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Occasional Paper No. 53

AGRICULTURAL MARKETING IN A
COLONIAL SETTING :
AN INTRODUCTION

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Agricultural Marketing in a Colonial Setting :
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REPRODUCTION

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Agricultural Marketing in a Colonial Setting :
an Introduction*

Saugata Mukherji

Colonial conditions shaped the market for agricultural produce in the agrarian structure of twentieth century Bengal. Forces set in motion at the turn of the previous century made for the emergence of an agrarian society where the acquisition and possession of wealth and property did not usually result in productive investment or better management of existing resources. Thus the possessing classes showed a marked tendency to extract absolute surplus from land. This was ensured either through various forms of rack-renting or by maximizing gains from the growing profitability of purely commercial ventures or credit operations opened up by the growth of commercial agriculture. Opportunities for such ventures were naturally greater in the case of commercial crop production and marketing.

It is in this context that an examination of the phenomenon of the growth of jute as a commercial crop in this region from the second half of the nineteenth century becomes very necessary. There were also close links between the financing, cultivation and marketing of jute and rice, the major food crop in this area.¹ But the main reason for the importance of jute in Bengal as a commercial crop from around the second half of the nineteenth century is that this

* This paper was originally written as the introduction to my forthcoming book Agricultural Marketing in a Colonial Setting : Rice and Jute in Bengal, 1900-1920. (New Delhi, Vikas, forthcoming). I am grateful to Professors Asok Sen and N. Krishnaji for their comments.

1. Saugata Mukherji, Agricultural Marketing in a Colonial Setting : Rice and Jute in Bengal 1900-1920. Chapter 3, Section 3; Chapter 5, Section 5 and Chapter 6, Section 3.

commodity was used as perhaps the principal agency through which the surplus was extracted from agricultural producers.^{1(a)} It is true that among all crops of this region, jute, wherever it was grown, was the main cash earner for the peasantry. It is also true that jute cultivation increased money incomes for agricultural producers, at least initially. This was indeed the reason why cultivators took to it so readily. What was more important, however, was that production of this particular crop fitted very easily into the groove of petty production in traditional agriculture at this time. This was because, in the first place, raw jute cultivation did not require any additional degree of capitalization, and secondly, because world demand for jute was large enough to allow numerous intermediate trading groups to operate in the market with adequate margins of profit. These groups in turn, could supply the necessary credit and market facilities to raw jute growers.

However, it was only in the twentieth century that jute acquired a special significance. It became the commodity on which credit and exchange relations in agriculture depended in Bengal.

It was in fact the function of jute as the single most important explanatory variable in fluctuations in agricultural income that made it such an important agency for extraction of surplus from the agricultural sector. The influence that jute exercised over the production process in agriculture continued to grow over the years almost upto the end of colonial rule in this country, or at least, upto the early forties.

1(a). S. Mukherji, 'Some Aspects of Commercialization in Eastern India' in Asok Sen, et. al., Three Studies in the Agrarian Structure of Bengal (Calcutta, 1982) Charts II & III, pp.266-7 and Appendix Tables 3.9, 3.9(a) pp.314-5.

The process of such developments was also influenced in a large measure by the role of the jute manufacturing industry on the demand side, in the market for raw jute. Profit maximization in this particular industry did not depend on an expansion of the domestic market, but on expansion of international trade, or on the free flow of goods in the world market, particularly transportation of primary goods. When slumps set in in international trade or the use of substitutes for jute packing material led to contraction of the market, the industry responded by curtailing output and selling in a smaller market. In this way, it could maintain or even raise the rate of profit. Because it was possible to maintain or increase profits on relatively small levels of output, the industry tended to operate as a closed unit. This was the reason for the combination, formed in 1884, of the Indian Jute Mills Association (I.J.M.A.). In time this organization became a powerful barrier against the entry of new competitors, mainly because new jute mills found it very unprofitable to operate outside its fold. This was reflected for instance in the slow rate of growth in the number of actual mills as opposed to growth in capacity (loomage), even during such periods of expansion as the years of the First World War. Moreover, the slight increase that did take place, did not bring in any new companies except a few, most new mills being offshoots of existing concerns.²

The closed or restricted nature of the industry since its very inception influenced its relations with the primary sector supplying raw material for it. Since the I.J.M.A. became, over the years, the principal consumer of Bengal's raw jute, the scope for expansion of jute cultivation was never unlimited here. Further, even small changes in the volume of production of jute manufactures in Bengal tended to

2. S. Mukherji, 'The Jute Industry in Eastern India during the Depression', CSSSC Occasional Paper No. 44, Appendix, paras 5, 6 & 26. Also, A. Dasgupta, 'Jute Textile Industry' in V.B. Singh (ed.), Economic History of India 1857-1956, Bombay, 1965. p. 269.

have a disproportionately magnified effect on the incomes of growers or suppliers of raw jute. It has been examined elsewhere³ how the IJMA tightened its control over the internal market in raw jute during the fourth and fifth decades of the twentieth century when the industry, owing to its own structural imperfections, was faced with the prospect of falling profits.

Now, there has been a tendency, quite noticeable in recent years, among economic historians and social scientists analysing the later years of colonial domination of south Asia to explain the poverty of Indian agriculturists in terms of an inadequate exposure to market forces. Thus, it is argued that only such sections of the peasantry who produced mainly for the market were in fact those who ultimately emerged as prosperous farmers, differentiating themselves from the larger mass of impoverished and indebted peasantry and gradually assumed the role of landlords or moneylender-cum-landlords. It is also maintained⁴ that the solvent producers originally borrowed quite heavily, but they utilized such loans mainly for productive purposes. Because their rate of repayment was fairly high, their creditworthiness rose in the market and they got loans at a lower rate of interest. On the other hand, the larger mass of the peasantry who became gradually dispossessed owed their condition to an initially low level of indebtedness arising from their relatively isolated position as producers mainly for own consumption or for local markets. It was because of this marginal involvement with market production and the monetized market economy that their borrowings were consumpt

3. S. Mukherji, 'Some Aspects of Commercialization', p.246, Table 8. Also, Mukherji 'The Jute Industry' Chart facing p.24.

4. M.M. Islam, 'Problems of Agricultural Indebtedness in British India: Reconstruction of some traditional views about its origin in the light of data from the Eastern Region'. (Unpublished paper, 1980).

oriented. This is turn accounted for the rate of repayment being fairly low and the rates of interest charged on such loans being so high. In the process, these sections of the peasantry sank deeper and deeper into debt, in spite of starting from a much lower initial level of debt.

Such assertions might have been taken more seriously if they had been made at a level of abstraction and not in the specific context of Bengal's agrarian society from around 1921-1946.⁵

Within that specific context, it would in the first place, be necessary to enquire, whether production of commercial crops like jute constituted the totality of the process of commercialization of agriculture. One must also bear in mind which particular years of Bengal's agrarian history in the ultimate phase of colonial rule one is concerned with. In the over-all context of commercialization of agriculture in Bengal it must be noted that jute had very close links with the production and marketing of rice in this area for the greater part of the period under review, indeed in the first two decades of the twentieth century, both jute and rice were cultivated mainly for the market, either proximate or distant.⁶ When discussing the problem of periodization of the history of commercialization of agriculture in early 20th century Bengal, it is important to remember that because Bengal's domestic economy had become closely tied to the world market, it was also subject to violent changes that affected the international economic scene during this time.

5. This constitutes the period for M.M. Islam's empirical evidence. M.M. Islam, Bengal Agriculture 1921-46. (1st Indian Ed. New Delhi 1979).

6. S. Mukherji, Agricultural Marketing, chapters 5 and 6. Also, S. Mukherji, 'The Problem of agricultural marketable surplus in Eastern India 1900-1921'; Paper presented at the XXIX International Congress of Orientalists Paris, July 1973 and S. Mukherji 'Imperialism in Action through a Mercantilist Function' in Essays in Honour of Prof. S.C. Sarkar, (New Delhi, 1976, pp.725-59).

Some very drastic changes in the structure of credit and market relations were ultimately reflected in a restructuring of class relations in the rural society.⁷ For instance, a major disruption in world trade in the years of the Depression and those following immediately after had extremely adverse consequences for primary producing countries like India owing to familiar reasons like the worsening of the terms of trade, falling export surpluses, a fall in necessary imports and a general and palpable decline in the incomes and consumption of the vast majority of the people. More specifically in Bengal, there was a great increase in the incidence of indebtedness among the peasantry, followed by large scale outright sales of raiyati lands in the middle and late 30s which increased even more in the 40s. This process of transfer of lands from large sections of the cultivating peasantry replaced the earlier practice of land mortgages for debt redemption. Around this time, there was also a sudden decline in the commercial importance of rice⁸ which made jute the only cash earner for many cultivators and this led to an ever greater direct control by the IJMA and its component units over the process of financing and marketing of raw jute. The Provincial government also introduced a series of legislative measures at this time to try and check the increase in agricultural indebtedness. All these factors combined to bring about an almost complete drying up of the existing and traditional sources of rural credit in Bengal in the post-Depression period. Although it is very likely that as a result of extensive land transfers during this period, Bengal's agrarian society had become much more sharply divided or differentiated than ever before and that landowners

7. S. Mukherji, 'Changes in Rural Credit Structure and Changing Class Relations in Bengal Agriculture, 1933-41', Occasional Paper, CSSSC, forthcoming.

8. S. Mukherji, 'Some Aspects of Commercialization', pp. 255-

and substantial peasants were taking advantage of existing conditions to dispossess the distressed peasants, now suddenly left without their traditional sources of borrowing.^{8(a)} Obviously, the difference between the rich moneylending land-owners and the former type of professional moneylenders was that the latter were less eager to recover the actual sums loaned by them. Instead they used their hold over the indebted peasants to dispossess them of their small holdings and then to resettle them on the same land with inferior rights and a much greater degree of bondage to the debtors.

From the very beginning of the 40s, however, more changes followed. With the launching of the 'grow more food' campaign and a statutory restriction imposed on the area cultivable under jute, rice regained its commercial importance. But even more important was the phenomenon of profits on hoarded foodgrains -- a process greatly aided by the sudden increase in money supply at this time. When the resulting scarcity led to widespread distress and famine in 1943, there was once again a great demand for agricultural credit in the following years. This latest shock affected an even larger mass of the agricultural population and not necessarily the poorest sections of that population only. A new wave of differentiation completed the process of polarization between substantial profiteering land-holders and a vast mass of near destitute cultivators that had started earlier. During the first two decades of the twentieth century, the pressures of the world market were felt in the domestic economy through exchange relations in capital supply and the product market. In the 30s and 40s, however, such pressures directly entered production relations in agriculture, in the relations between the employed and the employer.

8(a). For details, Mukherji, 'Changes in Rural Credit Structure ...'.

Table 0.0 shows levels of indebtedness according to the data generated from different sample surveys at different points of time. The level of indebtedness obviously increased sharply immediately after the depression. But during the actual years of the famine, borrowings seem to have gone down from the 1933 level. The Rural Debt Enquiry conducted by the Indian Statistical Institute however, clearly revealed a substantial increase in rural indebtedness once more in 1946, three years after the famine.

Table 0.0
Indebtedness of Agricultural Families in Bengal.

<u>Source of data</u>	<u>Year of Enquiry</u>	<u>Average Debt per Family</u>	<u>Percentage of Indebted Families</u>
Bengal Board of Economic Enquiry	1928	112	...
	-1933	137	77
Famine Enquiry Commission	1943	85.50	29
	-1944	82	56.7
ISI Rural Debt Enquiry	1946	158	60

* Source: Central Jute Enquiry Committee, India, Report on the Marketing and Transport of Jute in India, Economic Research Memoir No.4 (Calcutta, 1957).

It is, therefore, quite important to keep in mind that certain short-run developments in Bengal's domestic economy had a pronounced bearing on long-run developments like the restructuring of class relations in the countryside. Only by connecting and piecing together all the relevant processes that affected the agrarian economy in this area through various sub-periods of the first half of the twentieth

century, can one proceed to take an overview of the impact of colonialism on agrarian life in Bengal or eastern India for the last fifty years or so of colonial rule. These sub-periods may be classified in the following way; i) 1900-1913, the period of growing international and internal commerce, ii) 1914-20 the First World War and its aftermath when there was a tremendous boom in the jute industry; iii) 1922-29, a period when there was a relative and mild upswing in agricultural prosperity, iv) 1930-39, the years of the Depression and the continuation of agrarian distress afterwards, v) 1940-47, or the period of the Second World War and the agrarian situation at the time of Independence and Partition.

In this monograph⁹, we are concerned with the first two sub-periods, from 1900 to 1913 and also 1914--1920/21. The following chapters deal with the rural market structure, the trade of Calcutta and inter-zonal flow of trade within Bengal and also with its neighbouring provinces in rice and jute. This is followed by an examination of trends in production, consumption and prices of these two crops in an attempt to relate agrarian production performance and levels of living with the process of growth of commercialization in agriculture. The period covered here was a time when Bengal's domestic economy was becoming increasingly susceptible or even vulnerable to the pressures of the world market as mediated by British commercial policies and practices in the colonies. The subsequent decades of British rule in this part of India witnessed the results of the full impact of certain developments on Bengal's economy that had become noticeable during the early years of the twentieth century. An attempt has been made here to work out the implications of the commercial importance of jute and rice in Bengal's agrarian economy. It becomes all the more necessary, therefore, to look at certain general trends of the growth of India's foreign trade and their relation with the trade and production of rice and jute. It is also necessary to understand the conditions under which the jute manufacturing industry emerged as a highly oligopolistic structure with a high rate of return because of its over-all control over factor prices, at the same time being unable to trigger off any process of growth either within itself or in its surroundings.

9. S. Mukherji, Agricultural Marketing in a Colonial setting.

In the early twentieth century and specifically, before the first World War, the Indian economy as whole was linked with the world market in such a way that fluctuations in the external demand for its staple exports or for its currency (for buying goods or investing in export ventures) had a disproportionately large effect on price fluctuations in the domestic market and on the working of its entire monetized economy. All parts of the agrarian economy which had strong ties with the export sector were also very sensitive to outside influence. Moreover, the agrarian economy had to function under conditions imposed by structural imperfections in the domestic credit network as well as the strong control exercised by the organized commercial and banking sector that connected the different sectors of the country's economy to each other and with the world market.

The years 1900 to 1914 constituted a period of substantial expansion in foreign trade. Along with a continuous increase in external demand for Indian staples and a stability in the exchange rate of its currency, supplies could be kept up from good harvests during the initial years of the century. The volume of foreign trade reached its peak in 1907/08, but a temporary slump set in immediately afterwards. Simultaneous developments like a failure of the monsoon in 1907 and consequent bad harvests, a noticeable fall in Indian exports over the next two or three years owing to a temporary depression in the world market and a depreciation of the rupee combined to bring about a substantial reduction in the balance of trade surplus. Conditions however quickly returned to normal, so that there was a renewal of expansion in foreign trade, with exports always keeping ahead of imports. During the heyday of 'free trade' policy in India, therefore, it could be said that the country's economic performance was measured by its favourable trade balance and by the stability in its currency exchange rate during a period of relative boom in the world market.

By 1913, the cotton textiles, jute manufacturing, coal mining and the engineering industries had become quite well established. Even so, a large part of India's foreign trade in that year was no different from the traditional pattern of exchange of primary produce for manufactured and capital goods. Although there were changes in the direction of India's

foreign trade, with the proportion of dealings with non-empire countries registering a fair amount of increase, Britain continued to figure as India's most important trading partner, specially dominating its imports. However, here too the USA, Germany and Japan had begun to make inroads, accounting for the marginal fall in Britain's share in India's imports from 69 per cent in 1900 to 64 per cent in 1914. On the export side, however, from 1900 to 1913, continental Europe accounted for more Indian exports than Britain, whose share fell from 53 per cent in 1866-70 to a mere 26 per cent in 1909-13. According to B.N. Ganguly's estimates,¹⁰ the British empire as a whole took Rs.94 crores worth of Indian goods in 1913/14, of which the share of U.K. alone was Rs. 58 crores. Non-empire countries imported Rs.155 crores worth of Indian goods (the respective shares of mainland Europe, USA and Japan being Rs.85 crores, Rs.22 crores and Rs.23 crores), resulting in a balance in India's favour of Rs.100 crores. After meeting its deficit with the British empire, which amounted to Rs.34 crores (the break-down showing a deficit of Rs.59 crores with the UK and a surplus of Rs.25 crores with the rest of the empire), India still had a positive balance of Rs.66 crores. For those familiar with the British practice of using its surplus balance of payments with India on visible, invisible and capital transactions to meet its increasing deficits with western Europe and north America, there is no element of surprise in these figures.¹¹ On the other hand, the development of a multilateral foreign trade system for India become a virtual necessity towards financing its import surplus with UK and servicing its debt obligations to that country. Fortunately for India, the rest of the developed world (other than the 'First Industrial Nation') constituted a market where raw material supplies from India were a necessary input for their own industries.

In Table 0.1, India's balance of trade, as calculated in the Review of the Trade of India series, from 1913/14 onwards, has been shown in five-year averages ending in 1898/99 and in 1903/04 and then shown annually from

10. B.N. Ganguly, Reconstruction of India's Foreign Trade (Delhi, 1946) p. 20.

11. It has been variously estimated that Britain's surplus balance with India covered between one-third and two-fifths of UK's deficit with other countries. Also, A.K. Bagchi, Private Investment in India 1900-1939 (Cambridge, 1971) p.420.

1904/05 to 1920/21 which marks the closing point of this study. The figures were given in lakhs of rupees upto 1915/16 with the sterling equivalent noted in brackets from 1909/10, then only in thousand units of sterling from 1916/17, although the exchange value of the rupee was mentioned for each year.

Table 0.1. India's Balance of Trade as shown in the Annual Review of the Trade of India for 1904/05-1920/21*

<u>Period/Year</u>	<u>Unit in Rs. lakhs upto 1915/16</u> (figures in brackets from 1909/10 onwards are £ '000) in £ '000 from 1916/17 to 1920/21.	
	<u>Favourable</u>	<u>Unfavourable</u>
For 5 Yr. ending 1898/99	1.73	
For 5 Yr. ending 1903/04	2.08	
1904/05		-1.14
1905/06		-4.49
1906/07		-3.86
1907/08		-5.19
1908/09	5.76	
1909/10		-1.43(-964)
1910/11	5.58(3715)	
1911/12	4.57(3037)	
1912/13	1.20(797)	
1913/14		-12.01(-8012)
1914/15	26.79(17842)	
1915/16	32.43(17153)	
1916/17	30395	
1917/18	11590	
1918/19	40902	
1919/20	95321	
1920/21		-50034

*Source : Review of the Trade of India, 1913/14, p.81 Appendix No.37 & subsequent volumes (Appendix No. varies)

[Note : Calculations were made on the basis of (i) imports of merchandise (ex-Govt. stores), net imports of gold & silver, encased rupee paper & interest on same = total imports; (ii) exports of merchandise (ex-Govt. stores), net exports of encased rupee paper = total exports; (iii) = (ii) - (i) = net exports; (iv) Council bills paid in India through Treasury, Gold standard reserve, currency (Review 1913/14, p. 81).]

The figures are somewhat different from the series one gets in standard secondary works on the subject : the method of calculation as explained in the note at the bottom of the table probably accounted for the difference. However, even from this table it may be seen that on average India maintained a favourable balance all through the period.

Primary produce, needless to say, formed the bulk of India's exports in the pre-war period, although manufactured and partly manufactured commodities had started appearing in the export lists, sometimes quite prominently. From Table 0.2, giving the percentage shares of raw materials as well as of wholly or partly manufactured goods of the total exports from the country, it appears that the former invariably constituted more than 40 per cent, and occasionally much more of the total exports. The curve for the percentage share of manufactured goods behaved a little more erratically. After sudden jumps in 1905/06 and 1906/07, the curve started to slope downwards till it reached a trough in 1911/12. There was a partial recovery in the next two years, but the proportion of manufactures in total exports could not return to the turn of the century level. Since the only other major group of export commodities consisted of the category 'articles of food and drink', the total weightage of primary produce in the total of exports can be easily inferred.

Table 0.2 Percentage share of a) raw materials and b) manufactured and partly manufactured commodities in the total export trade of India : 1902/03-1913/14*

<u>Year</u>	<u>Raw materials</u>	<u>Manufacturers, etc.</u>
1902/03	52.08	25.82
1903/04	62.67	27.64
1904/05	57.40	29.32
1905/06	...	35.67
1906/07	...	37.84
1907/08	43.90	...
1908/09	44.80	24.50
1909/10	45.30	21.00
1910/11	46.00	18.05
1911/12	44.40	15.90
1912/13	42.80	23.70
1913/14	50.10	22.40

* Source : Review of the Trade of India, 1906/07 p. 34 and subsequent volumes. These figures were not given after 1913/14.

On the other hand, throughout this period (1900-1913) India remained the biggest market for British products, of which cotton textiles, certain types of iron and steel and engineering goods were the most important. Of the last, the biggest single component was the import of textile machinery from Britain,¹² and it is perhaps safe to conclude that this constituted the manufacturing capacity of the cotton and jute manufacturing industries, two of the most important export industries in India.

Why was there no expansion of exports of manufactures from India even when there was an acceleration of international commodity exchange? The major constraints on any significant growth of the industrial sector with a foreign market are not very difficult to identify when it is remembered that apart from the cotton textiles industry, all other important industries at that time barring the railways, like the jute, tea or coal mining industries were largely financed, owned, managed or controlled by British firms registered in India, or sometimes even in Britain itself. Such firms operated at a rather exclusive level: apart from financing some of the internal trade necessary for the procurement of raw materials or the marketing of their finished goods, they had practically no involvement at all with the working of the domestic economy. The indigenous banking, credit and marketing networks which mediated between the primary producers and the world market, as also between the local producer and the local consumer could not become the agencies of credit for new Indian industries. This was because of what B.R. Tomlinson describes, quite relevantly in this particular context, as the 'high equilibrium trap'¹³ which locked up the bulk of indigenous profits in the non-industrial sectors. Moreover, such indigenous credit agencies, in an attempt to minimise risk, preferred the security of dealing with established foreign firms with easy access to the international money market.

In fact Tomlinson makes a further interesting observation that either "the supply of manufactures from overseas had to be disrupted ... or the established pattern for the allocation of savings had to be broken down"¹⁴,

12. S. Mukherji, 'Some Aspects of Commercialization', p. 257. Also, A. K. Bagchi, Private Investment, pp. 81-2.

13. B.R. Tomlinson, Political Economy of the Raj, 1914-1947 : The Economics of Decolonization (Cambridge, 1979) p. 12.

14. *ibid.* p. 13.

in order to create conditions where indigenous industrial enterprise, using internal capital, could develop. It was this disruption in the external supply of goods and the breakdown in the internal supply of credit, rather than protective tariffs granted to a few Indian industries that led to any significant increase in Indian industrial production in the 30s and 40s of this century. In eastern India, such developments however, had entirely different consequences, bringing about a virtual collapse of the agrarian economy without any compensatory growth in the industrial sector. Meanwhile, so long as favourable conditions prevailed in the world market (as they did upto the outbreak of war in 1914), the Government of India as well as the provincial governments continued to have unwavering faith in the ideology of 'laissez faire', and a firm conviction that external trade was the key to India's economic growth and that as a result of the existing pattern of international specialization, agriculture was the most vital sector in the domestic economy.

A temporary dislocation in the normal flow of trade did occur towards the end of the period under review, when some of the advantages that India had gained were lost during the years of the war. Although in value terms there was an increase in both total imports and exports, the volume of trade declined by 25 per cent in the case of exports and by as much as 50 per cent for imports. Since there was a sharper increase in import prices the terms of trade went considerably against India. In spite of an export surplus through these years (because of a significant drop in the volume of imports) the economy suffered owing to scarcity of essential commodities and equipment. There was a further shift in the direction of India's foreign trade with Germany being eliminated from both imports and exports and other continental European countries featuring insignificantly under either head. This naturally pushed up Britain's share as well as that of other Commonwealth countries in India's foreign trade, especially in exports. Even in the case of imports, where Britain's share fell well below the pre-war average, it was still the principal source of supplies to India from outside. The gap left by other countries was to some extent filled by USA and Japan who increased their relative shares in India's imports from 2.6 per cent each in 1914 to 10 and 20 per cent, respectively, in 1919.

With this obviously very abbreviated sketch of the broad trends of India's foreign trade in early twentieth century, we may turn next to an examination of the specifics in the world market for jute and rice and the effects of the growing profitability of jute on the domestic economy of Bengal. The close connection between the trade in rice and jute and the way in which they influenced production decisions in agriculture became quite apparent from the early years of the twentieth century when both domestic and overseas trade in these two commodities started to expand significantly. Thus, one finds, for instance, that there was a considerable jump in the price of rice in the Calcutta market in 1906/07 when it increased by 55 per cent over the price of 1905/06 as compared to a corresponding increase by only 19 per cent in the Rangoon market.¹⁵ This was followed by a price hike in rice in both the newly created provinces of Bengal and Eastern Bengal and Assam. This was ascribed to the "exceptional prosperity of the jute cultivators, and as evidence in support of it, it was pointed out that the value of imports of rice into these two provinces showed an increase of Rs.441.7 lakhs in 1906/07 over the previous year, and that the value of raw jute exports showed a corresponding increase of Rs.968.9 lakhs. In the very next year, there was a further increase in the values of imports of rice and exports of jute by Rs.21.2 lakhs and Rs.188.56 lakhs respectively. It may be noted in this context that the acreage under jute reached an all time high in the Greater Bengal area in 1907/08 for the entire period under review,¹⁸ with a consequent drop in the total yield of rice.¹⁸ This naturally created a strong internal demand for rice and a shrinkage in the exportable surplus from Bengal. It may be seen from Table 0.3 that the imports of rice from Burma into the provinces of Bengal and Eastern Bengal & Assam taken together increased phenomenally over the years 1906/07 to 1908/09.

15. Directorate of Commercial Intelligence, India, Review of the Trade of India, 1906/07, p. 36.

16. loc. cit.

17. Review of the Trade of India, 1908/09, p. 48. Regarding rice jute substitution. See Mukherji, Agricultural Marketing Table 6.3, Chapter-6

18. *ibid*, Table 4.3, Chapter 4.

19. *ibid*, Table 4.2

Table 0.3 Imports of Rice from Burma into Bengal and Eastern Bengal & Assam : 1904/05 - 1920/21*
(Unit '000 tons)

<u>Year</u>	<u>Bengal</u>	<u>E.B. & Assam</u>	<u>Year</u>	<u>Bengal</u>
1904/05	4	...	1912/13	17
1905/06	40	27	1913/14	...
1906/07	276	239	1914/15	390
1907/08	431	142	1915/16	640
1908/09	530	21	1916/17	513
1909/10	271	7	1917/18	283
1910/11	50	18	1918/19	215
1911/12	3	3	1919/20	522
			1920/21	...

*Source : Review of the Trade of India, 1908/09, p. 47 and subsequent volumes.

Questions involving the influence of imports of Burma rice over internal consumption of rice in Bengal and over its foreign exports have been examined at some length, subsequently.²⁰ It is perhaps sufficient to remember, for the time being, that the exportable surplus in rice from Bengal dwindled rapidly over the second half of the period under review and that Burma rice not only constituted the bulk of India's foreign exports of the crop but that the shortfall in Bengal proper had to be made up by substantial imports of rice from Burma over almost the entire period that is being discussed here. Thus, one reads in the Review of the Trade of India, 1908/09, "For the third year in succession the salient feature of Indian rice trade has been the strong internal demand and the curtailment of exportable surplus. The surplus may be diminished by ... [among other reasons], enhanced consuming power among cultivators of crops other than foodgrains, or by a disposition on the part of cultivators to grow such specially profitable crops in place of rice. All of these causes have operated in recent years, but such of them as depend on the exceptionally profitable cultivation of other crops have in 1908/09 been less operative than in either of the two previous years, seeing that the price of jute has greatly fallen. But the shortage of foodgrains in Northern India and in parts of Bengal imposed a heavy demand on the Burma supplies and maintained prices at a level inconveniently high for the exporters."²¹

20. *ibid*, Chapters 2 and 5.

21. *Review*, 1908/09, p. 46.

The point to be noted here is that supplies from Burma almost invariably constituted over 70 per cent (and some times well above) of total imports of rice throughout the entire period. Any diversion of Burma rice into other markets also usually meant a shortfall in the availability of rice for internal consumption in Bengal except in occasional years of good local harvest, as in 1910/11.²² For about a couple of years in succession there was considerable scarcity in China, Japan and Indonesia resulting in exceptional price increase and very sharp seasonal fluctuations in the market in Burma in 1910/11 and even more in 1911/12. In the latter year there was actually a demand for the crop from Bengal in Rangoon mills but such a situation was obviously a very unique one.²³ Bengal's ability to export rice to the world market fell rapidly towards the end of the period and the quantities that actually went out had to be more than matched by imports from Burma.²⁴

As mentioned earlier, the export trade in raw jute had been fairly strong during the early years of the twentieth century and cash earnings from the jute crop had helped the cultivators in the purchase of food as less rice was cultivated owing to an expansion of jute acreage. In fact, sharp contrast to the twenties and thirties, cultivators in Bengal made frequent changes in areas for sowing jute or rice depending on their relative prices.²⁵

With the rapid growth of the jute manufacturing industry in Bengal from around 1908/09, domestic consumption of raw jute also registered a corresponding increase; raw jute nevertheless continued as an important item of export upto 1913/14. There was, however, an important difference between the quality of raw jute that was exported and that used by local mills. In the first case, jute was exported after being pressed and baled, i.e., in the form which is known as pucca bales of jute. For local mill consumption, however, jute was brought in loose binding (or kutcha bales) and sometimes even in loose and exposed bulks. Moreover, the quality of jute exported was

22. Review, 1910/11, pp. 46-7. Also Mukherji, Agricultural Marketing, Chapter 5.

23. Review, 1912/13, pp. 37-8.

24. Mukherji, *op. cit.*, chapters 2 and 5.

25. *ibid.*, Chapter 1. For developments in the twenties and thirties, Mukherji, 'Some Aspects of Commercialization ...' pp.

of a superior variety (with the usual LJMA markings of 1's and 2's) and the jute used in Indian mills was of many varieties, including those with LJMA markings of 3's and 4's and R's (Rejections) and numerous grades below R. Exports of raw jute fell off during the war years when production in Britain and elsewhere in Europe suffered. There were additional constraints like a trade embargo on exports of raw jute to countries not allied to Britain or completely neutral during the war. An export duty was also levied in 1916 on all exports of raw jute, presumably in an attempt to prevent a price hike that could eat into the profits of jute manufacturers.

The volume of raw jute exports²⁶ went up again in 1918/19 and 1919/20, but the pre-war level was never reached and owing to a bad crop in 1920/21, such exports came down once again. Following an expansion of jute manufactures in Dundee from 1924 exports of raw jute rose significantly for a few years — but that is outside the scope of the present study.²⁶ So far as the handling of raw jute exports was concerned, there were five associations in Calcutta which did all the business.²⁷ They were the Calcutta Hydraulic Press Association, the Calcutta Baled Jute Association, the Calcutta Baled Jute Shippers' Association, Jute Balers' Association and the East India Jute Association. The last named of these dealt in 'futures'

Agencies dealing in overseas and internal trade in manufactured jute were intimately connected with the various managing agency firms in Calcutta and there was a lot of complexity about the LJMA's different forms or modes of contract, inspection, international arbitration and other bi-lateral and multi-lateral contracts.²⁸

When the first world war broke out, the industry found itself in an almost monopolistic position in the world product market. Moreover, around this time it strengthened its monopsonistic control over the domestic factor market. The high rate of profits made by this industry²⁹ may be seen from Table 0.4, showing the total and net profits of jute manufacturing companies during the war.

26. For a description of the market network for raw jute in Bengal for the period under review, Mukherji, Agricultural Marketing, Chapter 1, Sec. 3.

27. For further details, Omkar Goswami, The Jute Economy of Bengal, 1900-1947 (Doctoral Dissertation, University of Oxford, July 1982), Chapter 2, Section 5 and Chapter 6, Section 3.

28. Indian Central Jute Committee, Report on the Marketing of Jute & Jute Products. (Calcutta, 2nd Ed. 1952), passim.

Table 0.4. Total & Net Profits of Jute Manufacturing Companies in Bengal during the War, 1914-17* (Unit £ '000)

<u>Year</u>	<u>Total profits</u>	<u>Debenture interest</u>	<u>Net profits</u> (subject to depreciation)
1914	982	159	823
1915	4820	159	4661
1916	6309	154	6155
1917	4447	142	4305

*Source : Review of the Trade of India, 1917/18, p. 21.

+ No allowance had been made for depreciation as there was no uniform practice of writing off depreciation among the jute mills of Bengal.

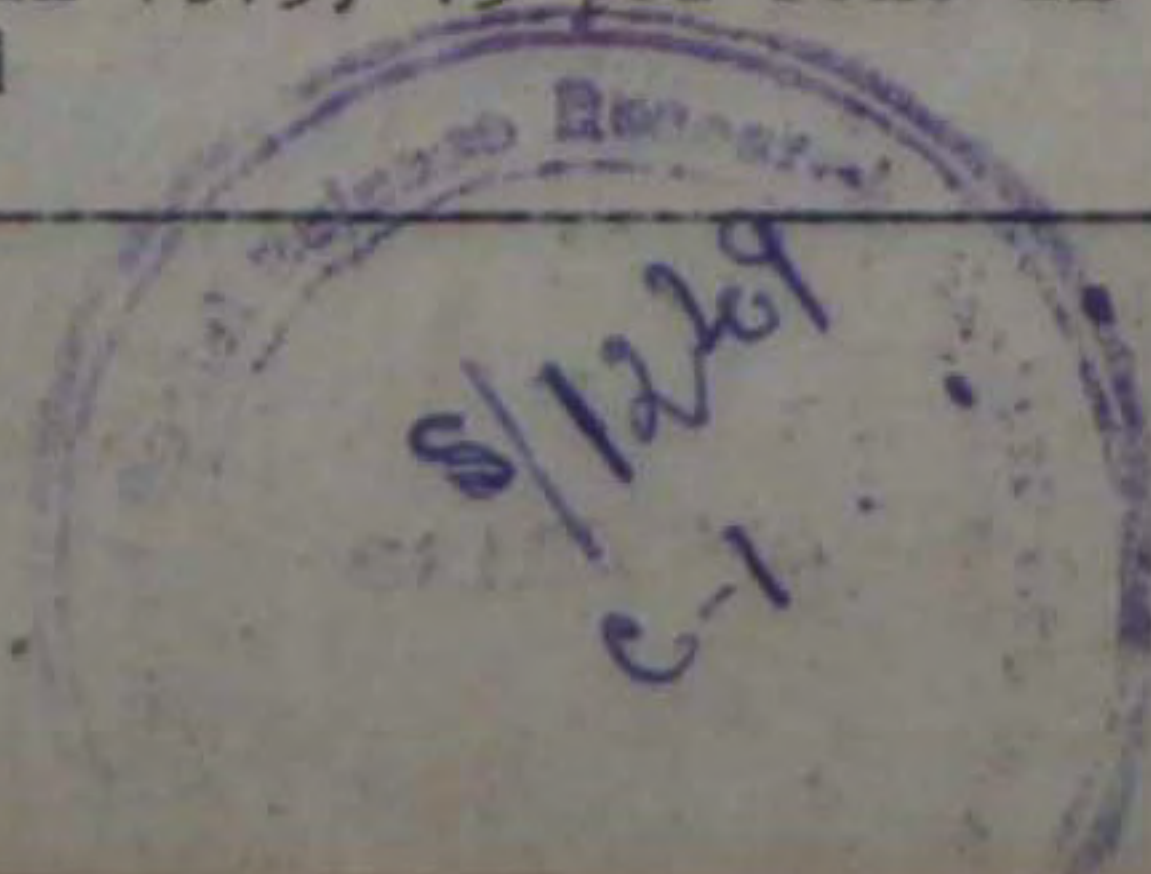
Explaining the method of constructing this table, the Review for the year 1917/18 stated.³⁰

"An estimate of jute profits was made from a detailed analysis of the published accounts of 42 companies, 36 of which were registered under the Indian Companies' Act, 4 in Scotland, one in England and one in France (the Chandernagore Factory). Compilation of data was made uniform as far as possible and the 42 companies were regarded as one concern. Profits shown after deduction of Indian Income Tax and Super tax, and for sterling companies also British Income Tax and British excess profits duty (on top Indian taxes) ... The profits are shown before and after deduction of interest on debentures. Some companies have paid off their debentures, others are paying them off, yet others have created debenture redemption funds out of surplus profits ... No allowance has been made for depreciation as no uniform practice of writing off depreciation is followed by Bengal jute mills."

The ratio of net profits to paid-up capital (not shown in the table) were estimated at 58 per cent in 1915, 75 per cent in 1916, 49 per cent in 1917 and 73 per cent in 1918.³¹

30. Review, 1917/18, pp. 20-1.

31. loc. cit.



Even more interesting points emerge from Table 0.5 where one can observe the distance between farm prices and buying prices for the mills, raw jute export prices, and the prices of the two main varieties of manufactures. The ratio of price difference between hessian manufactures and harvested jute for the years 1914/15—1917/18 indeed compels one's attention because these were precisely the years when the industry was making super profits. Subsequently when the industry found itself in difficulties, the squeeze it began to apply through the domestic channels of trade and ultimately upon the primary producer was of such a nature that in conjunction with other forces, it ultimately led to a re-shaping of class relations in Bengal's agrarian society. In 1918, Findley - Shirras, the Director of Commercial Intelligence, India, wrote that the jute industry was Scotland's gift to Bengal.³² As with Hercules and Nessus' shirt, the Bengal peasantry found out in the course of the next quarter of a century that this gift was truly a death trap, leading to dispossession and ruin for the vast majority among them.

Table 0.5 i) Average Harvest Price of Jute in Bengal, ii) Calcutta price of loose jute, iii) Price of Pucca Bales (400 lbs), iv) Price of Hessian Manufactures & v) Price of gunny manufactures and the difference of each Category with i) : 1911/12-1920/21* (Unit:Rs per md.)

Year	Harvest price	Calcutta loose jute price	Difference (ratio)	Price of pucca bales	Difference with(1) (ratio)	Price of Hessian manf.	Difference with(1) (ratio)	Price of Sack-manf.	Difference with(1) (ratio)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1911/12	7.12	8.31	1.16	10.39	1.46	14.60	2.05	11.52	1.62
1912/13	7.69	9.31	1.21	12.86	1.67	19.52	2.54	12.37	1.61
1913/14	10.37	11.19	1.08	16.70	1.61	19.62	1.89	13.25	1.28
1914/15	5.00	6.25	1.25	8.73	1.75	19.33	3.07	11.43	2.29
1915/16	7.19	8.75	1.22	10.67	1.48	22.35	3.11	13.48	1.87
1916/17	7.94	9.12	1.15	10.43	1.31	20.61	2.59	13.50	1.70
1917/18	5.37	6.62	1.23	7.52	1.40	44.89	8.36	19.98	3.72
1918/19	8.31	12.25	1.47	14.28	1.72	28.56	3.44	19.62	2.36
1919/20	8.31	12.31	1.48	15.74	1.89	31.11	3.74	18.38	2.21
1920/21	6.31	13.31	2.11	14.74	2.34	20.98	3.32	13.14	2.08

* Source : I.J.M.A. Annual Report, 1949, pp.116-17, Table-5.

32. Review, 1918/19, introduction.

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