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INTRODUCTION.

1. The present paper is founded on an inquiry into the condition of the Mill Industry of India, the origin of which is thus explained in the last Report of the Bombay Mill-owners' Association :—

“ Mr. Jamsetjee N. Tata, who has constantly taken keen interest in the mill industry of India and in the efforts to obtain the repeal of the duties levied by Government on Indian manufactured cloth, addressed the Committee on 11th May 1901, asking for their co-operation in a statistical investigation which he had undertaken for the purpose of accurately determining the effects of the duty on the mill industry of the country. With this object in view, Mr. Tata addressed a Circular letter to the agents and owners of cotton spinning and weaving mills in India desiring information on the following points :—

“ Paid up capital; number of spindles and looms; expenditure on land, buildings and machinery; total amount set aside for depreciation of buildings and machinery; reserve fund; total of depreciation, reserve and other funds held by the Company and used on the mill; interest credited to these funds during the year; value of stock; including shipments and goods in shops; cash and investments; liabilities—debenture debts, deposits, loans on security of stock; expenditure on cotton consumed during the year; value of yarn and cloth produced; value of goods on which excise duty was paid; amount of excise duty; commission paid to agents; total amount of interest paid during the year (including amount credited to the reserve and other funds held and used by the Company). Net profit after deducting agent's commission; distribution of profits—dividends, depreciation fund, reserve fund; approximate division of net profits on yarn and cloth; if profit or loss unusual, cause of the same.

“ In compliance with Mr. Tata's request, the Committee addressed a Circular to members of the Association inviting them to co-operate with him and furnish him, as far as possible, with the particulars he desired.”

2. The object of the inquiry is correctly stated in para 1, (Part I) of the paper as a study of the *facts* of the Mill Industry, particularly as modified by the Cotton Duties. The animating motive of the study, no doubt, was the pinch supposed to be gratuitously inflicted on the industry by the Cotton Duties in hard times which had arisen independently of the Duties; nevertheless there was no desire to criticise the policy of the Duties as a whole, and no hope of securing the reversal of that policy. Had there been any such hope, it would be promptly dissipated by the following paragraph from the Report of the Mill-owners' Association for 1901 (p. 20) :—

“The reply of the Bombay Government to the Association’s further representation, dated 5th March 1901, urging the abolition or suspension of the excise duties on Indian manufactured goods, did not reach the Association until the end of May, and it was therefore too late to do more than include it in the printed appendices to the Report for last year. It was explained in the reply of Government that, so long as the Customs duties on cotton goods were maintained, it was not possible to abolish the excise duties; that the Customs duties on cotton goods formed part of the general Customs duties imposed after much deliberation; and that the Governor-General in Council could not entertain a proposal to abolish the duties on cotton goods while retaining the other duties. It was further stated that the abolition of all the duties, including the Cotton duties, would be the only means of meeting the wishes of the Association, and that, with regard to that large question, the policy of the Government of India was to maintain the *Customs Duties as a permanent part of the fiscal arrangements* of India.

“This reply was so explicit and final in its statement of intention to retain the Import and Excise duties conjointly as a “permanent part of the fiscal arrangements of India” that the Committee did not consider at that time that any useful purpose would be served by approaching Government again in the matter.

“For this reason the Committee did not see their way to support the Upper India Chamber of Commerce when that body, on 8th April 1901, addressed the Association suggesting a joint memorial to the Government of India for the entire repeal of the duties, or at least a remission of them in cases where it could be demonstrated that a mill had not conducted its weaving at a profit. (Appendix D.)”

3. The real result of the inquiry, then, can only be a systematic study of the facts relating to the mill industry, derived from an analysis of the balance sheets of the Mills for the 10 years closing the 19th century. It seemed to Mr. Tata that impressions were prevalent relating to the profits of the Mill industry as a whole which deserved to be verified or refuted by comparison with the balance sheets. The methods of analysis and the conclusions are explained in the body of the paper, and need not be reproduced here. All that need be stated here is that no claim is made that anything is conclusively *demonstrated*. The limitations of the statistical method are throughout borne in mind, and only indications of *tendencies* are presented. Perhaps it would be more accurate to describe the paper as a statistical verification, so far as such verification was possible, of an *a priori theory* of the incidence of the Excise Duties on cotton goods.

4. The present publication is the second edition of the paper, a first edition of 200 copies having been previously circulated confidentially among Mill-owners and competent critics. At the suggestion of one of the latter the paper was submitted to expert criticism which is annexed to this second edition (p. 39) and at the suggestion of Mr. Noel Paton, Secretary of the Bombay Mill-owners' Association, a further study was made of the condition of the Mills on a sterling basis on the lines of the argument in para 3 (Part I). The result of this is also given separately in this edition (pp. 36—8). Further attention has been paid also to the problem of the relative profits of spinning and weaving, and the conclusion of this investigation is briefly adverted to at the end of para 27 (Part II) and in the foot-note.

5. So much by way of explanation. It is not claimed that the statistical portions of this paper are absolutely accurate; the difficulties involved in the collection of the information have been too great for more than approximate accuracy. Nor is it claimed that all the deductions based upon them are infallible; for my own part, I differ from the author upon the subject of depreciation, though I do not profess to have expert knowledge of such a complicated question. But this I can say with confidence, that the statistics have been prepared with laborious care and patience and have involved work extending over many months. I know something of the diligent sincerity of the author, and I am sure that his figures deserve acceptance. It has been suggested that the Bombay Mill-owners' Association should organise a series of committees to investigate some of the controversial points raised in the paper, such as, for instance, that of depreciation. Upon this point I do not feel competent to offer any suggestion, though it is permissible to emphasise the principle that the cotton mill industry in India needs reorganisation upon a more systematic basis. Such a basis can only be reached after preliminary investigations conducted in a strictly scientific spirit.

6. But the real reason why I have consented to write this preface—which is necessarily largely explanatory—is because I understand that the paper is to be widely circulated among English politicians. An opportunity is thereby presented to direct attention afresh to the political aspect of the broader question which lies at the back of the paper. The principles upon which the British Parliament interferes in questions of Indian finance need reconsideration. The story of Parliamentary intervention during the last few years reveals glaring anomalies. In deference to the representations of Lancashire mill owners, India was compelled to impose an excise duty upon her own cotton manufactures. That is to say, she was forced to tax an internal industry at a peculiarly inopportune time, for the benefit of Lancashire. She was practically sacrificed to

the political exigencies of the moment. The British Parliament has now imposed a duty—not large, but enough to be felt—upon imported corn. India sends corn to England, just as Lancashire sends piece-goods to India. If the British Parliament really desires to render that justice to India which it so frequently professes, its only logical course must be to place an excise duty upon its home-grown corn. Such a proposition is naturally impossible, but it serves to throw into strong relief the essential injustice of the present treatment of the Indian cotton industry. The British Parliament is willing enough to thrust taxation upon Indian mill owners for the benefit of their Lancashire brethren; but it places a protecting arm around the British farmer as against India. Again, when the Indian tea growers and traders protest, through the Viceroy, against the suggested imposition of an additional tax upon tea, they are curtly reminded that the British Budget is no concern of the Government of India. The logical converse of this doubtless excellent principle is cynically forgotten when the Lancashire vote is endangered. Finally, the British Parliament, cheerfully forgetful of its desire to do justice to India, has actually proposed to impose a great additional charge upon the military expenditure of this country, to enhance the pay of the soldier, without even going through the preliminary formality of consulting the Government of India. I will not allude to the miserable question of the charges for the Indian Coronation guests, because it is difficult to believe that the notion of saddling India with the cost of British “hospitality” would ever have been approved by the bulk of the members of both Houses of Parliament. The incident is only noted here, because it helps to illustrate the attitude adopted at Whitehall towards the finances of India.

7. It is hoped that this paper will convince those who take the trouble to examine it that the excise duties levied for the benefit of Lancashire really constitute a serious additional burden upon an industry which is already handicapped by many disabilities. If it produces renewed discussion of a signal injustice, the continued existence of which the British Parliament seems only too anxious to forget, the object of its industrious author will have been served.

8. Discussion is asked for, because in India we are daily receiving fresh evidence of the benefit that ensues from the free discussion of Indian questions. The obsolete tradition, which flourished so long in the Indian Administration, that the utmost secrecy and reticence are inseparable from successful government, has been finally shattered. At home, Mr. Chamberlain has frankly explained his plans and ideals, and has aroused in England an interest in the Colonies never before witnessed. In India, Lord Curzon has consistently pursued the same course. Ever since he entered upon the Viceroyalty, he has systematically taken the public into his confidence whenever circumstances permitted. The conse-

quence is that his luminous expositions of the policy of the Administration are now eagerly read and constantly discussed. It is not too much to say that by this effective innovation, the Viceroy has furnished India with a valuable substitute for Parliamentary institutions; and it might even be contended that if adhered to and judiciously developed, there might be evolved from the practice a system by which popular views would gain just that amount of hearing which an Oriental country like India needs in its present stage of development. A strong central bureaucracy, keenly sensitive to public feeling, discriminating enough to be selective, and wise enough to wish to be popular, is perhaps the best form of rule which India can receive to-day. No symptom of public life in India just now is more remarkable than the keenness, the vigour, and the ability with which each fresh project of reform is taken up and debated by the public in all its aspects; unless it be the constant responsiveness of the Government of India to the views and desires of the various communities, whenever those views present points and ideas which are reasonable, and are possible of adoption. In this way a profound and vitalising influence has been at work among the non-official section of Indian public men, with the best possible results to Government and to the country.

9. Only last week Lord Northcote, the Governor of Bombay, who has always been keenly desirous of establishing closer relations between the rulers and the ruled, made a remarkable announcement tending in the same direction. Speaking at Ahmedabad, His Excellency said that during the troublous times through which the Western Presidency has recently passed, Government have learned "the need for taking the people more fully into their confidence, and of making an effort to spread abroad some conception of the principles underlying the actions of Government." Those who are familiar with the Indian system will recognise the novelty and the importance of this candid and statesmanlike avowal. And as free discussion is now encouraged and approved in India, with results that have proved highly beneficial, so it is hoped that this paper may undergo some discussion in Great Britain, and that the principles it is written to support will obtain recognition at no distant date. In the matter of the Cotton Duties, India asks for that justice which has been hitherto denied her.

THE EDITOR OF THE "TIMES OF INDIA."

Bombay, November 28th, 1902.