in his home or in a factory works for wages paid by the capitalist middlemen.[70]

Confronted with what was essentially a problem in political economy, to which he was required to respond through legal arguments, the Advocate General was forced into a comic line of legal reasoning ending with the point that if the government wished to help "employer-industrialists", the definition of cottage industry would need to be changed.[71]

However, the government was not agreeable to the suggestion that they aid "employer-industrialists" under the rubric of cottage industry and ordered that co-operatives must be formed irrespective of the legal interpretations possible of the term cottage industry.[72]

In the reports on the State Aid Act which were not published, the department of industries continued to argue that the definition precluded assistance to the handloom sector. Noting that this amounted to criticism of the government, the secretary of the development department ordered that similar comments, if found in the report of the industries department for the year, should be removed before publication.[73]

In response to the criticism by the department of industries of the definition and the problems it faced in helping cottage industry, the Minister for Development suggested that concrete amendments should be drafted. The Secretary (responsible under dyarchy to the Governor rather than the Minister it should be recalled), preferred the existing and gubernatorially approved option of the formation of co-operatives and aid under the act as it existed. When therefore, the Director of Industries responded to the suggestion by asking for the delegation of powers to grant loans below Rs 10,000 to him in consultation with the Board of Industries, this was predictably refused. It was stated that "disposal of applications even for small amounts involves sometimes important questions of policy the decision of which cannot be left to the director".[74]

A concrete result of the amendments suggested by the director was the introduction of a new category called small-scale enterprises which were defined by their having less than Rs 1,000 in assets. Such enterprises, together with cottage industries were exempted from section 9 of the act which required any aided enterprise to have assets of twice the value of the loan given. They were also exempted from section 11 which required the maintenance of detailed accounts and periodical audit.[75]

The overall thrust of the modifications suggested by the department of industries was such that a secretariat noting correctly remarked that what it required was not more liberal rules but a more liberal act in its entirety. Agreeing with this, the Director pointing to the anomaly that while section 5 did not allow help to be given to an already *existing* enterprise, section 9 required the enterprise to have assets of twice the amount loaned, which a new enterprise obviously could not have.[76]

Opposition to the limiting nature of the act came also from the legislative council. Although the definition of cottage industry had not been made known even to members of the council, those who were members of the Board of Industries had come to know of it. It was first raised by an MLC who was later to attempt to introduce a private bill for the modification of the act.[77]

In connection with cottage industries it was clear that the Board of Industries was itself precluded from evaluation of some proposals because of the definition, and had this been more 'elastic' these might have been accepted and aid granted. The result of this was that even by January 1929 not a single loan had been granted to cottage industry.[78]

The department's position was also laid down with reference to the Viceroy's remarks at a Conference of Ministers at Simla in 1926:

> ... the Indian agriculturist is the foundation upon which the whole economic prosperity of India rests, and upon which the structure of her social and political future must in the main be built. No system of administration could be justified which did not aim at making an improvement in his standard of life, and his equipment to take a proper share in her future *its first and chief concern*...[79]

Thus it was laid down that the task was to improve the condition of the agricultural population by increasing its earning capacity—presumably, by finding work for it to do, and organising a market for the products.[80] The peasantry was said to constitute almost three quarters of the population and to be unemployed for several months in the year. Cottage or home industries which would provide subsidiary occupations were a possible solution to the problem.[81] The position of the government during this period was not, therefore, quite as contrary as the actual subordinate situation of the producers in these industries would indicate. Their position was that co-operatives of home producers should be formed who would then be eligible for the aid.[82] The history of this period is therefore, also that of attempts to form co-operatives of home producers, a task more or less unrealisable except under unique circumstances.[83] This was due to the gulf in the social consciousness postulated for co-operators and the producers' actual consciousness, in those rare cases where the middlemen's opposition had been neutralised or was entirely absent.[84] The question, of course, was that of the new methods of State Aid which would be effective in helping peasant producers. In fact the government went further and apppeared to agree with the Retrenchment Committee in its criticism of the industries department's form of help even to hand-weaving.[85] For, this concentrated on technical improvements aimed at increasing the productivity of the industry and the Retrenchment Committee felt that unless the demand for handloom products was stimulated, or the price of the raw materials cheapened to the weaver, these technical improvements were of doubtful value (presumably to the weaver).[86] The government in commenting on this remark raised the question of the practical benefit in terms of improving the conditions of the weavers of the expenditures that had been incurred by the department in the previous 25 years.[87]

Another instance of the industry department's problems in dealing with aid to the peasant industrialist is provided by the review of the State Aid Act for 1926-27.[88] In this it was stated that industrialisation was likely to be agricultural or forest based in the province, and in this connection the formation of industrial co-operatives which would convert and work up this produce into a manufactured or semi-manufactured state would be appropriate. By this means, agriculturists would obtain a greater share of the value added in terms of a better price for their produce. The point was that even in this case section 5 of the act required the industries to be aided to be new, nascent or newly introduced into the area. By this provision the possibilities of aid were severely restricted but the Director of Industries hoped to make inquiries of areas where there was scope for the establishment of industrial co-operatives. Under the circumstances the view was that such organisations would be encouraged to apply for loans under the act provided they could show that they were eligible.

Similarly the government was extremely unwilling to concede any role for handspinning. With the Congress' support to handspinning growing in the early 1920s, there was a persistent current in the legislative council enquiring about the government's position on the matter. While admitting that production of hand spun yarn had increased in the recent past, the government in 1921 held that this was merely a temporary phase due to the rise in price of mill spun yarn. It saw no reason to encourage hand spinning.[89] However, the question was repeated in early 1922, following a non-official resolution stating that "this council recommends to the government that early steps be taken to introduce improved patterns of spinning wheels and to encourage and stimulate hand spinning and hand weaving as cottage industries".[90] The government opposed the resolution which was lost by a large number of votes. Its position was broadly as follows:

1 Public funds and officials' time should not be spent on an activity that earned one or two annas for eight hours work.

2 The government accepted the fundamental proposition that uneconomical activities would not succeed in an industrial world and that the spinning wheel, whatever its other virtues, was economically unsound.

3 If women were to be found work, alternatives existed such as lace making or hosiery. Hand spun yarn alone was not in any case suitable for weaving—it could be used for the weft but not the warp.

Support for hand spinning continued to come in the form of representations to the industries department and also in the form of legislative council questions, in spite of the government's categorical statement on the earlier resolution.[91]

In the case of the handloom industry the government was able to develop a more coherent case for its approach to cottage industry. It proposed, in 1926, to depute a co-operative inspector to the department of industries on the basis that the textile wing had been developing new designs of handloom components for some time. If co-operatives could be formed of handloom weavers and the purchase of these improved components was financed by co-operative credit, then the possibilities of enhanced earnings for weavers would be increased. This, in turn, would increase the probability that the co-operative itself remained viable. However, this experiment for a year did not produce tangible results, ostensibly because the work of the co-operative inspector was unsystematically used.[92] A clue to the underlying reasons for this was provided in the State Aid Act report where it was asserted that handloom co-operatives could not be formed without the participation and capital provided by the middlemen.[93] The co-operative department disagreed with this and said that while it was true that the weavers could not by themselves successfully run co-operatives, it was possible to find individuals apart from the middlemen who could provide the requisite leadership.[94] The co-operative department's approach was not merely different in terms of the co-operative philosophy it embodied; the question was more of whether small merchant capitalists or small commodity producers should be supported and the co-operative department's approach seemed to be more in line with the government's view, as evidenced by their definition of cottage industry and the often expressed support for individual home producers.

Pressure in the legislative council had persuaded the government to set up a committee to examine the cottage industry survey reports.[95] During the months that this committee took to prepare its report there were further attempts to overcome the impasse created by the cottage industry definition. While a private bill to amend the State Aid Act was introduced the department of industries proposed a new initiative in organising co-operatives.[96]

It was argued that both on the results of the survey as well as on personal observation, co-operative societies were required in several industries. Advances for raw material and for renewal of implements were essential to keep the industries alive. As the State Aid Act could not do this because its procedures were too cumbersome for the average home producer, co-operatives which could provide a ready loan were necessary. For the formation of these co-operatives it was suggested that an Assistant Registrar of Co-operative Societies should be deputed to the industries department. Following a heated affirmation of the co-operative department's jurisdiction over all co-operative development activities, the proposal was dropped with the government's acquiescence.[97]

Whatever may have been their jurisdictional quarrels over the development of co-operatives, both the industries and co-operative department shared a common perception of the home worker. It was a view in terms of which the moral question of aiding a 'sweated trade' was transformed into a practical one of acceptance of the realities of the situation.

There were three components to this perception of reality: that of the social psychology of the home producers, that of their existing and seemingly permanent state of indebtedness, and that of the characteristics and role of the merchant-middlemen. For the co-operative department the home producers were unsteady in character. For the industries department they were "proverbially improvident" and "never thought of the morrow".[98] What the Registrar of Co-operative Societies said about weavers would seem to hold for their perception of all home producers:[99]

> ... one fact stands out and that is that there is practically no impulse from within to improve. There are educated and enlightened men among them but it must be recognised that the rank and file... whatever they may have been in the past, do not enjoy an enviable reputation today... a necessary precursor to attempts to improve them economically is a temperance campaign among them... there is no doubt that drunkenness is a common vice. It is not unusual to find members of the community to be ill-nourished, drunken and inert as well as being uneducated. Poverty is accentuated by drunkenness and whichever is cause and which effect, the absence of any ambition is marked. This general supineness and incapacity for sustained effort must be taken into consideration...

Thus, the home workers were viewed as unsteady, improvident, dishonest, given to drunkenness, inert, supine and without ambition. To this formidable list of negative psychological and behavioural characteristics were added those of poverty and indebtedness.

Often the masters—the loom owners in the handloom industry and their equivalents elsewhere—were only relatively better off, it was stated, than the home workers themselves. Thus both the Palmyra grove owners and the climbers at Nazareth, Srivaikuntam, Nunguneri in Tirunelveli were drawn into an agreement by which the juice which was drawn from February to June and boiled into jaggery, was sold to middlemen, in return for an advance, at the lowest possible price. Amongst the Markapur slate dealers the competition amongst the slate dealers, let alone among those who quarried, was so intense as to threaten the industry's viability.[100] In the case of the metal based industries. [101]

> ... The workmen are completely under the clutches of the master-workmen and the merchants... The workmen have taken advances from the master-workmen who in their turn have received advances from the dealer... The debt is carried on from year to year. As in the case of weavers the debts of these men ranges from Rs 50 to Rs 200 or Rs 300 ... Similarly the master-workmen are under obligation to work for the dealers...

In connection with the handloom industry, the Director of Industries noted that the weavers ordinarily were unable to buy the yarn necessary for even one day's work. In the carpet industry of Ellore and Wallajah, while the weavers themselves were indigent, the boys whome they, in turn, employed were in an even worse situation: they were then paid a couple of annas a day. Here too, the master or proprietor was "not above want".[102]

The co-operative department noted that from the beginning of the movement in 1905 the "small men were under the clutches of the big men and the latter were unwilling to give the former equal treatment".[103] While observing that there were still weavers who worked to the specific orders of the peasantry (artisan work), and those who bought yarn and sold the cloth independently (commodity producers), there were also those who took yarn and an advance wage against the return of the cloth. The latter were said to be seriously in debt while those working on yarn on credit were a little better off, though neither was in a position to sell when they thought fit. It was argued that this indebtedness could not possibly be paid off with the help of co-operative credit and there was "no escape from the system [for] a large number who are indebted to their masters save through migration or the bankruptcy court". The conclusion was that while those weavers received a 'cooly' wage, it was inconceivable that co-operative organisation could help them while they remained bound to the master.[104] So too, with the silk cocoon weavers of Hosur in Dharmapuri, "very indigent ryots who cultivate lands on varam".[105]

Given this perception—of the behavioural and socio-economic situation of the home producers and of some of the smaller masters or karkhanedars, the view of the role and characteristics of merchant-middlemen is perhaps to be expected to be justificatory of their methods of operation. Given that the masters could not be induced to form co-operative societies either for themselves or in conjunction with the home producers, the skills required for running a co-operative organisation were to be found only amongst some of the dealers (more farsighted than most) or 'respectable' members of the locality, unconnected but knowledgeable about the industry.[106] In more general terms it was felt that in many industries it was only through the intervention of the middlemen that these could be saved from decaying. Even in co-operative societies, given the poverty of the home producers and their inability to contribute to share capital, recourse to middlemen or others with resources was a necessity, it was urged.

The department of industries elaborated on the theme. Middlemen frequently intervened on behalf of home producers facing extinction of their trade and in this they were "not actuated solely with the object of earning interest on their capital". Pointing out that there was an undue tendency to view middlemen only with reference to their concern with return on their capital, it was asserted that they also had a "redeeming side of helping an industry with their capital". In addition, it was asserted, the middlemen performed a public service by ensuring the quality of the goods by maintaining a rigid standard. Driven by the urge to get their return, the middlemen would have an interest in maintaining the reputation of their goods. Businessmen would not be expected to be philanthropists, it was argued, and if producers were to save their time by concentrating on production rather than on selling, they should not grudge a part of the sales proceeds going to the middlemen. The latter should have "the margin to cover his capital and the [home producers] the money to keep the hearth burning". This was specially true of the silkworm rearers of Hosur who required consumption loans while their worms were moulting.[107] In some cases the master or karkhanedar secured orders, provided the design of the work and the advance to the home producers, who would, it was argued, be unable to find work for themselves.

It is clear that it was this conception of the small capitalist—either the master worker/dealer, usually of the same caste as the home producers—for the small merchant from one of the trading communities which was foremost in the efforts of the department of industries to liberalise the definition of cottage industries. When, for instance, it was suggested that an appropriate upper limit could be incorporated in the definition of small-scale industries (less than Rs 1,000 in assets) if the cottage industries definition was found restrictive, the Director of Industries said that the size of the capital depended on the capacity of the employer, his ability to canvass orders and supply the goods manufactured. It was therefore difficult to suggest any upper limit of capital size to define a small enterprise appropriately.[108] The dilemma was evidently that of defining small merchant capital where the size of fixed investment was of no consequence or relevance. More revealingly, it was also a product of focusing on the individual rather than the industrial or even commercial enterprise *per se*.

The second of the attempts to liberalise the definition of cottage industry came with the discussion of the survey of cottage industries undertaken in 1929. The origins of this survey were mentioned earlier and here it is only necessary to note the substantial degree of interest taken in the survey by members of the legislative council.[109] A committee consisting of some members of the council with the Director of Industries as Chairperson examined the reports of the survey and made several recommendations.[110] One of these was the liberalisation of the definition of cottage industries. While the committee suggested the definition prepared by the Board of Industries five years earlier, the Director of Industries went much further. Arguing, in effect, that cottage industries referred to the traditional industries undertaken by hand and without substantial division of labour, he pressed for a definition which would include workers in karkhanas or workshops and not only in their own homes.[111] This is an interesting case of the department's support to small capital in the traditional industries but the government had no sympathy for this view. In spite of the fact that no loans had been given to cottage industry as defined by it, and the poor record in organising co-operative societies, these latter were still held to be the appropriate recipients of State Aid. After a magisterial statement by the Finance Member, the finance department was able to ignore the industries department's substantial new evidence on the worthiness of the role of the merchant middlemen, described earlier. The Director of Industries had not "shown how placing of Government Funds in the hands of intermediaries would benefit employees and not perpetuate 'sweating'".[112]

The Cottage Industries Committee made several other recommendations concerning the more important of the industries in the presidency. However, with the depression and tight control over finances, the government was able to present a case, irrespective of the mounting distress of the home producers as of the bulk of the people, that funds were not available for most of the schemes suggested by the committee. It was only the recommendations which involved to extra financial commitment—minor organisational changes—which were implemented.[113]

Although concessions were made on the basis of the Cottage Industries Committee's report relieving cottage industries of some of the formalities required under the State Aid Act, this was not the solution to the problem of industrial evolution of these industries. The department of industries itself stated that while these concessions would help enterprises which had got aid or were about to do so, this would not meet the requirements of the situation which were that more enterprises should be made eligible to get the aid in the first place.[114] It was not until the end of the period under review, the middle 1930s, that the situation began to change.[115]

The specific tariff provisions provided to the cotton textile industry required adequate safeguards for the hand weaving sector if internal competition was not now to destroy it.[116] The government of India, as one of the proposals, set up a fund to aid this hand weaving sector and gave subventions to the provincial governments from this. An apex co-operative society to develop the industry was established with the subvention and provided the nucleus for systematic help to begin.[117] The development of the Mettur Hydroelectric Project on the Cauvery provided the possibility of extensive power availability and the government was induced to agree that this power could be provided at concessional rates under the State Aid Act.[118] Although a proposal to provide machinery on hire purchase terms was opposed by the government, supposedly because it held no advantages to the borrower beyond that of a loan, the atmosphere was generally more conducive to industrial development.[119]

This improvement of the atmosphere was less due to industrial policy than to the general upswing after the depression. In fact the empirical evidence of new industrial undertakings being established while there was a paucity of applications for State Aid led to the Public Accounts Committee paving the way towards a more liberal aid policy. This committee while commenting on the performance of the industries department noted that the State Aid to Industries Act had failed to achieve its purpose and suggested that the government should modify it.[120] This provided the signal to the department to introduce the changes long advocated by it. A noting by the development secretariat which made the case for modifying the definition of cottage industries is interesting for its use of the terminology of economics in an argument which had been stated several times before.[121]

> It is now generally recognised that in certain industries the middleman or *entrepreneur* plays a very important part... Distribution is an important aspect of modern trade and requires special skills and has to be paid for according to the law of supply and demand. The State has, therefore, to look upon an industry as an entity of interdependent factors of production, one of which may be the middlemen... In certain cottage industries, such as handloom weaving and Ellore carpets, the middleman is not a middleman *per se*, but is also a sort of factory owner or manager—an industrialist. The only difference is that his workers work in their own homes and not in a building belonging to the owner or manager. If these industries are to be aided, the middleman-manager-owner has got to benefit to the extent at least to which an industrialist who was given aid would benefit.

There is here a categorical assertion that State Aid is to be given to industries in which the middleman dominates because these intermediaries perform functions at least as important as the other factors of production. It is the culmination of the view of the problem described in some detail earlier where an extremely negative evaluation of the psychological traits of the home producers was combined with a relatively more objective understanding of their socio-economic position.[122]

In 1936, in fact, there was a clearer enunciation of industrial policy. The report of the department of industries for 1935-36 noted:[123]

> Although there is no doubt much to be said for the view that small-scale industries offer, so far as India is concerned, the best solution of some of the difficulties generally inherent in the development of industries, it must be recognised that the establishment of industries of basic and fundamental importance would render possible and greatly facilitate the establishment of new medium- or small-scale industries, the finished products of the former functioning as raw materials in the processes employed by the medium- or small-scale industries. For this reason, and also on general economic grounds, it is not advisable to rule out the establishment of large-scale industries and, to concentrate wholly on minor industries coming under handicrafts and cottage industries. The advent of electricity will, however, permit of industrial development being spread over a wider area of the presidency instead of being concentrated in large urban areas.

V

These views on the relationship between large- and small-scale industry on the one hand, and the role of the merchant-middlemen on the other, are significant. They embody a conception of the industrialisation process which would allow both for modernisation of the industrial structure and for the further growth of capitalist relations in the traditional industries.

Simultaneously with this view came the appropriate focusing of the State Aid Act. The earlier position that only enterprises in entirely new industries, or in industries which were relatively undeveloped in the presidency, should be helped was restrictive. It underestimated the risks involved in establishing new enterprises, when finance from the stock market, let alone tariff protection could not be ensured. Similarly, the view that independent home producers could be brought within co-operatives while their erstwhile merchant patrons looked on unconcerned was unrealistic. Development of industries in which home producers predominated required either political mobilisation (even on the apparently managerial task of forming co-operatives); or an acceptance of the domination by the merchants. If mobilisation was not feasible (this would be difficult in any official effort) then it was only logical to think of help to the middlemen, if industrial evolution was at all seriously considered.

This paper has followed the controversy on both points in dispute—that of new enterprises in existing industries, and that of aid to the merchant. It has, particularly in the second case, given the arguments of both sides on this essentially economic issue, although the arguments were posed in social, political and cultural terms. The resolution of these questions was in terms more favourable to Indian industrialisation.

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Notes

All references to Government Orders (GOs) refer, except where expressly stated otherwise, to records of the development department of the government of Madras, kept in the Tamil Nadu Archives, Madras.

1 *Note for the Board of Industries* on *The Provision of Financial Assistance to Industries* by L B Green, Acting Director of Industries, for the meeting on 30.3.1936 in GO (Ms) No 2272 of 14.12.1936. GO No 360-61 (Ms) of 7.3.1935 reviews the working of the act during 1928-34 while over-budgeting for loans is examined in GO No 1138 (Ms) of 17.8.1935 and GO No 1153 (Ms) of 20.8.1935.

2 See *Note for the Board of Industries.*

3 Legitimisation required steps to be taken which were not always conducive to industrialisation, as will be seen.
However, the understanding supporting the analysis of this paper is that the responses occasioned by the legitimation requirements were themselves the channels through which nationalist-movement aspirations reflected themselves in official policy, to howsoever small a degree. In other words, steps towards industrial development were largely a result of the response to the impact of the national movement.

4 During most of the period under consideration, the ministries were formed from members of the Justice Party. The social composition of this party is by now well-known. See, for instance, the following works by authors who disagree violently except on the social base of the Justice Party. P Ramamurti *The Freedom Struggle and the Dravidian Movement* (Orient Longman, Madras: 1987); E F Irschick *Politics and Social Conflict in South India: The Non-Brahmin Movement and Tamil Separatism* (University Press, Berkeley: 1969) and *Tamil Revivalism in the 1930s* (Cre-A, Madras: 1986).
C Baker *Politics of South India 1920-1937* (University Press, Cambridge: 1976).
D Arnold *Congress in Tamil Nadu: Nationalist Politics in South India 1919-1937* (Manohar, New Delhi: 1977).
A K Bagchi, 'Needed Political Economy of South India' Review Article, *Social Scientist* 7 (1978).

5 A theoretical examination of this problem is provided in Prabhat Patnaik 'Market Question and Capitalist Development in India' *Economic and Political Weekly,* XIX (1984) Numbers 31, 32, 33.

6 A K Bagchi *Private Investment in India 1900-1939* (University Press, Cambridge: 1972) Chapters 2 and 14.

7 Public GO No 60 (Mis) of 21.1.1922.

8 A Z M Iftikhar-ul-Awwal's *The Industrial Development of Bengal, 1900-1939* (Vikas, New Delhi: 1982) is a useful case study of the developments in Bengal. However, he does not appear to note that problems of industrial growth were due not only to the problems of finance, but also to the directions in which expenditure would be approved by the finance secretariat.

9 Revenue GO No 892 (Press) of 21.3.1914 for the orders to restart the department of industries. Revenue GO No 2802 (Press) of 26.9.1914 and No 3468 (Press) of 30.11.1914 for details of some industries in the Presidency.
Revenue (Special) GO No 374 (Ms) of 13.9.1918 for the steps taken to start industries for the war effort.

10 GO No 1279-80 of 13.7.1921 has information on the follow-up to the Industrial Commission's recommendations.

11 GO No 1453 of 8.8.1921 for the May 1921 Industrial Conference at Simla. GO No 724 of 20.5.1922 for the 1922 Conference at Calcutta. GO No 895 (Ms) of 28.4.1930 on request by Director of Industries to continue Conferences.

12 GO No 1363 of 21.7.1921 discusses the proposal for an Industrial Bank in Madras Presidency.

13 Prefatory note number 11 prepared for May 1921 Industrial Conference in Simla in GO No 1453 of 8.8.1921, p 27.

14 The sceptical note is to be found in GO No 1363 of 23.7.1921.

15 Notings leading upto Development Secretary's noting dated 19.5.1921 in GO No 1453 of 8.8.1921.

16 Indian Industrial Commission 1916-1918: Report (Superintendent, Government Printing, Calcutta: 1918), para 300, p 221.

17 The Industrial Conference was held at Madras on 16.5.1921. Details in GO No 1453 of 8.8.1921.

18 The Board of Industries met on 1.3.1921. GO No 1453 of 8.8.1921.

19 Review of the annual report of the Department of Industries for 1920-21 in GO No 2355 (Ms) of 21.12.1921.

20 Letter from Director of Industries to Secretary Development, number 393A/21 of 22.3.1921 in GO No 412 (Ms) of 19.3.1923.

21 Ibid. Noting by Finance Secretary dated 6.8.1922, p 28, of GO.

22 Ibid. Newspapers dated 17.11.1922. Board of Industries meeting held on 30.10.1922.

23 Ibid. Letter dated 14.11.1922.

24 GO No 181 of 2.2.1923 and No 218 of 8.2.1923 have the names of the members of the Committee formed to draft rules under the State Aid Act.
GO No 326 (Press) of 3.3.1923 contains the rules, while No 1482 of 11.10.1923 has the application form prescribed. The annual report of the department of industries for 1922-23 in GO No 38 (Press) of 4.1.1924 has details of the scrutiny that the State Aid Provisions had to undergo. Law (Legislative) GO No 246 (Mis) of 30.10.1922 has members of the select committee which examined the State Aid Bill, while GO No 256 of 20.11.1922 of the same department contains a report on the act sent to the government of India.

25 GO No 771 of 29.5.1923 has an exercise in interpreting the rules laid down. By February 1924, an amending bill had already become necessary. GO No 213 (Mis) of 4.2.1924. The reference to the quotation is in the noting by the Development Secretary dated 10.6.1925 in GO No 1460 of 9.10.1925.

26 Report of the department of industries, Madras for the year ended March 31, 1925 (Madras, Superintendent, Government Press: 1926) p 10.

27 Ibid.

28 Under dyarchy, in the case of any difference of opinion between a Minister and the Finance Member, the matter was to be referred to the Governor. The Finance Member's department was entitled to object to any expenditure on financial grounds. A note on this matter extracted from the *Bulletin of Indian Industries and Labour* is in GO No 1047 (Ms) of 14.6.1921.
Details of the controversy and its resolution are in the notes to GO No 178 (Press) of 3.2.1926.

29 The details are in the Second GO mentioned in note 27. See also the report of the department of industries, Madras for the year ended March 31, 1926 (Madras, Superintendent, Government Press: 1926) p 8.

30 In the year 1924-25, out of Rs 8 lakh allocated for loans Rs 4.60 lakh were disbursed. In 1925-26 the allocation was reduced to Rs 4 lakh. However, the disbursement was only Rs 53,600. 1926-27 was still worse. Of the Rs 4 lakh allocated, Rs 29,000 was disbursed. These figures were provided in the answer to a Legislative Council question and are available in GO No 615 of 30.4.1927. GO No 767 (Mis) of 23.5.1925 also deals with State Aid loans for 1924-25, GO No 85 (Press) of 20.1.1927 defines the terms "cost of machinery" and "cost of research".

31 Report of the department of industries... March 31, 1926, p 10, GO No 1687 of 27.11.1926.

32 Report of the department of industries... March 31, 1927 (Madras, Superintendent, Government Press: 1927) p 8, GO No 1472 (Press) of 16.9.1927. There was also a Legislative Council question on the subject in GO No 274 (Mis) of 26.2.1927.

33 Proceedings of the Legislative Council debate on the State Aid to Industries Bill GO No 412 of 19.3.1923. The question was to arise again in 1934 but, partly because the Department of Industries did not establish the characteristic of the system of hire purchase—the fact that the assets bought with the advance provided the security—the proposal was again rejected by the government. GO No 1403 (Ms) of 3.10.1934.

34 Report of the department of industries... March 31, 1925, p 10, report of the department of industries... March 31, 1926, p 10; report of the department of industries... March 31, 1927, p 8.
In the notings for a response to a legislative council question on whether the government intended to do anything if the State Aid Act was found defective, it was stated that the director of industries in oral evidence before the Royal Commission on Agriculture had stated that the act was a 'dead letter'. The secretary, development, noted that these were his personal views and as they had not been communicated to the government, they were not bound by the views expressed. GO No 274 (Mis) of 26.2.1927.

35 GO No 1074-76 (Press) of 15.7.1927, Report on the State Aid to Industries Act for 1926-27, paragraph 17.

36 Ibid.

37 Apart from questions in the legislative council, there were some specific cases of individual initiative. A note on Industrial Development and Industrial Education to the Development Minister was forwarded to the industries department, who took no action on it GO No 1220 (Mis) of 27.7.1928.
A legislative council question on the details of the capital employed in the Presidency in industrial establishments met with the response that no data other than those already available in the report of the department of industries and the reports on the Companies Act were available. The intention of the question was clearly to argue in favour of greater effort on the part of the government. GO No 709 (Ms) of 15.4.1929.
A private bill to amend the State Aid Act was also introduced by which enterprises in industries already established could get aid. GO No 2270 (Ms) of 20.12.1929.

38 With the increase in the number of Congress MLCs in the late 1920s, the possibilities of non-official bills being introduced became greater. The government of India informed the Madras Government that the Viceroy would withhold sanction for introducing a private bill only if (a) its provisions transgressed the competence of provincial governments or (b) its discussion was likely to affect the public interest. Law (Legislative) GO No 46 of 27.1.1928. Under the circumstances it was the Governor's Council that had directly to bear the opprobrium of withholding sanction on the grounds that some provisions entailed increased expenditure. Cf GO No 2270 (Ms) of 20.12.1929.

39 Noting dated 27.4.1928 in GO No 1220 of 27.7.1928. It is significant that the Development Secretary signed without comment, a practice usually associated with the unwillingness to either agree or disagree with a potentially controversial statement.

40 Recommendations of the Madras Provincial Banking Enquiry Committee are examined in GO No 2018 of 3.11.1930.
The Economic Depression Enquiry Committee's proposals are in GO No 1691 (P) of 27.11.1931.
The Indian Central Banking Enquiry Committee's views are in GO No 1369 (Ms) of 4.10.1935.

41 The discussion is in GO No 699 (Ms) of 12.6.1933.

42 This position was laid down in response to a query from the Retrenchment Committee. GO No 231 of 8.2.1924. This position was reiterated as the policy in GO No 1253 (Mis) of 10.7.1924. In the specific case of the toy industry, the Development Department said that the views of the Retrenchment Committee on the need for caution in undertaking new pioneer factories was "entirely in accordance with the views already held by government" GO No 346 (Mis) of 21.2.1924. The government had also to face criticism on the grounds that its soap factory was competing with private enterprise, thus raising again the question of indefinite working of a pioneer factory GO No 2156 (Mis) of 19.12.1924.

43 This position was laid down while reviewing the work of the Department of In-

dustries during 1924-25. Presumably it was influenced by the criticism of the Retrenchment Committee. GO No 1500 of 19.10.1925. It was reiterated at the time of the Mettur Project completion. GO No 699 (Ms) of 12.6.1933, Noting of 3.3.1933, p 5.

44 Letter from Director of Industries to Development Secretary of 8.4.1933 in GO No 699 (Ms) of 12.6.1933.

45 Ibid, Noting on 22.4.1933.

46 The response of the government of Madras is in GO No 598-99 (Mis) of 14.4.1921.

47 The letter from the government of India setting out the position is in GO No 1333 of 6.10.1922. After this date the list of 'sundry industries' not registered under the Factories Act was discontinued.

48 Ibid.

49 The response to the question is in GO No 709 (Ms) of 15.4.1929.

50 The data prepared for the Royal Commission of Labour is in GO No 2194 (A) (Ms) of 11.12.1930. Proposals to regulate unmechanised units under the Factories Act were opposed by the government of Madras when initiated by MLCs, in spite of the government of India's favourable attitude on the matter. The point is that while factory legislation and supervision of working conditions would have had some benefit for the workers, it would also have encouraged modernisation of the industry. The government of India's attitude is set out in GO No 494 (Ms) of 9.4.1932. Attempts to introduce a bill to regulate unmechanised units and the Madras government's opposition are detailed in GO No 570 of 25.4.1932, GO No 1436 (Ms) of 5.11.1932, and later, in GO No 114 (Ms) of 29.1.1936.

51 The proposal for the census from the Director General, Commercial Intelligence and Statistics is in GO No 188 (Ms) (Confidential) of 8.2.1934.

52 Interestingly enough, the proposal came not only from economic consultants to the government of India, but also from the Madras Chamber of Commerce. It would seem that this latter body was converted to the view by the increasing evidence of the growth of Indian capitals in the textile industry, in particular. The Board of Economic Enquiry which would have been seen to be an unnecessary piece of governmental interference in an earlier period, may now have been an important way of knowing what industrial prospects were. GO No 1625 (Ms) of 27.11.1934.

53 The discussion on the Development Board is in GO No 1325 of 1.11.1933.

54 In the industries department, of course, criticism had been voiced about the State Aid Act from as early as 1925 in the annual reports. The Development Secretariat first expressed doubts in 1928 (Note 38). This was more strongly worded in 1933, when the completion of the Mettur Project posed the question of a more active industrial policy. GO No 699 (Ms) of 12.6.1933, noting dated 22.4.1933.

55 Noting dated 23.10.1930 in GO No 2018 of 3.11.1930.

56 The Director of Industries had suggested the need for an industrial bank while considering the proposals of the Indian Central Banking Enquiry Committee in GO No 1369 (Ms) of 4.10.1935.

57 This was recorded in the review of the Department of Industries for 1934-35 in GO No 1276 of 16.9.1935, paragraph 4.

58 Ibid.

59 Report of the Department of Industries, March 31, 1935 in GO No 1276 of 16.9.1935.

60 The revised rules of business under the Government of India Act of 1935 regarding new legislation, the previous sanction of the Governor, and so on are in Public GO No 1458 (P) of 29.8.1936. The process of change in the State Aid Act are available in GO No 595 (Ms) of 15.4.1936 and GO No 2272 of 14.12.1936.

61 The reports on the Survey of Cottage Industries published in 1929 bring out this point quite clearly. Reports for individual districts and a consolidated report for the entire presidency were published by the government.

62 The theoretical position on the change from merchant to industrial capital which this process involves is in Karl Marx *Capital Volume III* (Progress, Moscow: 1959) Chapter 20, especially pp 334-35. *Capital Volume I* (Progress, Moscow: 1954) Chapter 25 deals with the development of manufacture and factory production. For India, see VI Pavlov *Historical Premises for India's Transition to Capitalism* (Nauka, Moscow: 1979), pp 4-31.

At the practical policy level, evidence of knowledge of the need for this transformation is available in several places. As early as 1908, at a conference held in connection with an All India Weaving Competition, several persons spoke in favour of the manufactory form of organisation. The joint stock company form was also suggested. Other speakers praised the discipline which work in manufactories inculcated amongst workers. *Report of the Proceedings of the Conference held in connection with the All India Weaving Competition held at the School of Arts, Madras on 2nd and 3rd March 1908.* (Srinivasa Varadachari and Co, Madras: 1908) available in GO No 5 (Mis) of 6.1.1925. In response to an article in *New India*, calling for the development of small weaving manufactories, the Minister for Development advised action on the article and suggested that merchants who invested in landed property should take to the 'mill industry' instead. The practicality of small factories (in the absence of suitable economic measures such as standardising demand and wages) was raised by the government's Textile Expert and action was deferred. GO No 1588 (Mis) of 29.8.1921. A paper presented at the All India Economic Conference at Patna in 1922 argued that the middlemen or sowcar must become the focus of attention of the Department of Industries, and induced to change the form of organisation of production in cottage industries. K S Narayana Murthi *The Position of the Middlemen in Village Industries.* (Chinthamani Printing Works, Rajahmundry: nd) in Tamil Nadu Archives Library.

63 The case is made out in GO No 178 (Press) of 3.2.1926.

Also relevant are GO No 763 of 22.5.1925 and GO No 77 (Mis) of 18.1.1926.

64 Noting by the Finance Member on 17.10.1925 in GO No 77 (Mis) of 18.1.1926.

65 Noting on 5.1.1926 in GO No 178 (Press) of 3.2.1926.

66 Stated in the Annual Report of the Department of Industries March 31, 1926, p 8.

67 In response to a legislative council question on the policy of the government towards loans for small as opposed to large enterprises, the government stated that the State Aid Act did not preclude small enterprises from applying for aid, GO No 379 (Mis) of 18.3.1926.

68 Noting on 6.8.1922 in GO No 412 (Mis) of 19.3.1923.

69 In response to a question in the legislative council about what the government was doing to encourage cottage industry, the response was that the handloom industry was the most important of such industries and that details of promotional work could be found in the annual reports of the Department of Industries. It was presumably the most important in terms of the numbers employed and as most of these were subordinated to merchant capital, it was illogical for the government to specify that they would aid only the minute number of self-employed handloom weavers. GO No 1907 (Mis) of 12.10.1921. Further information on help to cottage industries taken from annual reports is in GO No 113 (Mis) of 23.1.1925.

70 The Advocate General's opinion was obtained in GO No 958 (Mis) of 5.7.1926.

71 This is to be found in the same GO mentioned in note 69. Interestingly the file noting sent to the Assistant Secretary says that there is no information on the conditions under which cottage enterprises function.

72 Ibid.

73 The Review of the State Aid Act for 1925-26 is in GO No 1358-60 of 16.9.1926. Despite this, the complaint was voiced again the following year in GO No 1074 of 15.7.1927.

74 The decision is in the Development Secretary's noting of 20.6.1927 in GO No 1329 of 26.8.1927.

75 The Director of Industries made these proposals in GO No 1730 of 27.10.1927. They were brought into operation by an amending bill.

76 The argument is in GO No 1730 of 27.10.1927.

77 The first legislative council question is in GO No 1450 (Mis) of 14.9.1927 while the second is in GO No 1567 (Mis) of 30.9.1927.

In response to the MLC's question the government admitted that up to the end of August 1927 (about three years after the act came into operation) no loans had been given to cottage industry. In response to a further question as to whether the act had any defects, the initial noting in the file stated that "Section 5 [defining enterprises eligible for aid] as it stands at present is not defective though it is susceptible of being interpreted in different ways by different persons". In the actual answer given in the legislative council this was replaced by the statement that section 5 was "somewhat restrictive in character".

78 This was noted by the Director of Industries in GO No 391 (Ms) of 5.3.1929.
It is interesting in this context to note that the districtwise surveys of cottage industry, undertaken by the Department of Industries in 1929 which will be discussed later, adopted the looser definition advocated by the department. Presumably it was felt that information should be gathered about the state of the industries in which home producers prevailed, even if aid could not be given to them as things stood. The Special Officer appointed to undertake the survey even mentioned in his report that the government's definition was too narrow. An alert MLC asked in a supplementary question on the issue of progress on action on the survey what the government proposed to do with this comment. However, the President of the Council closed the matter by observing that "The question does not arise", GO No 1549 of 11.9.1929.

79 The extract is quoted in the review of the report of the Department of Industries for 1924-25 in GO No 1432 of 1.10.1926.

80 Ibid.

81 Ibid.

82 The help to co-operative societies by the department of industries was detailed in GO No 1662 (Ms) of 8.9.1921. The problems of handloom co-operatives were discussed in GO No 318 of 3.3.1925. The first assertion that State Aid would be given to cottage industries when co-operatives were formed is in GO No 958 (Mis) of 5.7.1926. It was repeated in GO No 1329 of 26.8.1927 and reasserted by the Finance Member in a noting dated 12.6.1930 in GO No 1317 of 3.9.1931, p 66.

83 The attempts are described later in this section. Details of the very few co-operative societies functioning in cottage industries are available in GO No 1703 (Ms) of 6.9.1930.

84 At a practical level this is described by the Registrar of Co-operative Societies in his letter C 3537/30 dated 19.7.1930 to the Development Secretary in GO No 1317 of 3.9.1931, p 36.

85 The Retrenchment Committee's remarks and the government's comments are in GO No 1138 of 21.6.1924.

86 Paragraph 259 of the Retrenchment Committee's Report discussed also in GO No 318 of 3.3.1926.
Here then is the apparent expression of interest in the welfare of the weaver and indifference to productivity increases which would facilitate the accumulation of capital by the merchant-middlemen.

87 In GO No 1138 of 21.6.1924. And it was also in response to this criticism that the government ordered a survey of cottage industries in the Presidency.

88 Paragraph 16 of the Report in GO No 1074 of 15.7.1927.

89 Response to legislative council question in GO No 1597 of 31.8.1921.

90 A question in early 1922 was asked about the increase in the number of spinning wheels, handlooms and output of hand spun yarn. It was recognised in the Development Secretariat that this was a response to the Congress Khadi Programme. Almost simultaneously another question was asked about government support to hand spinning. GO Nos 137 and 138 (Mis) of 27.1.1922. The resolution (Number 174) was moved by Vellingiri Gounder and got 24 votes in favour and 59 against it. The debate in the council took place on December 14 and 15, 1921. GO No 177 (Mis) of 3.2.1922.

91 The Department of Industries' textile specialist undertook a detailed examination of hand and mill spun yarn economics in response to a note sent to the Development Minister advocating hand spinning. GO No 798 (Mis) of 15.6.1922.
In 1923, another question on hand spinning met with the response that the government's position had been set out in the Development Minister's speech in the debate on the resolution moved in December 1921, GO No 9 (Mis) of 3.1.1923.
The objection to helping hand spinning—usually undertaken by women from the poorer peasantry—may have been because the concern lay with a particular section of the peasantry, and not with 'agriculturists' as a whole. The remarks of the Director of Agriculture to the questionnaire prepared for the cottage industry survey are interesting:

> It is important to ascertain just how much spare time the people have to devote to cottage industries. It will be noted that evidence given before the Royal Commission [on Agriculture] differs very much in this important point. It seems to be usually assumed that the ryot is 'idle' and has a lot of spare time on his hands, but I do not agree that this is usually the case. The dry land ryot may have a good deal of spare time, but the wet land ryot has much less and the man with second crop lands has probably none.

This is a curious noting given that the concern ostensibly lay with the bulk of the peasantry. Clearly, most of them would be cultivating dry lands and therefore the statement that it is not 'usually the case' that the peasants had a lot of spare time is incorrect. The tone of the passage is as if the concern was solely with the richer peasants with irrigated if not double cropped land. It would then appear that the director of agriculture, at least, was under the impression that the upper sections of the peasantry were the objects of attention, and was pointing out that as they had little spare time, development of cottage industries was an inappropriate method of supporting them. This point is significant in terms of the fact that during the depression little was attempted to substantially ease the burden of the crisis on the peasantry. Noting on 7.2.1927 in GO No 250 of 21.2.1927.

92 The proposal was initiated jointly by the Director of Industries and the Registrar of Co-operative Societies (GO No 539 of 1.4.1926). The deputation was extended at the end of the year, GO No 1271 of 19.8.1927. A report on the first year's work is in GO No 1117 (Misc) of 22.7.1927.

93 In paragraph 18 of the report for 1926-27 in GO No 1074 of 15.7.1927.

94 Letter from Registrar, Co-operative Societies to Development Secretary No C 3537/30 dated 19.7.1930 in GO No 1317 of 3.8.1931, p 36.

95 The Cottage Industry Survey itself was a result of the criticism by the Retrenchment Committee of the work of the industries department. GO No 1138 of 2.6.1924 and GO 318 of 3.3.1926. The orders for the survey are in GO No 1432 (Press) of 1.10.1926 while GO No 167 (Mis) of 3.2.1927 sanctioned a special officer and staff for the survey.
GO No 225 (Mis) of 15.2.1927 set out the instructions for the conduct of the survey while GO No 250 of 21.2.1927 dealt with a press communique. GO No 1544 (Mis) of 28.9.1927 dealt with the work of the special officer appointed to conduct the survey. Also of interest is GO No 693 of 14.5.1927. There was sustained interest in the survey both in the legislative council and in the press. Council questions began almost immediately the special officer was in place and are found in GO No 1805 (Mis) of 8.11.1927, GO No 2022 of 29.11.1927 and GO No 2033 of 30.11.1927, while a press comment in *Swadeshimitran* on the report is translated in GO No 1694 of 7.10.1929.

96 The history of the bill, introduced in a truncated form with the deletion of most of the operative clauses and finally voted down when moved in the assembly is in GO No 2270 (Ms) of 20.12.1929. The bill itself is detailed in GO No 846 of 15.4.1930.

97 The proposal is in the letters from the Director of Industries to the Development Secretary number 978 A/29 of 1.10.1929 and 13.12.1929 in GO No 38 (Ms) of 7.1.1930.

98 Letter from Director of Industries to Development Secretary Number 136 A/30 of 4.8.1930 and from Registrar of Co-operative Societies to Development Secretary Number C 3537/30 of 19.7.1930 in GO No 1317 of 3.9.1931, p 7 and p 36 respectively.
Professional dishonesty was "ingrained" in them. Thus "The upper folding of the cloth or the borders will always be closely woven and smooth, the middle portion will be scamped, rough and loosely woven". If the intervention of the middleman was removed from the pile carpet or cotton jamkhana industry "the weavers would use chunam wool or tannery wool for cut wool, and cheap fugitive dyes for reliable fast dyes..."

99 *Note on Weaving Societies* paragraph 12, page 8 in GO No 667 (Ms) of 5.5.1931.

100 Letter from Director of Industries to Development Secretary number 978 A/29 of 1.10.1929 and 13.12.1929 in GO No 38 (Ms) of 7.1.1930 and number 136 A/30 of 4.8.1930 and 841 A/31 of 5.6.1931 in GO No 1317 of 3.9.1931.

101 Letter from Registrar of Co-operative

Societies to Development Secretary Number C 3537/30 dated 19.7.1930 in GO No 1317 of 3.9.1931, p 36.

102 Letter from Director of Industries to Development Secretary No 841 A/31 of 5.6.1931 in GO No 1317 of 3.9.1931, p 70.

103 Reference in note 98, paragraph 3, page 1.

104 Ibid, Paragraph 13, page 10.

105 Letter from Director of Industries to Development Secretary Number 136 A/30 dated 4.8.1930 in GO No 1317 of 3.9.1931, p 7.

106 Reference in note 101.

107 Reference in note 105.

108 Reference in note 102.

109 The origins are in the references of note 94. Legislative Council questions on follow-up action to the surveys are in GO No 386 of 5.3.1929 and GO No 1549 (Ms) of 11.9.1929. Another question on the role of hand-spinning is in GO No 2029 (Ms) of 18.11.1929, to which the answer was that the Cottage Industries Committee would examine the problem. A textile conference was also held as a result of pressure in the council GO No 509 (Press) of 22.3.1929. Another question was asked about the production of yarn and cloth in each district. The response was that no information was available. When the minister was asked about the All India Spinners' Association, he admitted knowledge of it but said they had not been approached.

110 The committee's establishment is followed in GO No 1694 (Ms) of 7.10.1929. Its report is in GO No 864 (P) of 21.4.1930.

111 Paragraph 8A of reference in note 104.

112 The Assistant Secretary in the development department had supported the viewpoint of the Department of Industries, noting of 22.5.1930, p 65. The Finance Member's statement of 12.6.1930 is on p 66, while the finance department's comments are dated 22.1.1931, after a long tussle, in GO No 1317 of 3.9.1931.

113 This information was given in an answer to a Legislative Council question. GO No 571 (Ms) of 16.4.1931. A proposal for training programmes for village artisans was rejected GO No 178 (Ms) of 7.2.1931. In response to a suggestion from the government of India that the annual report of the department of industries contain a separate chapter on cottage industries, the response was that the cottage industries survey had been undertaken to improve the conditions of the rural population. Similarly, collectors were permitted in consultation with the director of industries to sell raw materials at a reasonable rate to small industrialists. Auction of such material was no longer necessary. See GO No 83-84 (Ms) of 15.1.1930 and GO No 1279 (Ms) of 9.12.1930 respectively. On the other hand, the establishment of an emporium in Madras and an agent in London to sell products of cottage industries was deferred as was another proposal to have an emporium for non-artistic cottage industry products. GO No 312 of 1.3.1932 and GO No 307 (Ms) of 27.2.1935.

114 Report of the department of industries... March 31, 1932, p 5.

115 An indication of this was a request from the government of India for an account of progresses in industrial development GO No 514-5 (Ms) of 16.4.1934. Schemes for rural reconstruction were asked for by the Madras government from the field agencies of the development department. GO No 1014 of 22.7.1935. The government of India also asked for a report on the activities of field agencies in the sphere of rural development while the implications of rural indebtedness for the work of the department of industries was described in GO No 1790 (Ms) of 18.12.1935. Reports of the field agencies are in GO No 1402 of 11.10.1935.

116 This was voiced in the report of the department of industries, March 31, 1936 where it was stated that competition came from Japanese imports, and from the Bombay and southern region mill industry. The argument was even voiced that a system of reservation of production might be necessary and this would be justified as the handloom sector was four times as important as the mill sector in terms of production and value "and many times more important in respect of the employment which it provides", p 49. See also GO No 732-33 (Ms) of 19.6.1933 and GO No 1232-33 (Ms) of 29.8.1934 for attempts to define khadi.

117 The subvention, and formation of the apex society, is discussed in GO No 8.3.1935. The board of the society was set up shortly afterwards. GO No 968 of 13.7.1935. Some minor modifications were later made to the apex society as in GO No 205 (Ms) of 12.2.1936. Much more significant was the anxiety expressed by officialdom of the tendency towards "independence" noticed in the society.

118 Note 1, *Note for the Board of Industries*, paragraph 8.

119 Interestingly, the Director of Industries had pointed to the example of the Bihar and Orissa State Aid Act where machinery on hire purchase basis was made available. His argument was that hand operated machinery, if not power driven machinery, was necessary if home producers were to be able to deal with competition from factories. This argument was made in 1931 but did not apparently form the basis for the case made later in 1934. Letter from Director of Industries to Development Secretary Number 721-A/31 of 28.4.1931 in GO No 1317 of 3.9.1931, p 49. See also reference in note 32.

120 *Note for the Board of Industries*, paragraph 1. Details are in GO No 1056 (Ms) of 30.6.1936 and GO No 2272 of 14.12.1936.

121 Noting 1 in first reference mentioned in note 119.

122 The difference here was that a mere descriptive elaboration of the positive aspects of the middleman's role was replaced by the location of this role within an economic theory of distribution, giving it thereby greater apparent authenticity.

123 Report of the Department of Industries, March 31, 1936, p 11.