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THE JUTE INDUSTRY IN EASTERN INDIA
DURING THE DEPRESSION AND ITS INFLUENCE
ON THE DOMESTIC ECONOMY OF THE
REGION

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The Jute Industry in Eastern India During
the Depression and Its Influence on the
Domestic Economy of the Region*

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The Jute Industry in Eastern India
During the Depression and Its
Influence on the Domestic
Economy of the Region*

Saugata Mukherji

It is widely accepted that the Depression of the 1930's caused severe economic hardship in primary producing countries like India, when the international terms of trade went very much against them. This led to an overall fall in values for exports; while the diminishing purchasing power was reflected in the shrinkage of the total volume and value of imports. Equally well known are facts like the sharp decline in agricultural incomes and rural consumption expenditure, unfavourable terms of trade of the agrarian sector in relation to the industrial one, the beginning of a fairly long term process of acute rural distress and the loss of landed property for the less well-to-do sections of cultivators. It is, however, often pointed out that although it took much longer in India than in industrially advanced countries, for prices to recover, a combination of factors brought about an acceleration in the rate of industrialization in this country. These are mainly described in two ways: the first being import substitution efforts on the part of some major Indian industries in the face of declining imports of

* For the limited use of the Private Papers of Sir Edward Benthall, deposited in the Centre of South Asian Studies, Cambridge University that has been made in this paper, I am indebted to Mr. Omkar Goswami, a graduate student of Oxford University for letting me use some of his notes made from these papers, after obtaining the necessary permission. I wish to thank several of my colleagues in the Centre, specially Prof. Barun De and Prof. A.K. Bagchi for their suggestions about improvement in style. I have to bear full responsibility for all remaining shortcomings of this paper.

manufactured goods; the second, tariff protection granted by the Government of India to a number of Indian industries, generally known as the policy of 'discriminating protection'. Without denying the limited applicability of such conclusions, it is still necessary to ask whether the conditions reflected in the chronic shortage of disposable income and effective demand in this country were favourable for a fast and uninterrupted process of industrial development or not. For the point often missed in the discussion about industrial progress in India at the time is that at the height of the Depression, industrial employment actually fell from 1.55 million in 1929/30 to 1.41 million in 1933/34.¹ Moreover, since the money value of all crop output in British India was supposed to have declined from Rs.10.2 billion in 1927/28 to Rs.4.7 billion in 1933/34, it is easy to see that from "all available estimates of output and consumption there is evidence of a steady decline in per capita consumption during the decade 1929 to 1939".²

India's predicament during the Depression of the 30s was directly related to its position in the world as a British colony. There were obvious constraints on capital formation in a colonial economy such as a continuous fall in agricultural prices which aggravated the international and internal terms of trade problems and also severely limited

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1. Computed from Statistical Abstract of British India (different years) by A.K. Ghosh: Prices and Economic Fluctuations in India 1861-1947 (Delhi, 1979) p.54. It may be noted in this context that most economists and economic historians in India have held the view that there was no absolute decline in the level of industrial employment in India during the Depression.
 2. loc.cit.

the size of the home market. Apart from these, the fiscal policies pursued by the government not only imposed a further drain on this country's resources, they also helped to widen income differences between different sectors of the economy and between regions and classes of people. These income inequalities may have had links with the rise and growth of a number of 'new' industries in India. When one looks for factors responsible for such uneven development of the country's economy, one cannot overlook the role of the colonial state and of colonial private enterprise in India during these crucial years.

There has been a persistent tendency of late to describe in general terms, the years of the Depression upto the eve of the Second World as a period of weakening imperial control so far as Britain was concerned, leading to a greater measure of equality between itself and its 'partners' in the Commonwealth.³ This line of argument has also been extended, with modifications, to include Indo-British economic relations over the same period. Thus, while a greater tightening of economic controls over India by the metropolitan power during the decade in question is freely admitted,⁴ it is also pointed out that the continued possession of India was losing its rationale in terms of the long-term economic interests of Britain⁵ and that this

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3. This for instance, is the main thrust of argument in Ian Drummond's book Imperial Economic Policy 1917-39: Studies in Expansion and Protection. (London, 1974).
 4. B.R. Tomlinson : The Political Economy of the Raj, 1914-47 : The Economics of Decolonization. (Cambridge, 1979) pp.157-67.
 5. Ibid. pp.45-7 and passim.

ultimately led to the gradual but perceptible process of economic 'decolonization' which preceded actual transfer of power. It is of course, fairly obvious that even before the formal demise of the 'Raj'; the structure of the colonial economy in India had been stretched almost to breaking point. But it is blatant that in every field of economic policy and action both officials and private foreign economic interests managed to derive many material advantages from the unequal economic ties that existed between the two countries from 1929 to 1939.

The foreign managing agencies and their subsidiaries operating in jute, tea, coal and other branches of traditional economic enterprise in eastern India played a crucial role in ensuring the extraction of economic surplus from a progressively impoverished society. What they did was to bring about a worsening of the terms of trade against the sector least able to bear the pressure. The characterization of such foreign private firms as mere "fleas on the buttock of Mother India"⁶ cannot hide the fact that they had a very morbid - indeed a carcinomatous function-upon the cells on which they grew.

One of the major aspects of the operations of jute manufacturing concerns in eastern India through the Depression and Post-Depression periods was the tightening of their

6. B.R. Tomlinson: 'Colonial Firms and the Decline of Colonialism in Eastern India 1914-47', Modern Asian Studies, Vol.15, Part-3, July 1981, p.486.

monopsonistic control over the raw jute market.⁷ A certain degree of demonetization in the market for agricultural produce⁸ and the virtual drying up of traditional credit agencies in rural areas greatly aided this process. The factors responsible for the remarkable contraction in rural credit all over India at this time are fairly well known. The circumstances connected with foreign and internal trade, the constriction in money supply, the problems of the rupee exchange rate and the net outflow of gold (and silver) from this country are also parts of a tale that has often been told.⁹ Nor is it within the scope of this paper to enter into any detailed discussion regarding any of these developments. What is germane to the issue is that during this time of crisis, the general economic policy in London was to

7. For a detailed discussion on the various means of controlling raw jute supply adopted by the Indian Jute Mills Association (IJMA) like building up stocks, use of jute forecasts, depreciating price through quality marks, etc. see Saugata Mukherji : 'Some Aspects of Commercialization of Agriculture in eastern India, 1892-1938' in Asok Sen, Partha Chatterjee and Saugata Mukherji : Three Studies in the Agrarian Structure of Bengal before Independence (Oxford University Press, Forthcoming).
8. loc. cit. This happened particularly in the case of rice.
9. Dietmar Rothermund : 'British Foreign Trade Policy in India during the great Depression 1929-30' and 'The Great Depression and British Financial Policy in India 1929-34' (unpublished papers 1981) and Tomlinson: The Political Economy of the Raj, pp.35-47, 73-92 and also Tomlinson: 'Britain and the Indian Currency Crisis 1930-32', Economic History Review, Vol. XXXII, No. 1 (February 1979) provide some of the recent analysis of these problems. For earlier and useful concise accounts, see M.D. Joshi: 'Currency' and R.L. Varshney: 'Foreign Trade' in V.B. Singh (ed.): Economic History of India 1857-1956 Bombay, 1965, pp.375-413, 444-84.

try and use the Commonwealth as a closed economic unit so that it was relatively free from external shocks and more importantly, to ward off the entry of other advanced industrial nations into this market. So far as India was concerned, Britain's main problem was to devise ways and means of exacting the expected amount of tribute from it and to transfer that tribute to Britain in the face of a sharp fall in India's export surplus. For this purpose, it had to ensure that the Indian rupee remained linked to sterling (after the latter had gone off the gold standard) at the comparatively high rate of exchange of 1sh.6d. to a rupee. This aggravated the financial stringency in the country with a significant contraction in money supply and a further shrinkage in agricultural marketing and credit facilities. It was only the massive sale of gold in the international market that pushed up the export surplus again and enabled the government of India to meet its debt obligations to London. While it is generally accepted that the sale of 'distress gold' meant a large drain of rural savings¹⁰, it has also been suggested that such sales brought in some amount of liquidity in the countryside and into the economy in general with the likely consequence of a stepping up of money savings.¹¹ Even if this were so, it is difficult to see

10. Even before India started selling gold in the international market, the government of India began selling silver from around 1927 after melting down old coins returned to it. This was done when the price of silver was low, and it further depressed the price, thus depreciating the savings of the Indian masses. Rothermund 'British Foreign Trade Policy in India...'

11. Tomlinson : The Political Economy of the Raj, pp.37-39.

what connection such available savings had with industrialization at that time for, compared to the value of gold exports, the values of imports of mill machinery for three major industries cotton, jute and sugar¹² were negligible, being only about 8 per cent of the former for the entire period 1931 to 1938 and only about 6 per cent for 1931 to 1935 when the sale of gold reached its peak.¹³

While the job of raising and transferring the economic tribute that India had to pay Britain was manipulated by such fiscal and currency measures, the system of Imperial Preferences under the Ottawa Agreement of 1932 sought to ensure British manufacturing interests in the Indian market. The export of 'staples' might no longer have been vitally important for the British economy, yet sectional interests and pressure groups succeeded in having their way in the framing of commercial policy that affected the process of industrialization in India adversely.¹⁴ Also as a temporary measure at least, it gave Britain a chance, in the wake of the Great Depression, to recover ground lost to other competing manufacturing countries in a number of trade items. Thus while the protective

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12. Of these, the cotton textiles and the sugar mills industries were clearly the developing ones, receiving 'discriminating protection'.
 13. Calculated from figures given in Rothermund : 'British Foreign Trade Policy'....
 14. Govt. of Bengal, Commerce & Labour Department (Commerce Branch), File 1T-15, Progs. B236 and 223-34, April 1936. From Secretary, Indian Chamber of Commerce to the Secretary, Commerce Department, Govt. of Bengal, 18 August 1936. A summary of the main points and arguments of this note is given in a footnote in Mukherji: 'Some Aspects of Commercialization of Agriculture...'

tariff granted to a number of Indian industries reduced non-empire competition, the system of Imperial Preference gave Commonwealth commodities the edge over all rivals. Under the circumstances, the policy of 'discriminating protection' could not act as a very effective agency of import substitution.¹⁵ Moreover, as has been recently pointed out,¹⁶ there was an additional incentive for Britain to enforce the system of Imperial Preference because the

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15. While the preference given to Indian exports to the British market (mostly raw materials) did not register any increase that was not commensurate with the normal growth in demand, as many as 162 items of British exports into India received preference. See Rothermund: op.cit., also 'The Great Depression and British Financial Policy...'. For the specific case of cotton, see B. Chatterji: 'Business and Politics in the 1930s: Lancashire and the Making of the Indo-British Trade Agreement, 1939', Modern Asian Studies, Vol.15, Part-3, July 1981, pp.487-526. As regards the decline in India's export surplus in general and in export surplus in relation to non-empire countries, Varshney: op.cit., pp.460-1 points out: "Our heavy export surplus with countries outside the British Empire was reduced considerably from about Rs.100 crores in 1913-14 to Rs.16 crores in 1938-39 due to restrictive trade policy of the 1930's. The reduction in our export surplus in trade with countries outside the Empire was responsible for India's overall export surplus too. Yet even this small export surplus almost wholly accounted for India's net export surplus of Rs.17 crores in 1938-39".
16. Rothermund: 'British Foreign Trade Policy...'. Rothermund concludes his paper thus: "The high exchange rate of the Indian Rupee practically amounted to an import bonus just as much as the radical devaluation of the Japanese Yen gave rise to a substantial export bonus for Japanese goods. The import bonus benefited the British and everybody else who exported goods to India. It therefore provided an even stronger incentive to the British to guard the access to the Indian market by a system of imperial preferences. Of course, the import bonus also benefited the Indian consumer of foreign goods. In this it acted as a disincentive as far as import substitution was concerned... Keeping the exchange rate high was thus the best means of preventing the industrialization of India and providing a remunerative market for British exporters".

high exchange rate of the rupee acted as a kind of 'import bonus' in the Indian market benefiting all exporters to India. In such conditions the need to close this market as far as possible from non-empire competition became stronger.

II

The part played by the bigger managing agencies in all branches of traditional industrial enterprise in eastern India through the first half of this century has left a deep and lasting mark on the economy of this region to the present day. The jute industry occupies, however, a rather special place in the economic history of Bengal and its neighbourhood because the situation in which it found itself at the time of the Great Depression and its response to it transformed the entire economic scene in the countryside - in large tracts where the jute crop was grown, and also indirectly, in areas where the crop was not actually grown.¹⁷ We shall return to this question in the concluding section of the paper, after a brief analysis of the 'crisis' which is supposed to have affected the jute industry in the early 30s,¹⁸ and the steps that the leaders of the industry took to combat it.

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17. For a discussion on the actual course of such developments, see S. Mukherji: 'Changes in Credit Structure and Changing Class Relations in Agriculture in Bengal, 1930-42' (paper to be presented at a Seminar on Commercialization of Agriculture in India, Centre for Development Studies, Trivandrum, November 24-28, 1981) to appear in the Occasional Papers series of the Centre for Studies in Social Sciences, Calcutta (hereafter, O.P., CSSSC).
 18. On the nature of this 'crisis', see Mukherji 'Some Aspects of Commercialization...' specially the beginning of section III.

We shall skip a recital of the actual details regarding the fall in demand for jute goods, the fall in profitability and the efforts at restriction of output because there is hardly anything new to add to this theme.¹⁹ The structural defects of this industry, like its outmoded technique and organization, the unchecked growth of its excess capacity and other related issues have also been discussed elsewhere.²⁰ In this paper, only some attitudes of various actors on the scene will be highlighted along with a few relevant facts which shaped such attitudes.

"The jute industry is having its troubles, but the Association is holding together better than it has ever done, and I feel pretty confident that the results of this crisis will in the long run be to the benefit of the industry for it seems likely that the problem of new mills will now be tackled energetically by the Association with or without the help of Government Legislation".²¹ Brave words, no doubt, but before this some prominent members of the Indian Jute Mills Association (IJMA) had even been reduced to pleading for government intervention in regulating output (working hours for mills) for all operational mills in India within the Association or outside it. Strong opposition to official interference or control and a firm belief in the process of 'automatic adjustment of supply and demand' had been the

19. A fairly detailed account of these events is given in A.K. Bagchi: Private Investment in India 1900-39 (1st Indian ed. 1975) pp.279-83.

20. Mukherji: 'Some Aspects of Commercialization...' Section II.

21. Benthall Papers (hereafter B.P.), Box IX, File 2A, 'Sir E.C. Benthall Indian Correspondence, 1935 (from 24 September to November, 1935). Letter to A. Logie, gunny broker in USA from A. McKerrow, Bird & Co. dated 14.11.1935

guiding principle of the IJMA²² from its inception, and this conviction had hardened during the years of super-profits made at the time of the First World war²³ and the boom of the late 20s.²⁴

When, therefore, the IJMA resorted to stringent measures for restriction of production in 1930 and even more in 1931, there was a revolt in the ranks of the jute mills, with those outside the Association (mostly under Indian management) finding it very unprofitable to abide by the rules.²⁵ Finally, an agreement was reached through government arbitration in May 1932 which, however, did not succeed in smoothing out the conflict entirely. But the correspondence, notes and memoranda between various interested groups - the Association mills and allied business organizations under European management, Indian business interests and spokesmen of the provincial government are to be found bunched

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22. The formation of the IJMA in 1884 was, however, dictated by the need to curtail output and check undue competition so that supply did not exceed demand.
 23. See, S. Mukherji: 'Agricultural Marketing in a Colonial Setting: an Introduction'. O.P., CSSSC (forthcoming).
 24. Government of Bengal, Commerce Department. File 1F-9 Progs.261-68B, January 1929. (control of shifts in jute mills) from Secretary, Bengal Chamber of Commerce to the Secretary, Government of Bengal, Commerce Department. No.2933-1927, Calcutta, 30 September, 1927. "...There is no country in the world where a shift system is illegal

"While therefore, this chamber is, as it has always been, solicitous for the welfare of the workers, the Committee cannot agree that it is right that government should dictate to an industry that it shall restrict the hours of working its machinery, to eleven hours per day, thus handicapping it against its competitors in other countries by withholding from it the right to expand production, when the conditions of industry are favourable". (emphasis added)

25. Bagchi, op.cit., pp.281-82.

together in a file,²⁶ which offers revealing glimpses into the minds of the principal actors. Excerpts from the note by the economic adviser to the Department of Commerce²⁷ are presented in the appendix to this paper, for his arguments against government intervention and his analysis of the motivations of some of the principals of the IJMA deserve to be quoted at length. We select for presentation here the letters and memoranda from the Calcutta Stock Exchange Association²⁸ and the Bengal Chamber of Commerce²⁹ as representative of European business interests,³⁰ the Bengal National Chamber of Commerce³¹ for the Indian viewpoint, and the note prepared by the government spokesman, Gilchrist.

The representations from both the Calcutta Stock Exchange Association (S.E.) and Bengal Chamber of Commerce (B.C.C.) spoke of "a financial collapse of the first magnitude" if there was any further fall in jute values as a result of the abandoning of the jute mills agreement because the "abnormal drop in values during the past year

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26. Government of Bengal, Commerce Department (Commerce Branch) File 2J-1, Progs. 87-134B, September 1932.
 27. R.N. Gilchrist, M.A. (Aberdeen) came from the Indian Education Service and was for some time a professor of political economy in Presidency College, Calcutta. Presidency College, Calcutta, Centenary Volume, Calcutta 1955, pp.48, 50.
 28. As in 26 above. From President, Calcutta Stock Exchange Ltd. to the Secretary, Government of Bengal Commerce Dept. Calcutta 8 March, 1932 (Progs. 88B).
 29. loc.cit. From Secretary, Bengal Chamber of Commerce to the Secretary, Commerce Department No.1407-1932, Calcutta 21 April 1932 (Progs.94B).
 30. There was also a representation along the same lines from the Bengal Shareholders' Association.
 31. loc. cit. from Hon. Secretary, Bengal National Chamber of Commerce to the Secretary, Commerce Department No.G.I/10G Calcutta 9 May 1932 (Progs. 106B).

has very seriously tested the financial capacity of a large number of holders". (S.E.). Benthall³² also spoke of a crisis that went "far beyond the ordinary repercussions of a slump in trade" (B.C.C. para.2) because "large blocks of jute mill shares are held by some of the banks whose advances have been made on a level much higher than the current market rates". (B.C.C. para.3). In a similar vein: "It may be argued that the present or contemplated action of the IJMA ... is not the direct concern of the Calcutta Stock Exchange. This may be true, but on the other hand there is abundant reason for this association requesting the assistance of government at this time. The 40 to 50 crores of capital invested in jute mills is held not only by investors, large and small, throughout this country, but enormous sums have undoubtedly been advanced by the banks against the security of jute mill scrip". (S.E.) "At the time when advances were made (by the banks), there was ample margin, but in view of the depreciation in values ... it has become necessary for the banks to call for more margin, and in many cases the investor is unable to find the necessary funds. In these circumstances, the only course open to the banks will be to sell the shares in the open market... The consequences will be that large blocks of shares will be thrown upon a disturbed market ... the market is bound to break with the glut of sellers, and something approaching a debacle is likely to follow, with more and more holders

32. It appears that Benthall had first drafted a memorandum for the Governor of Bengal which was reproduced, in almost identical form as the representation of the Bengal Chamber of Commerce to the government of Bengal (Appendix, margin²¹ note by J.A. Woodhead at the end).

throwing their shares in and selling at panic prices". (B.C.C. para.3). It was also pointed out that "here is already a definite movement in Calcutta towards closing the Stock Exchange temporarily". (B.C.C. para.4). Gilchrist reacted to all this rather sharply (Appendix paras 11-13) hinting that it was not merely the reaction of the banks that the Association jute mills were concerned about. The agitation for government intervention by some of the leading managing agencies like Andrew Yule was simply directed towards boosting the confidence of some of the biggest shareholders in the market (para 13). While briefly tracing the developments in the recent history of the jute industry (paras.5-10), Gilchrist pointed out that super-profits during the war had attracted new investors in jute mills, mostly Indians (with the older firms adding only marginally to their mill strength). But the industry was going through a period of buoyancy during which the IJMA operated as a firmly homogenous body which could ignore a very small element of outside competition within the country. In 1929, with the first signs of the coming slump, the Calcutta Association (in consultation with the London Jute Association) decided to deal with growing European continental competition by increasing working hours (para 6). It was, therefore, rather strange that the IJMA should agitate for government assistance against a handful of Indian mills whose productive capacity fell far short of mills in mainland Europe (para.9) specially in view of their own secret build-up of productive capacity and other fraudulent practices such as time-stealing³³ to cheat each other (paras.9, 10). After giving comparative estimates of the resource positions of the older (prewar) and the new (post war) mills (paras. 22-26), Gilchrist concluded (paras.27-28) that the IJMA needed

33. An estimate of overproduction through stealing of time has been attempted by Omkar Goswami : 'Anatomy of Cartel Failure : The IJMA and the Jute Economy of Bengal 1925-38' (unpublished paper, 1980).

no protection from outside mills, and that all that it was interested in, was the maintenance and strengthening of its own oligopolistic combine which made it intolerant of competition in any form. If this rigidity in its attitude brought about a sharp division between the European and Indian mills, that would constitute a far more serious problem than the so called temporary crisis.

As we shall see later, the jute mills tried to reduce their factor cost by squeezing the agrarian sector at this time,³⁴ when their profits were no longer as high as they had come to expect over a long period and when their oligopolistic combine had, albeit temporarily, loosened a little. Nevertheless, Benthall was not averse to pointing out the evil effects of the continuing slump in jute trade and industry³⁵ that were likely to follow on the earnings and economic position of the jute cultivating peasantry. (B.C.C. paras.8,9). He predicted that the average jute cultivator who needed to earn at least Rs.4.25 (Rs.4-4as.) per maund of jute to recover the cost of production would soon be getting no more than Rs.1.52 (Rs.1-8as.-4 pies). "... The effect of a reduction in the income of the province to this extent is obvious : It is not only the case of the ryots which has to be considered, but also that of the small dealers and landlords, who being deprived of any cash resources will inevitably be driven to despair. An increase of political dissatisfaction and crimes of violence is bound to follow". (B.C.C. para.10)³⁶ Gilchrist's rejoinder

34. For a detailed discussion on this point, Mukherji : 'Some Aspects Commercialization...', Section III.

35. Another method of reducing factor costs was by cutting down the wage bill of the jute mills - there was a decline in jute mill workers' wages by 10-15% (A. Dasgupta: 'Jute Textile Industry' in V.B. Singh: op.cit. p.271). Benthall predicted widespread unemployment for jute labour (B.C.C. para.7).

36. In this connection, also see Table II and Table III Col.1.

to this point and his arguments why the government should not intervene in the matter of adjusting 'the ratio between' the price of manufactured jute and raw jute may be seen from paragraphs 16 to 19 of the Appendix.

The memorandum from the Bengal National Chamber of Commerce, however, squarely laid the blame at the doors of both the government and the managing agencies. (BNCC para.5). "But the question will still remain to be answered as to how in such circumstances the intervention on the part of the Government ... would secure the protection and advancement of the interests of the agricultural masses ... The Committee would in this connection take the opportunity of drawing the attention of the Government of Bengal to the fact that in the past the Government have invariably treated the interests of the jute growers with indifference. Even those interests which today are showing great solicitude for the interests of the cultivators have always opposed all measures calculated to improve the condition of the agriculturists. A year and a half ago when the whole of this Presidency was united in asking the government to take certain measures to alleviate the distress that prevailed in the jute districts, the representatives of the Jute Mills Association and the Bengal Chamber of Commerce persistently denied the existence of such distress and stressed the undesirability of tampering with the ordinary laws of supply and demand; and the Committee noted with regret that unfortunately the views of this section prevailed with the government of Bengal".³⁷

37. The practice of cheating the cultivators by the 'standard of the mark' was also raised. For further details, Mukherji : 'Some Aspects of Commercialization...' Sec.III.

It would, therefore, be incorrect to say that Benthall was consistently opposed to government intervention or any other form of control throughout the 30s, although this is probably the impression one gets from the Benthall Papers.³⁸ It should be remembered, however, that in 1928-29 there was no disagreement among members about the efficacy of 'free competition' and resolute opposition to any government intervention in any branch of the jute trade. In fact, in 1929 and 1930 the Calcutta Association had sought to kill continental European competition by extending working hours. After that, the Benthall Papers cover the years 1935, 1937 and 1941. Whether this radical shift in his attitude can be attributed entirely to the problems faced in enforcing the agreement of May 1932 under government arbitration is a debatable point.

The change in his attitude could also be due to the fact that he was perceptive enough to realize that the older members still had enough clout to take care of the threat from outside mills and to bring the recalcitrant members of the Association under control. With the receding of the slump from the mid 30s, there was considerable improvement in the jute trade. Moreover, while profits in jute manufacturing were still low, the considerably greater staying power of the older mills gave them a distinct advantage in long term competition with new entrants. There is evidence enough in Benthall's notes, correspondence etc. to suggest that he wanted to make full use of this changed situation even to the point of eliminating all competition and reestablishing the hegemony of the older and bigger managing agencies.

38. Tomlinson: 'Colonial Firms and the Decline of Colonialism...' p.474. "... but by the 1930s the vast majority of expatriates - Benthall excluded - saw a continuation of control as their only hope". It appears, however, that Benthall was consistently against intervention from 1935 at the latest.

"I feel it in my bones that we should solve our own problems" Benthall exhorted his fellow members in the IJMA, "and that our procedessors, who built this business, would have thrown up their hands in horror at the idea of asking Government - which will soon be an untried 'Responsible' Government - to intervene".³⁹ Thus Benthall was quite sure in his own mind at the end of June, 1935 that while he was 'not exactly advocating' unrestricted competition, he was not 'the least bit afraid' of it either, since at that given moment it would be far more preferable to government intervention, which would be setting a dangerous precedent for the future.⁴⁰ He saw no reason why the 'older groups' should be afraid to face the situation; their financial position was sound and they had built up their reserves over the years, precisely for the purpose of meeting bad times and unwelcome competition. If restrictions were to be withdrawn, "it would not be nearly as much of a dog fight as would appear at first sight"; it would also restore much of the business lost to the Calcutta mills as well as discourage fresh ventures in the industry.⁴¹ It was thus basically a question of high present profits against 'future welfare', and it was his "belief that if the Jute Mills Association, regardless upto a point of the margin of profit, increase their production steadily and unflinchingly, it will have the desired effect of making the working of new mills unattractive..."⁴²

39. B.P. 'Indian Correspondence June-September 1935', Box X, Confidential memo to IJMA members from EC Benthall, Calcutta, 29.6.1935.

40. lo.cit. "... a Government, which once had got a taste for regulating what they would regard as a 'foreign' industry, may intervene further".

41. loc. cit.

42. loc.cit. And again, "... make it quite clear to our Directors and to the public that if the outside mills want to fight, we are quite prepared for it. Only by the utmost firmness at this stage can we make them realise that this time we mean business". E.C. Benthall to G.B. Morton, 20.9.1935, Box X.

It took G.B. Morton, a colleague of his in Bird's in Calcutta quite a while to pick up enough courage to fall in line with this way of thinking.⁴³ Even a few months later Morton was pleading with Benthall not to turn his face against government regulation of mills' working hours.⁴⁴ His worries were aggravated by the prospect of some of the leading Indian members of the IJMA like Birla and Hukumchand leaving the Association, if the effort to control the working hours of all the mills was not successful.⁴⁵ Even Benthall had to agree that a polarization between European and Indian mills would be undesirable.⁴⁶ Moreover, Morton realized that besides the fact that the profits on sales for most of the non-Association mills were somewhat

43. Tomlinson : 'Colonial Firms ...', p.472, n.53 gives one instance where it appears that Morton was already of one same opinion as Benthall in 1935.

44. "As I see it we have tried an experiment and failed ... If we are prepared to continue any form of short term agreement it can only provided we have adequate protection either in the form of a guarantee from Government or in the form of a guarantee amongst ourselves to break prices at the first threat of building or extension by outsiders ... Doing it with suitable Government protection will mean that we shall be able to achieve our desires without heavy losses ..." G.B. Morton to E.C. Benthall, 16.9.1935, Box.X.

45. Letters from G.B. Morton to E.C. Benthall, 20.9.1935, 5.10.1935 & 1.11.1935, Box.X.

46. From E.C. Benthall to A. McKerrow, 29.10.1935, Box.IX;

higher than those of the average Association mill,⁴⁷ the chief strength of the Association mills lay in their "large stocks of cheap jute", and so "it is in the interests of the outside mills to get jute (gunny) prices down and keep it down".⁴⁸ "It will" he added, "suit them also to have small margins now between cost and selling prices /5 so that they,

47.

IJMA Mills

Groups/ Mills	Profit on Sales (per cent)	Groups/ Mills	Profit on Sales (per cent)
(1)	(2)	(3)	(4)
<u>Jardine</u>			
Howrah	15.9	Caledonian	12.7
Kamrhaty	14.6	Cheviot	10.9
Kankinerrah	17.4	Delta	9.8
Reliance	22.0	Lothian	5.0
		National	16.3
		New Central	11.5
		Orient	12.6
<u>Bird-Heilgers</u>			
Auckland	6.7		
Clive	6.5	<u>Barry & Others</u>	
Dalhousie	12.6	India	11.6 +
Kinnison	11.9	Megna	7.3 +
Langdowne	3.7	Ganges	6 +
Lawrence	11.2	Nuddea	6.2 +
Naihati	8.7 +	Gowrepora	14.0 +
Northbrook	11.3		
Standard	10.4	<u>Outside Mills</u>	
Union	5.3	Premchand	22.5
		Agarpara	19.4
<u>Andrew Yule</u>		Adamjee	15.3
Albion	7.6	Calcutta	14.6
Belvedere	11.7		
Budge Budge	7.7		

+ Full figures not available. Figures based on 6 previous half year reports - (i.e. 1933-35). In each case, interest, income tax & depreciation included to make figures comparable. Memo to E.C. Benthall from G.B. Morton 23.8.1935 (annexure). Box.X.

48. loc.cit.

unfettered by work-time restrictions, can make money on higher turnover^{7...}⁴⁹ Nor was the threat from outside mills confined only to cut-price competition in manufactures; it also extended to speculation in general in the jute trade. "Some of the outside Jute mills are big speculators who use their mills as a background for their speculative operations. So even though temporarily they may lose over their Jute Mills they gain on their speculations",⁵⁰ It has to be pointed out at this stage that the European managing agencies were not exactly "effectively excluded" from the "operations of the futka (futures) market", as has been alleged⁵¹. By 1935, futka operations had become a part of Bird's business.⁵²

In 1937, however, Morton seems to have come round entirely to Benthall's way of thinking,⁵³ for although that particular year was marked by severe competition, Bird's had not come off too badly, although there was a drop in their dividend levels.⁵⁴ This was because of Bird's policy of

49. loc. cit.

50. loc. cit.

51. Tomlinson : 'Colonial Firms...', p.468.

52. Thus, from one letter, E.C. Benthall to P. Hoorder, 18.7.1935 Box.X, we get (a) "/Surajmull Nagammull/" also undoubtedly made great use of phutka - a transaction to which we tumbled or at any rate turned to rather late". (emphasis added). (b) "... we have more or less proved that by means of phutka transactions we could hold our own with our friends". (c) "we hope that the phutka transactions will enable us to run a larger book especially in Firsts". Again, in 1937, Cable from Bird's Calcutta to E.C. Benthall, 27.8.1937 "we have covered 2500 bales phutka", and cable, 4.12.1937 "we have sold 1000 Bales Futka". Box.XIV.

53. "My own feeling is that even if all the outside mills come to us now and agree to enter into an agreement on equal terms we should not agree. I think it is essential for some of them to go out of business before we even discuss a settlement". From G.B. Morton to E.C. Benthall, 14.12.1937, Box. XIV.

54. From G.B. Morton to E.C. Benthall, 27.11.1937 (enclosure dated 30.11.1937). Box.XIV.

re-ploughing their undistributed and accumulated (i.e. carried forward from previous years) profits in the working of the mills and keeping the internal reserves intact. They preferred it to drawing from the reserves in order to keep dividends high and maintain buoyancy in the share market and confidence among the investors.⁵⁵ Although there were some minor problems over the same reserves,⁵⁶ on the whole there was optimism among Bird's personnel because of the profits made by every jute mill under their management, and at least one instance of scoring over a big rival concern like Andrew Yule, much to the satisfaction of younger brother Paul Benthall.⁵⁷

55. From E.C. Benthall to G.B. Morton, 15.12.1937, Box.XIV.

56. "As regards contingency reserves, your news in most unsatisfactory. It appears that the Auditors are forcing us to deplete all our hidden reserves and I suppose that the next step will be to make us disclose our jute reserves ... I note that in spending amounts covered by the reserves it will be in such a way that the expenses will appear as contingencies for which the reserves were provided; you will in fact be using these reserves in the same way as if you were drawing on the JM (jute mill) reserves, i.e. using them to improve our revenue accounts and not capital expenditure. In that way during the current bad year you will be able to help these mills show better results and yet keep your JM reserves intact". From E.C. Benthall to A.P. Benthall, 27.7.1937. "I am really sorry to see the auditors forcing us into exposure of our contingency reserves ... it is insane not to have secret reserves". From E.C. Benthall to A.P. Benthall, 17.8.1937, Box.XIII.

57. "... in order to absorb the labour from Lothian Mill which has been closed down for six months or more ... Andrew Yules have arranged to work an extra shift ... but only a portion of their machinery will work on the extra shift. This news pleases us as it means that Yules will not be able to find out the actual cost of working a whole mill 108 hours per week and so they will not discover what a profitable proposition double shift working is when circumstances make such working possible. We are anxious that others shall not find this out, and imitate our policy in Union South". From A.P. Benthall to E.C. Benthall, 27.10.1937. Box.XIV.

On the whole then, in spite of periodic downswings, the older and bigger managing agencies succeeded in weathering the Depression and post-Depression years until the boom that followed with the outbreak of World War II. They had succeeded in throwing much of their burden on the growers and traders in raw jute and this is amply borne out by the behaviour of the relative price curves shown in the accompanying chart. The ratios between Calcutta loose jute prices and harvest prices of raw jute, and between export prices of raw jute (pukka bales) and harvest prices, did not fluctuate as sharply as the ratios between the two types of jute manufactures and harvest prices. Nor was the range of difference in the case of the former two series with harvest prices anywhere near the range of difference that the last two had with harvest prices over the decade 1927/28 - 1937/38. Now the market for exportable raw jute (made up mainly of the first four grades of raw jute, among which 1's and 2's predominated) was entirely different from the market for jute consumed by Indian mills (usually below R's or rejections) and it was with these varieties that the Calcutta market in loose jute was concerned. A glance at the behaviour of the three relative price curves: hessian/harvest price, sacking/harvest price and Calcutta wholesale loose jute/harvest price makes the entire picture very clear. It was precisely during the years that the harvest prices as well as the wholesale prices of raw jute showed a steep decline that the profit margins of the manufactured varieties of jute shot up. The years 1931/32 - 1934/35 witnessed the impact of the Depression on the growers and traders in raw jute; for jute manufacturers the situation provided the opportunity of exercising their monopsonistic control over the supply of raw jute. In a situation of diminishing economic surplus, it became increasingly necessary for the foreign jute

mill sector to concentrate the instruments of exploitation in its own hands.⁵⁸

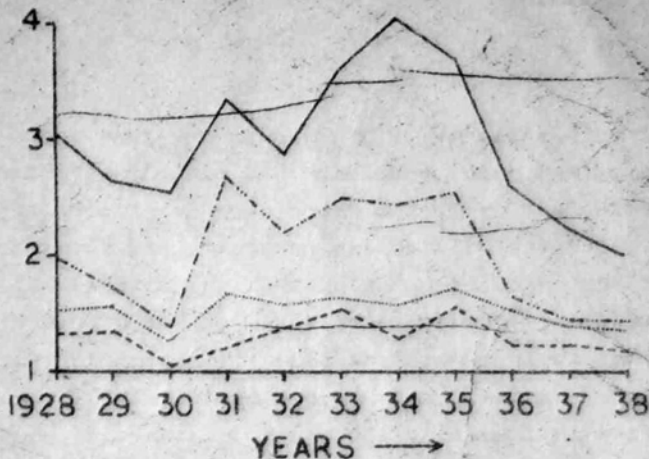
III

The vulnerability of traders in raw jute and financiers of raw jute production was clearly revealed when the Depression set in by the sharp drop in credit facilities in Bengal. For the cultivating peasantry, it meant the removal of the cushioning effect that the traditional system of rural trade and credit network had so far afforded them. It also meant their greater exposure to the exploitative mechanism of an increasingly monopsonistically structured jute industry in Calcutta. It has been seen elsewhere⁵⁹ what the consequences were for the cultivating peasantry, of a basic (and growing) weakness in the supply side built into the raw jute market structure on levels of income, consumption and indebtedness. The impact of the Depression on the agrarian economy of Bengal was, however, most dramatically manifested in the form of a rapidly changing pattern of exchange relations, and more importantly, of production relations in agriculture. A fresh wave of differentiation among the peasantry that started around this

58. Also, Table 8 in my 'Some Aspects of Commercialization ...' I see no reason to change what I wrote in that article two years ago, in this context. "There are reasons to believe that around this time (the Depression) the 'squeeze' was being applied not only on the growers of raw jute but also on inland traders and local dealers ... whose margins of profit suffered a decline ... In the earlier two decades of the century, local Merchant capital had been able to secure for itself a not very unsubstantial share of the 'surplus' extracted from the agricultural sector, specially through jute; in the Depression period and after, when the 'surplus' had diminished and a crisis had appeared in the world market, the organized sector in jute industry could no longer afford to be generous to its 'junior partners'."
59. *ibid.*, Tables 13, 13a, 17, Chart III and appendix tables 9, 9a.

CHART SHOWING WHOLESALE PRICES OF LOOSE JUTE IN CALCUTTA,
PRICES OF RAW JUTE EXPORTS AND OF HESSIAN AND SACKING
MANUFACTURES, 1927/28 - 1937/38

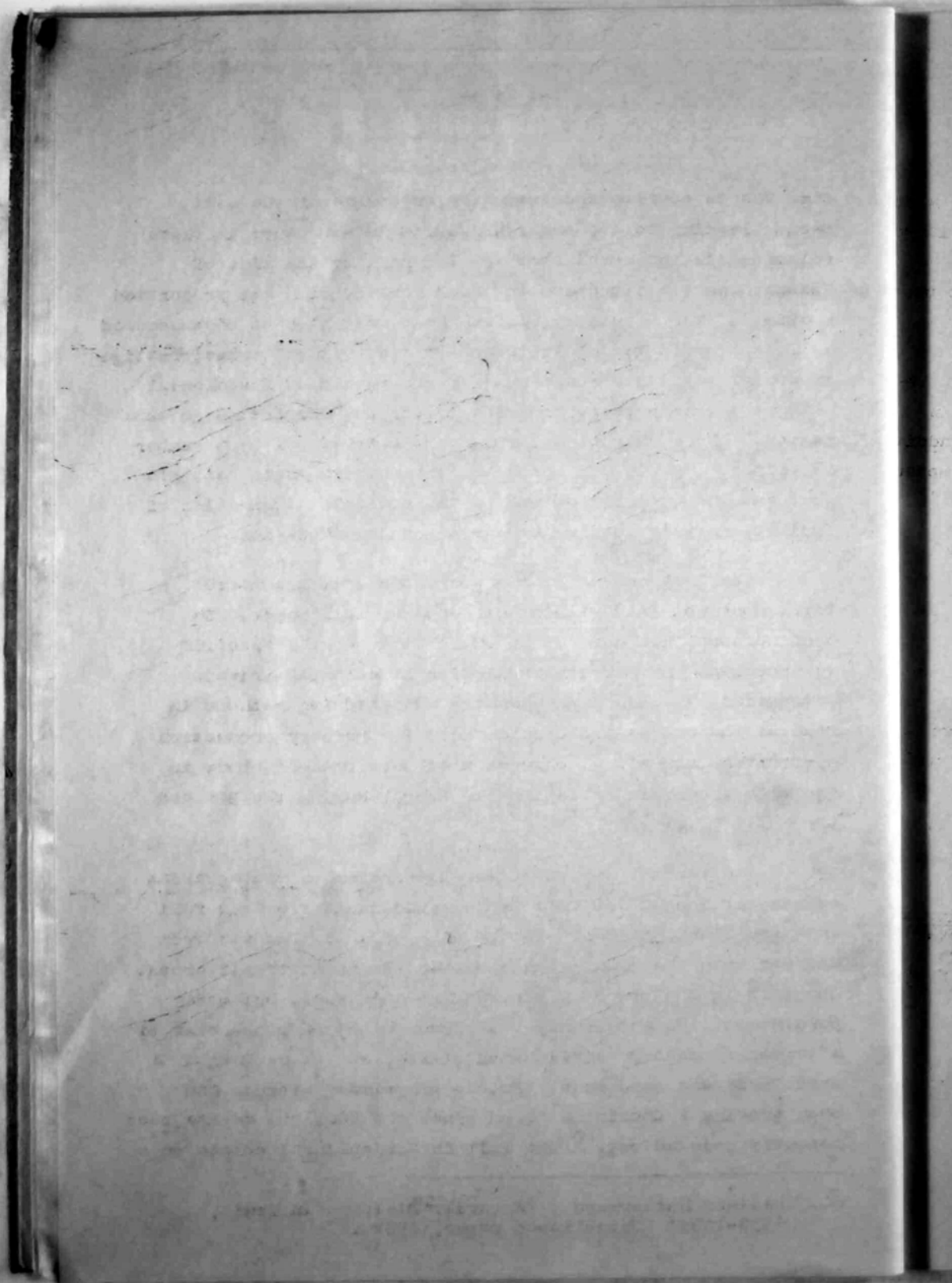
(Relative to harvest prices of raw jute)



The lines represent the ratios between

- CALCUTTA WHOLESALE PRICE OF LOOSE JUTE & HARVEST PRICE
- EXPORT PRICE OF RAW JUTE (PUCCA BALES) & HARVEST PRICE
- HESSIAN PRICE & HARVEST PRICE
- . - . SACKING PRICE & HARVEST PRICE

@Chakrabarti



time was to develop and intensify in course of the next decade leading to the emergence of a new structure in class relations in the rural society of Bengal by the time of Independence; a structure in which a newly rich and propertied section of the peasantry confronted a vast mass of dispossessed and near destitute cultivators. This structural transformation in social relations was primarily the result of fundamental changes in the process and mode of surplus extraction in this region. These changes in turn, were sparked off by a number of crises, experienced by the British empire as an economic unit and the changing nature of the economic domination of India by Britain during the period under discussion.

The analysis of such major changes at the macro level does not fall within the scope of this paper. We confine ourselves here to an examination of the specific way in which one particular section of colonial private enterprise, i.e. the jute industry adjusted its methods in face of the crisis and consequences for primary production performance as well as changes that were brought about in agrarian production relations in Bengal during the 30s and the early 40s.

The initial impact of the Depression on the agrarian economy of Bengal was felt by the sudden and dramatic fall in agricultural prices. In the case of jute this was even sharper than the trend noticeable in the value of all crops. The fall in the price of rice was more gradual, but more persistent. This tendency was linked with the phenomenon of a temporary decommercialization of rice so far as Bengal or even India was concerned. Prices of primary produce had been showing a declining trend since the 20s, and as has been recently pointed out,⁶⁰ the fall in agricultural prices on a

60. Dietmar Rothermund : 'Agrarian Distress in India, 1930-1935' (Unpublished paper, 1981).

global scale had started with overproduction mainly in North America as a result of technological break-through in large scale capitalist farming. Primary producers in poorer countries like India, however, had to suffer the consequences without having participated in that process of technological improvement and the accumulation of assets that follows from such change. When the Depression hit the world market its effects were keenly felt in the Indian home market. In eastern India the peasantry were weighed down by the additional burden transferred on them by the jute industry as a measure to check its falling profits.

The various monopsonistic practices of the IJMA to control and regulate raw jute prices had evolved over the years and were not new in the years of the Depression. However, the degree of monopsonistic control and the rate of exploitation of the primary sector became intensified during this period. The net results of the different methods adopted by the IJMA to maintain and strengthen its mechanism of control was that the association mills could, at will, stop buying raw jute leaving producers stranded with large quantities of unwanted and worthless raw material. It was estimated⁶² that in the beginning of the 1931-32 season

62. Government of Bengal : Report of the Bengal Jute Enquiry Committee, 1934. Calcutta 1935. Volume II (Evidence). 'Note from the Indian Chamber of Commerce dated 29 March 1933'. pp.186-88. According to IJMA's own accounts of stocks, the mill stocks at the end of each financial year from 1926/27 to 1935/36 clearly showed an increase during the first half of the 30s.

<u>Year</u>	<u>Mill stocks (000 bales)</u>
1926/27	3400
1927/28	3850
1928/29	3800
1929/30	3450
1930/31	5550
1931/32	4350
1932/33	4800
1933/34	4750
1934/35	5100

the jute mills of Calcutta had a carry over of 41 lakhs of bales "which, at the present rate represents about eleven months consumption".

The drastic fall in prices of agricultural produce, and specially that of jute and rice considerably reduced disposable income of the producers. The influence of the fall in the raw jute prices on the aggregate (gross) money income of the agricultural sector was considerable.⁶³ An estimate of the trend for net retention of cash by agricultural producers showed a decline by 1.62 per cent per year.⁶⁴ In spite of severe constriction of agricultural credit, peasant indebtedness rose substantially in the Depression years⁶⁵ both in jute growing areas of northern and eastern Bengal and in the primarily rice producing districts of western Bengal, although the burden of debt was somewhat higher in the former. We shall return to the various implications of this indebtedness and to similarities and differences between the rice growing and jute growing areas, after noting effects of peasant impoverishment on the class of rent receivers. For the plight in which the landowners and the intermediaries below them found themselves was primarily caused by a decline in rural incomes and constriction of rural credit. The following⁶⁶ table shows the number of defaulting zamindari estates and the amount of default in the initial years of the Depression. Such defaults continued late into the 30s.⁶⁷

63. S. Mukherji : op.cit., Chart II.

64. *ibid.* Chart III.

65. *ibid.* Table 14.

66. Government of Bengal, Proceedings of the Commerce Department, File 2-E-3, July 1931. Progs. B 14, Appendix C.

67. D. Rothermund : op.cit.

Table I

A comparative statement of defaults in the payment of revenue in the March Kist of the years 1929,30 & 31**

Districts	1	9	2	9	1	9	3	0	1	9	3	1
	No. of defaulting estates	Demand of kist (Rs. 000)	Amt. of defaulted kist (Rs. 000)	No. of estates	Amt. of kist (Rs. 000)	Amt. of defaulted kist (Rs. 000)	No. of estates	Amt. of kist (Rs. 000)	Amt. of defaulted kist (Rs. 000)	No. of estates	Amt. of kist (Rs. 000)	Amt. of defaulted kist (Rs. 000)
	1	2	3	4	5	6	7	8	9			
Burdwan*	14	36.4	6.4	21	149.0	125.7	47	135.5	102.5			
Birbhum	75	422.4	13.7	160	421.9	56.4	194	421.6	30.5			
Bankura	26	237.0	.4	27	236.9	174.5	27	236.9	1.4			
Midnapore	37	52.9	29.7	59	104.6	62.0	118	238.5	223.2			
Pooghly	141	293.1	11.4	192	293.0	26.7	148	292.9	26.2			
Howrah	44	137.6	5.4	37	137.6	4.0	26	137.6	5.4			
24-Parganas	196	783.4	92.4	208	819.5	96.0	279	882.9	250.5			
Nadia	145	283.6	50.5	152	283.9	52.4	302	287.3	113.2			
Murshidabad	38	378.9	13.5	58	381.0	20.4	160	383.1	88.9			
Medinipur	104	255.0	14.2	102	254.9	33.6	172	255.3	47.7			

Contd.

Table I

A comparative statement of defaults in the
payment of revenue in the March Kist of
the years 1929,30 & 31**

District	1929			1930			1931		
	No. of defaulting estates	Demand of kist (Rs.000)	Amt. of defaulted (Rs.000)	No. of estates	Amt. of kist (Rs.000)	Amt. of defaulted (Rs.000)	No. of estates	Amt. of kist (Rs.000)	Amt. of defaulted (Rs.000)
	1	2	3	4	5	6	7	8	9
Alpa	48	413.8	37.1	39	415.5	19.8	123	415.5	84.0
Jalpaigi	43	366.5	.3	48	365.6	1.2	151	365.3	36.6
Chakrapur	16	759.9	10.6	38	759.9	14.5	201	759.8	134.2
Chakrapur	28	374.5	32.4	38	374.4	37.3	214	374.5	123.9
Chakrapur	23	127.5	.4	27	127.4	1.2	162	128.9	19.5
Chakrapur	108	104.7	3.8	123	105.0	4.6	221	104.8	11.9
Chakrapur	15	173.9	.1	6	174.8	..	121	175.8	10.3
Jalpaiguri ^x	8	45.3	1.0	3	45.2	..	6	45.3	2.3
Notes included)									
Chakrapur	15	148.7	4.8	25	149.9	3.5	39	150.1	11.9
Chakrapur	172	248.6	7.8	..	248.9	17.7	..	249.0	40.00
Chakrapur	164	145.9	15.0	142	145.4	15.0	269	145.5	31.0
Chakrapur	98	620.9	14.4	114	669.5	28.1	193	674.4	95.8
Chakrapur	35	152.4	26.1	29	152.2	27.0	45	152.1	15.1
Chakrapur	67	214.9	4.7	89	216.4	7.6	327	216.4	46.6
Chakrapur	35	156.2	1.6	42	156.4	.5	49	156.5	37.8
Total	1695	6933.8	391.2	1779	7189.0	826.9	3594	7392.9	150.5

(No March Kist in Darjeeling)

** Source : as in f.n. 66

*excluding estates with demand less than Rs.50/-

^x for Jalpaiguri figures showing demand of kist is for defaulting estates only.

Transfers of intermediate tenurial holding rights, registered under sections 12(3) and 18 of the Bengal Tenancy (Amendment) Act also showed an increase during the Depression and immediately after, as Table II shows.

Table II

Transfer of tenures under section 12(3)
and 18 in absolute and index numbers
1929/30-1939/40.

(Base: 1929/30=100)

Year	Total no. of transfers	Index of such transfers
1929/30	106810	100.00
1930/31	128150	119.98
1931/32	125728	117.71
1932/33	122693	114.87
1933/34	125613	117.60
1934/35	143939	134.76
1935/36	149482	139.95
1936/37	138524	129.69
1937/38	138881	130.03
1938/39	136306	127.61
1939/40	123304	115.44

Source: Report on the Land Revenue Administration of the Presidency of Bengal, for the years 1929/30-1939/40.

Defaulting landowners and distressed intermediate tenureholders probably represented the decline of the class of rent receivers who constituted the rural elite of the post Permanent Settlement agrarian society of Bengal. No less important was the virtual withdrawal from the scene of a class which had traditionally provided the trading and financing capital necessary to ensure commercial crop production and other cash needs of the peasantry, including

the obligation of regular rent payments. This class of rural moneylenders and traders in agricultural produce were now willing to cut their losses and branch out into other areas of trade or speculation if they could recover part of their locked-up capital through the process of distress sales of land and gold. To summarize very briefly findings arrived at elsewhere,⁶⁸ there is enough evidence to show that in the jute growing districts of northern and eastern Bengal, sections of the substantial peasantry were increasingly taking over the functions of the traditional moneylending classes even before the onset of the Depression. This tendency became even more noticeable in the post Depression period. Consequently, land that changed hands during this time began to be concentrated under the ownership of this emerging class of rich peasantry who found it profitable (because of the scattered nature of their newly acquired holdings and falling prices of agricultural produce) to resettle the dispossessed cultivators as sharecroppers. A similar contraction of credit in the predominantly rice growing regions of western Bengal was reflected in the growing importance of loans in kind or grain loans in this area. But the cash requirements of the cultivators had still to be met. This enabled the superior peasantry to adjust credit relations and to use their own surplus stocks of food in a way which led to the same process of dispossession of the smaller peasantry and their being driven further down the scale of social hierarchy into various categories of landless agricultural workers.

68. X Mukherji : 'Changes in Credit Structure and Changing Class Relations ...'. See also, Karunamoy Mukerji : The Problems of Land Transfer (Santiniketan, 1957), specially chapters Three, Five and Eight; B.B. Chaudhuri : 'The Process of Depeasantization in Bengal and Bihar 1885-1947' in Indian Economic and Social History Review, Vol. II, No. 1 July 1975, pp. 105-163; Partha Chatterjee : 'Agrarian Structure in Pre-Partition Bengal' in Asok Sen, Partha Chatterjee and Saugata Mukherji : op.cit.

It seems that by the second year of the Depression, the poorer sections of the cultivators, or the marginal farmers had exhausted their stocks of reserve or their meagre hoarded wealth in all areas of Bengal.⁶⁹ It must have forced them to borrow quite heavily from moneylending rich peasants since credit was no longer readily forthcoming from the traditional sources. In course of the next few years, when settlement of debts became due, this new class of moneylenders had a more direct interest in acquiring rights in land and having it cultivated by the very peasantry who were now forced to part with it. They preferred this to advancing loans on mortgaged land and waiting for prospective buyers, a method favoured by the more traditional moneylenders to recover their principal. Moreover, legislation by the provincial government to curb agricultural indebtedness tended to discourage the professional moneylenders, as they did not have the same facility of disguising their usurious activity as the classes with direct interest in agriculture and control over cultivators (by way of superior rights in land etc.) The decline in the number of mortgages for debt and the steep rise in sales or transfers of peasant proprietary rights within a few years of the Depression may be taken as a clear indicator of this fact.

69. As in f.n. 66, Appendix A : note from the Director of Agriculture of Bengal.

Table III

Number of mortgages and sale or transfer of raiayati holdings (under sec. 26 of B.T.A.) in Bengal : 1930-1943 and their respective percentage shares in the total number of registrations in Bengal*

Year	Mortgages	% of registrations	Sales	% of registrations
1930	510974	39.8	129184	18.3
1931	376422	43.4	105701	20.1
1932	338945	42.7	114619	21.2
1933	313431	38.9	120492	22.7
1934	349400	38.6	147619	23.0
1935	357297	33.9	172956	24.6
1936	352469	30.9	172956	24.6
1937	302529	28.7	164819	23.5
1938	164895	16.7	242583	31.0
1939	154780	9.7	500224	43.3
1940	160152	8.8	502357	39.1
1941	151553	6.8	634113	48.2
1942	106088	0.7	749495	52.1
1943	183371	0.5	1532241	60.6

*Source: K. Mukerji : op.cit. Chapter Three, tables 12, 13 and 14.

It should be remembered that after the outbreak of the Second World War, a fresh wave of differentiation set in, specially in the wake of the 1943 famine when even larger sections of the peasantry, including, presumably some elements of the 'middle' peasantry⁷⁰ became dispossessed; and the problem of contradictions between jotedars (propertied peasantry) and bargadars (sharecroppers) became

70. S. Mukherji : 'The Famine of 1943 in Bengal and its Aftermath : the Political Economy of Agriculture in Bengal on the eve of Independence' (O.P., CSSSC, in preparation).

even more acute. But the entire process had started from the time of the Depression. It is for this reason, that the restructuring of Commonwealth, and specially Indo-British economic relations during this period, and their effects on the national economy of India assume such significance when one looks for an analytical framework for the newly emerging class relations in agriculture in this country. At this time India became more vulnerable to external pressures exerted in the form of a comparative tightening or 'closure' of the Commonwealth market and through the specific measures of surplus or tribute extraction introduced by the imperial government. These measures and market forces helped to bring about deepening inequalities of income among social classes, between different sectors of the economy and between regions specialising in primary and other forms of export-oriented production and those catering mainly to the home market. Such lop-sided development, or rather, such 'combined' underdevelopment of the Indian economy succeeded in totally upsetting the stability of the colonial economic structure in this country. One of the consequences of this was that continued or intensified surplus extraction in different regions of India could no longer be contained within the framework of a production organisation founded upon petty peasant proprietorship.

Appendix : Excerpts from a note

by R.N. Gilchrist

/Government of Bengal, Commerce Department (Commerce Branch)
File 2J - 1 Progs. 87 - 134B September 1932; Appendix II,
Confidential.7

"2. First let me state the case of the Indian Jute Mills Association (IJMA). Briefly, it is that a crisis is about to develop in the jute manufacturing industry of Bengal owing to the continued fall in prices, which is partly due to a fall in world prices and partly to over-production. As regards the former, the fall in world prices, no action is asked for or is possible ... It is over-production to which the IJMA have invited the attention of Government. That over-production, they contend, is due to three non-Association mills persisting in a policy of working long hours, as against the short hours worked by mills in the membership of the Association. They therefore wish Government to intervene to bring these mills into the Association in order to subject them to Association manufacturing discipline. The balance between production and consumption, as gauged by the Association, is stated to be so fine that the extra production coming from the non-Association mills completely upsets it, and this upset has two effects - first, it reduces prices, and second, it creates a feeling of unease and uncertainty in the market. The non-Association mills, it is stated, are making money by their increased output and reduction in overhead charges; other mills may be tempted to adopt the same course, and if any large section of them do, the IJMA may break up, and unrestricted, cut-throat competition will follow. Output will jump at once, and, in the absence of increased demand, prices will fall, profits will disappear, and many mills will have to be closed down. In this process, the price of raw jute will fall; there will be failures in the bazar; the banks will be involved; all other industries depending on jute manufacturing will be seriously affected. And, we are almost unnecessarily told, Government revenues will suffer. But all these catastrophes will be avoided if Government will only be pleased to intervene to compel the three outside mills to work the hours dictated to them by the IJMA.

"3. ... There are plenty of precedents for Government intervening with respect to raw products. But I can think of none in which Government has intervened to save a manufacturing industry by the official prescription of hours of work in order to Curtail production.

"4. ...It is, therefore, necessary to analyse their case at some length in order to ascertain, with the material at our disposal, whether, in the event of a collapse, or a likely collapse, Government would be blame-worthy if they took no action.

"5. This requires a short review of recent jute mill policy. Prior to the war, the Calcutta jute manufacturing industry had enjoyed a long period of prosperity, the best index of which is the increase in loomage from 192 in June 1859 to 38,120 in 1914. By 1913-14 the industry seemed to have outrun its market, for a crisis developed in these years which led to the engagement of an American organiser to advise the industry. This organiser gave the simple advice that the mills should organise themselves better, with a view to coordinating production with consumption. He had scarcely given this advice when the war broke out. Then followed a period of prosperity unparalleled in any other industry in the world. The demand for war bags so narrowed the scope of production for commercial goods that prices rose to unheard and undreamt of heights. The old intense individualism of the mills did not matter now. Money poured in so fast that almost literally the owners did not know what to do with it. They distributed enormous dividends to their shareholders, and built up huge reserves. The looms increased from 38,120 in 1914 to 39,401 in 1918, a small increase in the light of the prosperity of the industry. In the post-war inflation period more mills were built and more mills added, and there was a temporary setback in prosperity when deflation started, and prices broke in 1920-21. This setback was serious for mills built in the inflation period, for it became apparent that their capital burden was too heavy. But soon recovery came, and the course of the industry seemed set for permanent prosperity. With falling prices of building materials and equipment, investors began to realise that there were still possibilities in the industry, and more mills were built, most of them by Indian capitalists (From 1924 to now only the following were started under the aegis of pre-war Association managing agents - the Megna Mills by Mackinnon, Mackenzie and Co. and the Bansberia Mills by McNeill & Co., like Mackinnon Mackenzie, in the Inchcape group.)

"6. During this period the IJMA strengthened its position out of all recognition, as compared with its pre-war position. Prosperity did for it what adversity could not; it made it a strong homogenous body, with excellent discipline over its members. Although it did not comprise the entire industry, it was strong enough to disregard outside mills, such as the American mill, Ludlow. But, in due course, Ludlow began to have companions. The Adamji, Hanuman, Premchand, Gagalbhai and Agarpara Mills started up -

and they did not join the Association. They therefore could work whatever hours they wished so long as the working hours were within the factory law ... In 1929, however, came the first stages of the world slump. The first signs of disquiet came from London. The London Jute Association, on which are represented the Home houses of most of the Calcutta managing agents, was disturbed by continental competition, and to kill that competition, on July 1st, 1929, the Calcutta Association decided to expand production by increasing working hours from 54 to 60 per week. [Also to kill competition by outside mills in Bengal. -- J.A. Woodhead.]

"7. This change in policy led to the biggest strike in the history of the industry. This strike has been very fully described in a document placed before the Whitley Commission, and I need not further deal with it here. But I would say here that my experience in settling that strike confirms me emphatically in the view that Government should keep itself clear of the jute manufacturing industry ... if, in 1929, the London and Calcutta Associations were of the view that continental competition could be killed by expansion of production in Calcutta, why does the Association now need Government interference to control the 1650 odd looms of three Indian mills? Surely there is something extraordinary in a request for Government intervention in 1932 to bring under discipline a paltry 1652 local looms, when the Association in 1929 proceeded of its own motion to deal with 38,000 non-Indian looms.

"8. ... The 1929 policy of 60 hours working was quickly recognised to be mistaken. World prices continued to fall, demand slackened, and stocks accumulated ... The accumulation of stocks has injured the industry as a whole, but this seems to be no reason why mills who were not parties to the agreement should now be forced into the Association. The case is different with those mills which, parties to the 1929 policy, seceded from the Association. But prior to 1930, all the mills at present attacked by the Association were non-Association mills.

"9. ... There is one aspect of the previous agreement, which came into effect in July 1930, which requires notice. During the post-war years, each mill gave a return of the looms worked. In due course it became evident that the production figures did not agree with the loomage: in other words, it became evident that either some looms were capable of unheard of production or that there were more looms in existence than were officially declared by the managing agents. When the 1930 agreement was made, therefore, the Association decided to have a census made by two firms of Chartered

Accountants - Messrs. Lovelock & Lewes and Messrs. Price, Waterhouse & Peat. The result was astounding. For several years - since the beginning of 1924 there had been an agreement that no Association mill should extend its loomage ... and the enumeration by an independent authority showed a total of 58,639 looms, as against 40,898 in 1921 and 52,929 as the previously officially registered number of looms, including four newly erected mills and special extensions permitted to the Gondalpara mill on account of an accident ... The Association mills themselves had dishonestly and surreptitiously added about 11 per cent to the productive capacity of the industry against their own agreements. These mills now, as represented by their Association, which covers nearly 57,500 looms, ask Government to intervene to save them from 1650 odd looms of mills who were not in existence in this period and who were not at first Association mills when they did come into existence.

"10. ... The most important statement is that of Mr. Benthall, ... with the exception of the paragraphs dealing with the jute grower, his contentions apply to every other industry which has suffered from the slump. In paragraph 2 he says 'The crisis... goes far beyond the ordinary repercussions of a slump in trade'. Does it? A slump in trade means falling demand, lower prices, a decline in share values in joint stock companies, failures in the trade; these features are, as Mr. Benthall admits, common to all slumps. But he goes on to speak of the special features, the first of which is the part played by banks. I deny in toto that the jute position is in principle different from coal or tea in this respect. It may be that the amount of jute held by the banks is more extensive, because the coal and tea position has been more gradual and the banks, it may be taken, have fully safeguarded themselves with respect to advances or shares in these industries... .

"12. ... Now coal and tea between them represent an investment of capital of at least as much as jute. What has happened to the banks? Have they waited till calamity was on them? Have they postponed their calls for cover till the coal and tea trade associations had waited on the Governments of Bengal, Bihar and Orissa, and of India and on the Chancellor of the Exchequer?

"13. To suggest such a course is an insult to intelligence. But Mr. Benthall would have us believe that the Calcutta banks have not called for more margin. That, I should think, is untrue of any well managed bank... I strongly suspect that the whole of the agitation for Government intervention arises from further calls for cover from some big holders of shares. Indeed, Mr. Sime when he first saw Mr. Marr, frankly blurted out that had Chajuram not been such a big shareholder in Yule's mills, he would not have come to Mr. Marr at all. (I was present

at that interview). Mr. Marr subsequently was informed by the head of the biggest share-brokers' house in Calcutta that the two biggest jute shareholders who had been called on for cover were Chajiram and Sir Onker Mull Jatia both closely connected with Andrew Yule & Co. And the agitation started through a personal campaign of Mr. Sime, the head of that firm. Mr. Sime has used every influence he knows of to persuade Government, but in conversation he has an unhandy habit of blurting out truths which damn his case. I do not wish to pursue personalities further, but I should like again to invite attention to the possible results of Government controlling jute production under the advice of such self-interested parties.

"16. Mr. Benthall goes on to make what might have been an excellent point -- the effect of the slump on the ryot. It is a curious thing that when manufacturers and dealers wish to impress on Government the necessity of intervening to 'save' an industry, one of the main pleas is the interest of the ryot. It is about the only time we ever hear of it from such sources. The ryot all unknown to him, was used in exactly the same way in the latter half of 1930, when half the dealers in Calcutta were faced with ruin owing to their having speculated badly. The 1930 agitation for Government intervention on the model of the American wheat, Brazilian coffee and Egyptian cotton cases was engineered entirely by capitalists in their own interests; but the main plea was the interest of the ryots, who, as most people who know the districts were aware, had already sold their jute. Now we have the same ingenuous appeal to the tender mercies (and ignorance) of Government; we have another 'save the ryot' campaign when what is really desired is 'save our mills and shares'. Were I a Bengali ryot I should intensely fear jute brokers, bazar dealers, managing agents of mills and all such people when bearing gifts for my own salvation. For I would know that in good times I am about the very last person whose interests the manufacturers take to heart.

"17. But Mr. Benthall's cry is one that will be raised in the streets, on platforms, in the press, and in the Council if prices go down much further. It, therefore, has to be examined ... We have a series of graphs showing raw and manufactured jute prices. These graphs show extraordinary variations, and I contend that it is impossible for any body of businessmen, economists, mathematicians, I almost added magicians, to control either raw or manufactured jute prices so that the one shall bear a definite ratio to the other...

"18. The next point that I wish to make is that the request of the IJMA implies that, as there is to be some sort of correlation between the prices of locally manufactured and raw jute, it will become the duty of Government to see that, as the ryot must be protected, so also must the

restriction of production by means of prescribed working hours dictated by the Association... Government would be forced into the position of an arbitrator of the price of jute manufacture in Bengal, or, what is the same thing, the ratio between it and the price of raw jute. What would this imply?

"19. It would mean...that Government would have to be in a better position to gauge the jute market than the jute trade itself... The proposal, in short, would transfer from the industry to Government the onus of all the mistakes of the industry, with no corresponding gain....

"22. I now come to the case of the three outside mills. My sympathies are entirely with them. They are attempting to do their best, within the law, to earn a return on their capital ... Soon after their investment was made, trade conditions deteriorated. They could not make money under the Association rules; they therefore had to resign and make their own policy. They had no reserves, no special standing for the purposes of credit....

"23. It is not necessary to go into details regarding these reserves. A mere glance at the jute mill list in any trade paper will show the sharp division between pre-war and post-war mills. The pre-war mills have built up enormous reserves -- no industry in the world can compare with them. Take ten pre-war mills, at random --

	Paid up ordinary capital Reserve and other funds	
	Rs.	Rs.
Anglo India	4920700	21450000
Kinnison	1500000	12287807
Standard	1400000	6143869
Hooghly	420000	3478570
Kamarhatti	2400000	11946510
Belvedere	400000	6201264
Budge Budge	1800000	9278878
Kelvin	700000	7678400
Reliance	1650000	9341131
Dalhousie	1500000	6942543

Then take up two of the outside mills --

Adamjee	30000000	781428
Agarpara	1500000	522620

"24. Then take the dividends paid since 1926 by these mills (From Commerce March 20th).

	1926	1927	1928	1929	1930	1931 ($\frac{1}{2}$ yr.)
Anglo India	30	52.5	65	47.5	20	7.5
Kinnison	90	140	130	90	50	15.0
Standard	45	70	55	35	22.5	7.5
Hooghly	80	100	125	125	75	40.0
Kamarhatty	55	100	100	75	37.5	15.0
Belvedere	35	90	100	75	35	20.0
Budge Budge	38	70	90	60	27	20.0
Kelvin	60	85	125	110	50	25.0
Reliance	75	110	120	110	70	20.0
Dalhousie	45	80	77.5	52.5	35	10.0

And by Adamjee and Agarpara

	1928	1929	1930	1931
Adamjee	Nil	$7\frac{1}{2}$	Nil	Nil
Agarpara	Nil	Nil	Nil	Nil

"25. Many of the post-war mills have built up fair reserves though not to the same extent as pre-war mills. Thus take the following mills --

	<u>Capital</u> Rs.	<u>Reserves</u> Rs.
Birla	2433600	4403293
Hukumchand	2903737	9455000
Megna	6123900	4247026
Craig	750000	1140000
Waverley	1250000	1610000
Nuddea	6679500	4802086

But the dividends have been on a very modest basis, mainly owing to over-capitalisation, in case of the mills built during the inflation period. The dividends from 1926 have been --

	1926	1927	1928	1929	1930	1931
Birla	5.	10	15	15	10	2.5
Hukumchand	13.3	20	23.3	26.6	26.6	10
Megna	Nil	Nil	Nil	Nil	Nil	Nil
Craig	Nil	Nil	Nil	2.5	Nil	Nil
Waverley	Nil	Nil	Nil	2.5	Nil	Nil
Nuddea	Nil	7.5	6.5	6	2	Nil

"26. As a matter of fact, the Indian Jute Mills Association is rather an unnatural association. On general grounds one might have expected a division of interests into pre-war and post-war but the truth is that the bigger brothers have carried the younger children on their backs. Thus, the pre-war Gourapore sponsored the post-war Nuddea.

the post-war Craig was Waverley, the pre-war Ganges the post-war Bansberia. And the post-war Presidency which at first could not live under its creators went over to the care of an Association Managing Agent. Managing Agents have guided the jute mills policy, and while clearly shareholders would have benefited in many cases by independent policy, the Managing Agents, in the interests of the older mills, could not countenance such a policy in the case of the newer mills. But the later Indian investors had no such trammels. They were bound by the interests of their own mills and in considering these alone they have ventured on the policy of the pirate bus.

"27. ...Are not the resources of the jute manufacturing industry sufficient to regulate their relations with 'pirates' without Government intervention? The 'pirate' looms number 1650 against 57500. Surely, there is something wrong when such a pre-ponderating majority cannot bring the minority to terms. But here again I am suspicious, for in the interview with Mr. Marr just before he left (Mr. Woodhead was present) Mr. Benthall said the Bengal Chamber and IJMA were trying to get a united Association to come to Government with a request that for all time Government should regulate the working hours of the industry according to the unanimous dictates of the industry. This monstrous proposal is to be made as an amendment of the Factories Act, when it comes up for amendment this year. I can scarcely find words strong enough to condemn this policy. It is dishonest, grasping, and almost cynical in its disregard for the probity of Government... Mr. Sime, in one of the interviews with Mr. Marr and Marr and myself, guaranteed that any legislation of this kind that was put up would go through. He even mentioned the instruments he would use, and I have little doubt if these instruments are used, the measure will go through. The jute industry may descend into the foulest depths to secure its ends, but I venture to plead that the Government of Bengal should make sure that it will give no encouragement to even the breath of intervention at this stage.

"28. ...Not only does the request of the Association imply that all jute manufacturing interests in India should conform to their rules and regulations, but it also means that no further capital may be invested in this industry unless the investors are willing to agree to the Association's terms.... The jute mill industry in India so far has enjoyed almost unique privileges in that it has not been disturbed by political factors ... but it seems to me that the Association, even with its Indian members, is now running the risk of creating a political division in the industry, the repercussions of which may be much more vital than the temporary effect which the present so-called crisis may have on a few bazaar dealers and a number of shareholders who may find it difficult to find further margin..." etc.

"1. We have received the memorandum from the Bengal Chamber of Commerce. It is practically the same as the draft Mr. Benthall gave to His Excellency in Calcutta.

"2. Mr. Gilchrist has also written a note on the subject which H.E. might like to read".

J.A. Woodhead.² 23.4.1932

"Seen. A powerful diatribe".

J. Anderson³ 25.4.1932

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1. Economic adviser to the Commerce Dept.
 2. Secretary, Commerce Dept.
 3. Governor of Bengal.

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18. বাংলা স্ববাদ-সাময়িক পত্রে বার্তাচক্র ব্যবহার, ১৮১৮-১৮৬৮
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