the existing market structure were mixing and adulteration. Such were the effects of mixing that pure Broach cotton had all but disappeared as a viable contract by 1919,[299] a fact that was to prove vital to those mills which were attempting to obtain long-staple cotton in order to spin fine counts and benefit from the temporary wartime curtailment of fine Lancashire cloth. Furthermore, although the fine-count American strains were now being grown successfully in the Punjab, mills found it impossible to obtain delivery of the variety in its pure form.[300] This failure of the market structure to keep pace with either agriculture or industry was as vital to Lancashire, which had long speculated over the possibilities of long-staple Indian cotton, as it was to the Indian millowners. The Indian Cotton Committee, in its report presented in 1919, stated that a mass of evidence had been gathered by it concerning the unsatisfactory nature of the mofussil cotton markets. Much of this criticism had been levelled against the "Bania", the middle-men, and the gin and press owners.[301]

By 1918, then, the Bombay markets were uneasy adaptions of traditional systems to modern needs. Nor were the networks which linked them to the sources of the commodities adequate to the needs of modern industry. This was in part a result of the over-rapid expansion of Bombay prior to 1918, an expansion associated with the great booms of the 1860s and the First World War. This over-heated expansion meant also that the city faced more than its fair share of economic and social problems, problems compounded by the geography of the island — its limited available land, its reliance on two "hinterlands" for its population, and its position as a nexus of the trade of the Empire. The seat of large scale industrial enterprise, it was also a gathering point for traditional Indian market activity on an enormous scale, and the two were uneasy bedfellows. But for the ability of its workers to return to their place of origin during times of stress it would have constituted a human pressure cooker. However, this ability was tentative at the best of times. As we shall see, the financial, economic and political stability necessary for Bombay to solve its problems was to be denied it.

Chapter 3

The Assault of Modern Capitalism on the Traditional Markets, 1914-30

It did come in handy
That nice Kutcha Khandy
For those who were lacking in wealth.

— Sung at the Bombay Hunt Dinner, 1926.

He [the *shroff*] was the villagers' guide, philosopher and friend — taking care of his small savings for him and helping him to tide over his monetary difficulties ... with the advent of modern banks, however, and with the revolution in our social structure to the influence of Western methods of individualism, the indigenous banker fell upon evil days ...

— Chhotalal Morarji Kothari, *shroff*, 1929.

In normal times the quasi-official relationship between industrialists and exporters and their market agents outlined above had been able to link the consumers adequately with the mass of *shroffs*, brokers, sub-brokers, *adatyas* and *dalals* who constituted the market chain from the ryots to the godowns and docks. However, during times of inflation and speculation like those during and after the First World War, the system broke down. In Bombay City large amounts of money were injected into the forward markets, large numbers of middle-men entered the markets and supply was restricted. In the mofussil adulteration was added to speculation. Thus the consumers — the exporters and millowners — had either to reform the markets or circumvent them. In their desire to accomplish the former they had the support of a government which was coming increasingly under the threat of inflation. In these circumstances, and using their influence with government, they were able to single out the marketeers and middle-men as the culprits with regard to speculation; and once this was done it was comparatively easy to implement market controls and reforms designed both to "modernise" the markets and re-balance them in favour of consumers. Thus the markets associated with the textile industry came under a wide variety of legislative controls, whereas those *not* associated with it had to achieve some level of reform from within. The grain market also was of importance to both the industrialists and government in terms of the wage push then being experienced, and was taken from the hands of the traditional traders and given to industrialists and British companies. Meanwhile, outside Bombay, consumers increasingly began to circumvent the usual lines of supply in order to escape adulteration and speculation. Of importance in this process was the need to break the financial control over the movement of crops exercised by *shroffs* and *sowcars*. A convenient vehicle for such an attempt was afforded by the contemporary incursion of modern financial institutions — cooperative credit societies, the Post Office banks, joint-stock banks, the Imperial Bank and the exchange banks — into the financing of the mofussil trade. Through access to cheap money, these institutions could lend to favoured clients, often the mofussil agents of the industrialists and exporters, and thus place the clients of the *shroffs*, the traditional middle-men, at a disadvantage. At the same time, the number of mofussil constituents of modern business houses began to grow, and *shroffs* connected this growing competition with the ability of these men to obtain cheap money.

The extent to which modern capitalism *did* encroach upon the domain of the *shroffs* during the 1914-33 period needs to be decided by a combination of quantitative analysis and case studies of both modern and traditional business houses. The present work is somewhat preliminary in this regard; however, it does strongly suggest a movement in this direction. Furthermore, it seems likely that this may have been an all-India movement.[1] This in turn would suggest an historical process of synchronisation of the traditional market structure with the modern methods of trade and industry which had been grafted on to India.[2] However, for our purposes — the study of the political effects of this movement — it is sufficient to note that both *shroffs* and merchants *felt* themselves to be under a severe economic attack. Certainly, in Bombay large numbers of marketeers found themselves faced with damaging legislation; and these were the

ry merchants financed by the *shroffs*.

The most bitter and protracted of the battles for market reform was that fought in the raw cotton market. On average cotton constituted from 40 to 60 per cent of the total costs of the inputs of the millowners[3] and therefore the free flow of unadulterated raw cotton was vital to them, as it was to both the large exporters and the mills of Lancashire.[4] The millowners were themselves constantly aware of the impingement of the markets on their industry and the need for government control. For instance, Sir Dinshaw Wacha, at a meeting of millowners during the infamous 1918 Broach speculations, condemned the methods of the cotton speculators which, he said, "hit hard millowners and consumers". For the sake of "commercial morality", he went on, immediate measures should be taken by government "to prevent a repetition of the discreditable transaction". In this demand he was supported by Sir Vithaldas Thakersey.[5] In 1920 Sir Ibrahim Rahimtoola and other members of the BMA expressed a strong desire to see controls implemented in the cotton market to check *kutcha khandy*[6] and *teji-mandi* business, to prevent excessive speculation and corners, and to regulate hours of business.[7] Again, in 1926 the BMA complained to the Indian Tariff Board (ITB) that the market was damaged by the existence of too many hedge contracts and that there was undue speculation "outside the mill industry" in the market.[8] Similarly, in 1929 the Association opted strongly for the continuation of market controls when J.L. Swaminarayan attempted to repeal the Cotton Control Act (Act XIV of 1922) in the Bombay Legislative Council.[9]

The millowners, through their privileged position with regard to access to the government, were given ample opportunity to act according to these sentiments. In 1918 the price of cloth had reached such a level due to speculation that local governments, particularly the Government of Bengal, were becoming concerned. They expressed this concern to the Government of India.[10] Once government concern at the high prices had become established, two arenas of legislation, the Imperial Legislative Council and the Bombay Legislative Council, became crucial determinants of the nature of the solution. It was through a committee of the Indian Legislative Council, the Cotton Cloth Committee of

1918, that Bill XV of 1918, a bill to limit the profits of the millowners to 10 per cent, was to be diverted into an attack on the cotton and piecegoods marketeers as being the cause of the high prices. In the course of deliberations over the Bill, the Bombay Government's Department of Commerce and Industry conducted a cloth census which found that while prices were high, stocks were very heavy.[11] Thus, it was felt, the piecegoods dealers were to blame for the state of the market. The matter was clinched by the composition of the Indian Legislative Council's Cotton Cloth Committee, established to examine Bill XV. It was unashamedly a millowner and large-cotton-exporter committee — in other words a committee of those who consumed raw cotton.[12] The outcome of the deliberations of the Committee was a foregone conclusion. Bill XV had its teeth drawn to emerge as Act XIX of 1918. In effect, the blame was to be laid on the doorstep of the Bombay raw cotton marketeers, and a Cotton Contracts Committee was to be established under the Defence of India Act in Bombay to administer the cotton trade. There was no more mention of a 10 per cent profit margin for millowners.[13]

Prior to this, in Bombay, influential export-oriented sections of the cotton trade and millowners had also been pressing their views on the reorganisation of the cotton trade on the Provincial Government. However, in this instance the issue became complicated by the then current and enormously lucrative Broach settlement. Interested parties on both sides of the settlement — both bulls and bears — had vital stakes in the outcome of the question of government controls on the market. During the Broach speculations those who had sold cotton forward — in this instance the predominantly Indian sellers — stood to lose heavily, while those who had bought forward — some millowners and exporters — stood to gain. This situation was a reversal of the normal state of affairs whereby the Indian brokers were regarded as the bullish element in the trade and the millowners and exporters as bearish.[14] Further, those millowners who had relied heavily on the ready market would have to pay dearly for their cotton. In the debate over the cause of the Broach speculations (upon the outcome of which the nature of the control which was to be set up would depend), the Indian merchants blamed the members of the (European dominated) BCTA,[15] while the latter directed the attention of the Bombay Controller of Prices to markets such as "Calcutta, Indore, Amraoti, Bikaner and also ... Bombay in

the *kutcha kandi* market, in which speculation is carried on to an enormous extent ..." The Association further called for the establishment of a clearing house with frequent days of settlement and with a special charter from government which would give it control of the trade.[16] If the bears were in difficulty, the Association continued, it was because they had initially sold cotton which did not exist.[17] The Association also strongly favoured the establishment of a cotton clearing house on European lines.[18] In addition to the petition of the BCTA a cluster of industrialists and exporters went to see the Governor of Bombay, Lord Willingdon, to discuss the position in the cotton market,[19] doubtless influencing the outcome. The industrialists also brought pressure to bear on government through the report of the Mackenna Committee of 1919. This committee had as its Vice President N.N. Wadia, the millowner, and it took evidence in Bombay at the height of the 1918 Broach speculations. The Committee, in its report, exceeded its terms of reference in order to include a chapter, written by Wadia himself, on the need to control speculation in the Bombay forward market.[20] Thus, although the BCTA did not win a charter to control the trade (indeed most Indian millowners would have preferred to see such control given to the BCE), it did receive the next best thing — the establishment of a clearing house with fortnightly settlements along the lines of the Liverpool Cotton Exchange clearing house, to be administered by a controlling authority, the Cotton Contracts Committee, almost totally dominated by the large consuming interests.[21] Control was established under the Bombay Cotton Contracts Control (War Provision) Act of 1918 and carried with it a penal clause. During the passage of the Bill (IX of 1918), the Government contended that speculation in cotton futures had reached such a pitch that even general business in the city suffered. It further pointed to the deliberations of the Mackenna Committee, then in session, and to the contention of the committee that raw cotton speculation was behind the high cost of cloth.[22] Government was supported in substance by all the industrialists and their agents who were members of Council.[23] Thakurdas in particular emphasised the need for uniform control, and he too drew on the deliberations of the Mackenna Committee.[24] On the other hand the marketeers were not personally represented in the Council, and Rao Saheb Dubabhai Desai, a mofussil member, had to speak for them.[25]

The Act of 1918 was passed under the provisions of the Defence of India Act. Therefore it could only be a temporary measure and, in fact, was due to expire in April 1921. The prospect of a power vacuum appearing in the trade at this time precipitated intense political activity from interested parties. Wadia, in his chapter on the cotton trade in the report of the Mackenna Committee, had suggested that the trade should establish its own association in order to give it uniform control. The Cotton Contracts Committee further recommended that Wadia should himself draw up by-laws for the new association in consultation with the Liverpoool Cotton Exchange. Both the Government of India and the India Office were in favour of this suggestion[26] and so the millowners and large merchants clearly had official backing for *their* form of control at an early stage. Accordingly, in 1918 Wadia travelled to Liverpool to draw up his list of by-laws for the East India Cotton Association.[27] His draft by-laws had several outstanding features: no contract would be considered valid unless it had been made in accordance with the by-laws of the EICA (this was intended to scotch dealers in *kutcha khandy* cotton), and double insurance was taken out by the declaration of the illegality of "Single and Double Option Contracts [*teji-mandi* contracts] and Kutcha Candy and Kutcha American Cotton transactions which are carried on for receiving or paying of difference only".[28] Further, millowners were to be freely admitted to the Association and delivery orders were not to be passed from hand to hand.[29] The latter of these stipulations was designed to end one of the greatest incentives to speculation in the Indian markets.

This was the position of the millowners. However, the Government of Bombay was delaying matters due to pressure from the European cotton merchants, who wanted guaranteed representation on the Committee of the Association. They claimed that although their numbers were small, they had controlled half of the cotton trade before the war, and now controlled one-third of it.[30] Further, the Government of Bombay recognised that opposition to a millowner-dominated scheme was growing,[31] notably amongst the large Indian cotton merchants and agents of millowners who controlled the BCE. In 1921 this group, led by Sir Purshotamdas Thakurdas, pre-empted the millowners and founded the EICA.[32] The millowners refused to join the new association, fearing that they would be under-represented, and that there would be too many hedge contracts.[33] The Bombay Government and the

Government of India together refused to sacrifice the interests of the millowners and Europeans.[34] Therefore the constitution for the EICA which emerged from the debate in the Legislative Council and which was formalised under Bombay Act XIV of 1922 was in many ways representative of a compromise between millowners, their large quasi-official agents, Indian exporters and European merchants. The small Indian brokers and marketeers, the "mere jobbers", were rigidly excluded from a controlling position.[35]

The dominating figures of the newly constituted EICA were Thakurdas, its founding father, his long-time lieutenant, Seth Haridas Madhavdas, and Chunilal B. Mehta, the large hedging broker to Wadias. The influence of the consumers of raw cotton was maintained by the complicated panel system by which the Committee was to be elected and without which they would have been swamped by the hundreds of working brokers. Under this system the trade was divided into six interest-groups. These were the millowners, exporters, importers, commission agents and merchants, *jethawalas* and *mucoadams*, and brokers. Each of these panels elected committee members in the following proportions: millowners (3), exporters (3), importers (3), commission agents and merchants (2), *jethawalas* and *mucoadams* (2) and brokers (3). One member of each panel except the *jethawalas'* and *mucoadams'* panel (which would in any case have been a conservative element in the trade) was required to be a European. Thus, of a committee of sixteen, at least nine represented the millowners, exporters and Europeans. But more important than this was the fact that the general meetings were not to include the whole membership, but fifteen members elected by each panel. Of a possible ninety members at a general meeting, only fifteen would be brokers.[36] Moreover, the EICA contracts were to be in one hundred closed bale units and settlements were to be fortnightly both powerful disincentives to the traditional cotton marketeers of Bombay. Another factor which excluded many, even some important *shets*, was the high membership fee of Rs 10,000.[37] However, although EICA contracts were the only ones recognisable under the Act of 1922, other contracts were not made actually illegal as Wadia had desired. This was later to be crucial to the continued survival of the marketeers.

From the inception of market controls in 1918, opposition from the brokers was, as Thakurdas put it, "bad and strong".[38]

In fact, resentment of the BCTA and the BCE had pre-dated even the 1918 controls.[39] In 1918 broker resentment at the undue influence borne upon government by the BCTA erupted into a giant meeting at Colaba,[40] and during the passage of the 1918 Bill through the Bombay Legislative Council both the Marwari Chamber of Commerce and the Bombay Shroffs' Association (which had such a powerful interest in the forward cotton market), petitioned the Government of Bombay.[41] The Marwaris emphasised that the traditional mode of Indian business did not readily lend itself to a Western-type clearing house, and that the result of the establishment of such a system

> would be to penalise and perhaps to drive out of the market for ever a very large body of small traders and brokers, the bulk of whom are Indians and these would be placed at the mercy of the bigger merchants.[42]

The speculations were not, they claimed, the result of activities by the Marwari Indian brokers, but rather they were caused by the BCTA, which had been exclusive of Indians. They were also at pains to establish that Marwaris had a large share in the "legitimate" cotton trade, and brought much of the cotton in from the interior. They claimed that they had no direct spokesman in the Council and, finally, that the millowners were over-represented on the Cotton Contracts Board. The *shroffs*, in their letter, expressed deep resentment at government "interference" in trade, and claimed that the very people who would be given control under the Act were themselves the worst speculators.[43]

Throughout 1919 feeling amongst brokers against the regime of the Cotton Contracts Board mounted. The Cotton Brokers' Association tried to restrict membership and thus deny access to hedging facilities to its market enemies; however, the Cotton Contracts Board retaliated by threatening to exclude members of the BCBA from the clearing house. It also attempted to gain control of the forward trade by closing the Marwari Bazaar and restricting trade to Sewri.[44] As Begraj Gupta, the large Marwari broker put it, "since the inception of the Government control over the cotton trade, I find the dealers are left at the mercy of a small coterie ..."[45] Another important Marwari broker, Anandilal Poddar, was also expressing a general grievance when he referred to the government's favouring of "a particular class, the

manufacturers".[46] As a consequence of this bitterness the BCBA, under a joint Marwari-Gujarati leadership,[47] demanded that the clearing house be constituted on a "free elective system" and declared a trade boycott in the 1920-21 season's contracts. In December 1920, however, under economic pressure from the incoming crop, the Cotton Contracts Board temporarily gave up its control of forward contracts and trading was resumed.[48]

Later, the brokers fought bitterly against the EICA and its constitution. They fought in the press, by means of further petitions and through sympathetic members of the Bombay Council. Dubabhai Desai was again their main defender, both during the debate on the Bill which repealed the Act of 1918 (Bill XI of 1922) and the Bill which gave the EICA its charter (Bill XIII of 1922). Desai claimed that the domination of the consumers under the Act of 1918 had caused the price of raw cotton to fall, while that of cloth had not fallen.[49] He further claimed that the present legislation would have a similar result because the constitution of the EICA was "rigged on the side of the consumer".[50] In fact, Desai, as a mofussil member, was more interested in the ryots than the brokers. If the marketeers had had a presence in the Council, they could have cemented an alliance with the mofussil members. Such an alliance was to be used with great effect in 1931.[51] For the present they had to rely on the press to express their opposition, an opposition that grew steadily throughout the 1920s[52] and culminated in the declaration in 1931 that the EICA was the preserve of "millionaire capitalists".[53]

Just as Wadia had feared, the failure of the Act of 1922 to declare those contracts made outside the EICA illegal left an opening for the marketeers. From the time of the inception of the EICA a large ring of perhaps 1,000 brokers[54] operated in the smaller traditional contract, the *kutcha khandy* contract, alongside the EICA. Ironically, in spite of the fact that it operated outside the "legitimate" trade, the Kutcha Khandy Ring, during the 1920s, was the largest cotton ring in India. In 1925 the Ring claimed it was turning over 30,000 bales per day in the Marwari Bazaar alone.[55] Moreover, its members *claimed* for it a continuous pedigree of over 50 years as the "Khandi Bazar Dalalo - Ni - Mandal" of Shri Bombay, Motichaw's Chawl.[56] An outraged observer found the whole of Shaikh Memon Street to be "haunted by speculators of different grades". Worse, members of the

Kutcha Khandy Ring were also members of the Cotton Brokers' Ring; thus they could raise prices in the Kutcha Khandy Ring one day and then enter the Brokers' Ring the next to sell.[57] It was contended that "this gambling has brought the Bombay mill industry to a great crisis and the Japanese are taking advantage ..."[58]

Therefore, at the instigation of the BMA, Thakurdas and other influential members of the EICA Committee decided to take action against the Kutcha Khandy Ring.[59] A by-law was passed which forbade any member of the EICA from dealing in *kutcha* cotton. However, a clever Bhatia ex-clerk, Watanji T. Halai,[60] who dabbled in shares and cotton, decided to exploit the loophole in the Act of 1922 (Section 5) which failed to declare non-EICA contracts illegal. Provided contracts of the Kutcha Khandy Ring were enforceable in court there was nothing to prevent its members from continuing to operate. Halai achieved this by forming the Ring into a joint-stock company with articles of association enforceable under company law; throughout his career Halai was a master at using new methods to perpetuate tradition. In its declaration of intent, the new ring, which called itself the Shree Mahajan Association, was at pains to emphasise its links with the past. From "time immemorial", it contended, operators had dealt in the *kutcha khandy* unit as opposed to the *pucca* unit of the EICA.[61]

However, the magnates had by no means played their last card. In 1926, at the instigation of the EICA Committee,[62] a police raid was made on the Kutcha Khandy Ring and 354 of Bombay's "respectable businessmen" were marched off to the lockup for illegal gambling.[63] A test case was made of one of their number, and eventually prosecution was obtained.[64] However, the Shree Mahajan Association, chameleon-like, changed its rules so that it did not contravene the Gambling Act and continued operations with even greater success.[65] Next, Halai made a counter-attack from within the very ranks of the EICA. Fifty-one of the leading members of the Association were themselves accused of dealing in *kutcha* cotton.[66] For their part, the EICA leaders petitioned G.D. Birla to send over a mediator from the Calcutta Marwaris to help solve the squabble.[67] This too failed.

Thus, in spite of the fact that from 1921-22 onwards the millowners were fighting a slump in their industry, they still had to deal with what they considered to be an

excessive amount of speculation in raw cotton. By 1929 the snake had only been singed. At the same, they were entering an era when they could ill-afford an unruly market: as stated by the Indian Tariff Board inquiry of 1927, the industry would have to rationalise in order to survive.[68] In 1929 Lalji Naranji, then vice-president of the BMA, emphasised that reform of forward trading in the cotton market was one vital factor upon which rationalisation would depend.[69]

An opportunity for a renewed attack on the trade by the millowners came in 1930, when the Act of 1922 was due for reassessment. A committee, the Cotton Contracts Committee,[70] was set up under the chairmanship of a Member of Government, G. Wiles, in order to determine what form any new act should take. The millowners were represented on this Committee by Sir Ness Wadia. He claimed that although the BMA wanted the continuation of some form of control over the trade, the EICA did need changing with regard to features of its constitution which permitted its General Body to block certain decisions of its Committee. The BMA also criticised the EICA for its inability to check trading in *kutcha khandy* cotton, and for having too many hedge contracts.[71] Thakurdas, while he supported the millowners in so far as he deprecated *kutcha khandy* and *teji-mandi* dealings and wished to maintain the top-heavy panel system of the EICA, felt that any decision had to be acceptable to the bulk of the trade.[72] The large Marwari brokers represented on the Committee, such as Durgadutt Sawalka and Gupta, wanted a combination of greater broker representation on the EICA with suppression of illegal trading.[73] The BCBA, in its statement, asserted that

> The constitution and working of the EICA have generally a tendency to advance the interests of certain narrow and exclusive sections of buyers or the consumers of raw cotton at the expense of the sellers or producers thereof.[74]

Ultimately, the Committee, which was weighted slightly in favour of the brokers and growers, came out in favour of liberalising the law in favour of the suppliers. It argued that the trade should be divided into two panels, buyers and sellers, and that the EICA should lose control of forward trading, which would be returned to the Brokers' Association. The latter would also be empowered to administer *teji-mandi* transactions.[75] The millowners, Europeans and exporters on the Committee all dissented from the majority in favour of maintenance of the *status quo*; but with the addition of stricter controls on *teji-mandi* and *kutcha khandy* transactions.[76]

The industrialists and their agents were by no means defeated, as the majority decision of the Wiles Committee had to be given legislative sanction. In drawing up the necessary legislation, government reverted to a position almost similar to that canvassed by the millowners: the EICA was to maintain control of the trade under its existing constitution, and, in addition, transactions of a gambling nature were to be made illegal. During the 1931 Session of the Council, all the millowners and their agents supported government's legislation.[77] However, they did not count on an additional factor, introduced since the Act of 1922. Prices of raw cotton had fallen markedly since 1929 and an intense campaign which involved flooding the mofussil members with propaganda[78] and articles in the press had succeeded in establishing a link in their minds between these low prices and "consumer control" over the trade. The press campaign had been in progress since the sitting of the Wiles Committee in 1930, and had been led through the pages of the *Bombay Chronicle* by Halai and Jagjivandas Dosabhai. In a series of articles they argued that the EICA represented a conspiracy of "capitalists and foreigners" who desired to devalue the cotton of the poor ryot for their own ends and that the current low price of cotton was a direct outcome of the panel system of the EICA.[79] Thus, although they still lacked direct representation in the Council, the brokers were now supported by mofussil members and radical members who usually supported government, men such as S.K. Bole, who claimed the EICA consisted of millionaires and juxtaposed its membership with the "small merchants" of the Shree Mahajan Association.[80] M.K. Dixit was another who supported the brokers. He categorised the EICA as a monopoly designed to extract cotton from the growers as cheaply as possible.[81] The Bill was narrowly defeated.[82]

However, this was by no means the end of the battle; with the advent of civil disobedience in 1930 the marketeers, hitherto politically unrepresented for so long, now had the political weapon on their side. That they used it to good effect we will record in Chapter VI, when we come to deal with civil disobedience.

Just as the functioning of the raw cotton market was vital to the millowners, so too was that of the stockmarket, especially after the 1921-22 slump. However, even before the slump the membership of the Exchange was in disarray, certain of the brokers having come into conflict with the committee of the BNSSBA over the alleged bearishness of the latter. Initially, problems had occurred when the committee proposed to close the Exchange on the occasion of Gandhi's arrest in 1918, upon which share prices fell markedly.[83] Prices also fell rapidly in the context of similar fears with regard to the arrest of Jinnah and Jamnadas Mehta in 1919.[84] Then, at the end of 1919, when speculation was extreme, a series of warnings of impending doom began to reach the press. The committee decided to close the Exchange to ease the situation.[85] The millowners, who had a strong interest in the continuing inflow of capital, now sided with the bulls and declared that the Committee had acted in accord with their own pecuniary (bearish) interests in closing the Exchange. Along with certain brokers they then founded a new exchange, the Bombay Stock Exchange. W.T. Halai was behind the organisation of the speculators who joined the new exchange, and 50 members of the BNSSBA were enticed away at the outset.[86] Some of the leading lights on the new exchange were Sir Ibrahim Rahimtoola, Thakurdas, Sir C.V. Mehta, Sir Hakumchand Sarupchand and Seth G. Pitty (Marwari millowners) and Kastabhai Manibhai Nagarshett *(shroff)*.[87] But by 1921 the new exchange had ceased to exist, not having been able to withstand the slump with its easy credit and light membership fee.[88] In its heyday the Bombay Stock Exchange had numbered some 255 brokers, including such leading Marwaris as Jamanlal Bajaj.[89]

Meanwhile, criticism of, and internal dissent within, the old exchange continued to grow – inevitably so, given the wandering and ill-defined nature of its by-laws, which left too much power in the hands of the committee. With the decline and death of Sir Shapurji Broacha in 1920 there was little left of millowner or large merchant influence on the committee. Also, with the vacuum occasioned by that decline, communal tension between Hindus and Parsis appeared.[90] For a short time Kikhabhai Premchand, son of the great Premchand Roychand, attempted to hold the fort as president. However, he soon found himself out of accord with the general feeling of the committee and resigned, to be followed as president by K.R.P. Shroff.[91] In December 1919 a general squabble developed over the control of certain scrips and of *wadia* transactions which had been imposed by the committee. At a subsequent general meeting, brokers voted for the resumption of *wadia* transactions, and this prompted the resignation of eight of the committee and a general split in the Exchange.[92]

This disarray within the Exchange left it open to attack at the time of the slump in 1921-22 when a badly frightened public was looking for scapegoats. At the same time, bulls and millowners were attempting to reflate prices by means of a number of well-planned corners.[93] These had been curtailed by the committee by means of the powers granted them by rules 26k and 26k(h) of the BNSSBA. The industrialists deeply resented this interference, and mounted a press campaign designed to prove that the bearish sentiment on the committee was the cause of the slump; in effect, they alleged, the committee had used its power to declare holidays and corners for its own financial ends, and this had ruined the confidence of the investing public in the mill industry. In addition, it was claimed that any undue speculation which had taken place was a result of indiscriminate *wadia* transactions financed by *shroffs*, and of the pernicious system of sub-brokers which flourished in the Exchange.[94] The industrialists also sent complaints about the BNSSBA directly to the Governor.[95] This press and lobby activity was followed by a move against the BNSSBA brought by M.A. Havelivala in the Bombay Council. The burden of Havelivala's complaint was that the Exchange was run for the benefit of the BNSSBA Committee, who were themselves involved in the "huge gambling".[96]

As we have seen, it also happened at this time that the Government of India was interested in tapping the indigenous money market to a greater extent because of the exigencies of post-war finance. But government was also anxious to move the financial centre from London to India. However, concerning the latter of these desires the Government of India found itself in opposition to the India Office; and in order for it to establish its case it was necessary for it to clean up the indigenous money markets and make them viable concerns.[97] In this connection Blackett, the new Indian Finance Member, wrote

> I have not the least doubt that, if the plan of buying exchange in India were given a fair trial we could develop a real exchange market... [And then in a footnote] I congratulate you and the Government of Bombay on getting [Sir Wilfred] Atlay for the Bombay Stock Exchange Enquiry. It is a great opportunity which has important bearings on the creation of an exchange market.[98]

Thus it seems that there was at least a likelihood that the Government of India was behind the Government of Bombay's decision to reform the stock market, and that the Government of Bombay had seized upon the demands of the industrialists and general public for reform which had followed upon the collapse of the boom. This interpretation has the merit of explaining the high level of inquiry (Sir Wilfred Atlay was Chairman of the London Stock Exchange) into what was strictly speaking a local matter.

For their part, the brokers fought bravely against the attacks of those whom they referred to as the "big men"[99] — the industrialists and the government. K.R.P. Shroff called a series of well-publicised[100] extraordinary general meetings of the BNSSBA. During these meetings he formulated the defence of the brokers. After many people had lost money, he argued, it was natural for them to turn on the nearest object of blame, the Exchange. But, he maintained, it was the industrialists who had been responsible for the speculations:

> During the last war ... several new companies were floated. The Agents and Directors of many of such companies were well-known men of Commerce and Industry. The public had implicit confidence in them ... [and consequently] rushed blindly in for the shares of such companies ... When the middle and poor classes came to grief ... they naturally ... came to believe that all these calamities were due to the share bazaar and our bazaar is blamed for ... [everything?]. In truth almost all promoters of the new companies were responsible for the disaster. In many instances, instead of offering shares of the new companies to the public, Directors and their friends formed their own syndicate, and took up all the shares. These shares were subsequently sold by them to the public at unheard of premium.[101]

That there may well have been more than a shade of truth in these accusations, particularly with regard to corners, is ironic in the light of the personnel of the Atlay

Committee. It was *overwhelmingly* a millowner and industrialist committee.[102] In the course of its deliberations, Bhulabhai Desai, the nationalist lawyer, was the only one of its members disposed to side with the brokers. Desai, in his Minority Report,[103] closely followed the line of argument used by Shroff. The corners were, he argued, the results of manipulations of the industrialists in an attempt to make up for their share losses due to the slump[104] — a theme which was repeated in the evidence presented by the BNSSBA. Such manoeuvering, it was claimed, was possible because of the tight web of interconnected directorships which existed in Bombay industry,[105] and these interconnections were elucidated through two charts which appeared as appendices 41 and 42 to the report. In spite of this the final report was almost entirely in accordance with the wishes of the millowners.[106] Definite guidelines were laid down for the BNSSBA; most important, the Association was to formulate clear-cut rules, for the existing ones were found to have evolved "in a piecemeal manner, and are nowhere clearly stated"[107] Over all, the Committee gave notice to the brokers that modern capitalistic methods had arrived at the Bombay markets:

> The stock and share market is to-day a vital factor in the economic life of progressive nations. Order and confidence are essential elements in its [the nation's] continued prosperity and growth.[108]

Should the brokers not comply voluntarily with the demands of the Committee then "it will be the duty of Government ... to prevent the conversion of legitimate business into a gamble in differences."[109]

Most of the charter presented to the Exchange by government as a result of the Atlay Committee Report was rejected by the brokers,[110] particularly the changes suggested with regard to the corner rules, in spite of the later efforts of K.R.P. Shroff to have them accept the substance of the demands.[111] Consequently, matters came to a head in the financial crisis in 1925. Two substantial corners, in the Bombay Dyeing and Madhavji scrips,[112] were bear-raided after the BNSSBA Committee had defied government and determined "fictitious" prices.[113] The millowners, who were then undergoing a bad year of depression, were outraged at the killing of the mini-boom which had been set off by the corners. "When the industry is in need of more money and advances",

wrote the *Indian Textile Journal*, the representative magazine of the millowners, "its scrip is being rendered almost worthless for these purposes." The *Journal* added that the cotton textile industry "has the greatest cause to complain against the affairs of the local stock exchange."[114]

The corollary was legislation to enforce the findings of the Atlay Committee under the Bombay Securities Contract Control Act, 1925 (Act VIII of 1925).[115] Needless to say the brokers were furious. K.R.P. Shroff blamed "absurd articles' in the press which attributed the 1925 crash to the Exchange. "Strange to say", he went on, "the governing authorities were deceived in taking these malicious fibs as truths. It was in this way so called public opinion was manufactured and the hue and cry was raised ... the Government introduced hasty and immature legislation in the Council."[116]

The other market of direct concern to the millowners was the piecegoods market. In this market the position of the millowners was more secure because of the strong nature of their traditional and agency links into the market. Perhaps it was because of this that the battle within the market between marketeers and millowners came later and, with one exception, was not characterised by the interference of government. The exception took place during the war when, as we have seen, the piecegoods trade was subject, as were most markets, to controls by the Controller of Prices under the Defence of India Act, and when the trade had to undergo a cloth census. Further, during the war the mills undertook to open their own retailing stores to sell cheap cloth to their employees,[117] and in some cases maintained the practice after the era of high prices. However, with the cessation of the wartime boom the situation, unlike that in the money and raw cotton markets, did stabilise for a number of years. It was not until the 1925 and post-1925 crisis in the industry that retailing became a major concern of the millowners, and they procrastinated about their scheme for an amalgamated direct outlet until the 1930s. When amalgamated selling did come to the fore in 1930, it was closely linked with the politically motivated boycott then current in the cloth market; it will be dealt with in Chapter 6. In the case of the cloth market, then, it would be true to say that problems did not come so much from the Bombay market as from Calcutta and other centres.[118] It is true that the market did present problems during civil disobedience, but this may in part have been due to the political challenge then being mounted against the traditional Bombay elites, who also happened to be the elite group within the cloth market.

During the war, as an aspect of their concern about the cost-wage-push and strikes, the millowners gave strong support to government when the latter intervened in the grain and rent market. As we have seen, during the war, the supply of grain, particularly of rice, the staple of the Konkani millhands, was severely curtailed. In Burma the milling and selling of rice was in the hands of a large European cartel known as the "BULLINGER" cartel. But importing into Bombay was carried on by Indians, who had offices both in Rangoon and Bombay, and who also exported piecegoods and other articles to Burma. These large wholesalers were Gujarati Banias and Cutchi Bhatias who operated under the aegis of the Grain Merchants' Association. Retailing in Bombay was conducted by a host of petty traders, Marwaris and Gujaratis, who resided in the mill areas and gave credit.

In December 1918 it was announced by government that the net retail profit allowance on rice was to be 3 annas per bag. Furthermore, government was itself to enter the importing and wholesaling section of the trade.[119] However, early in 1919 rice which reached Bombay was still allegedly failing to get through to the retailers. On 28 March 1919, 2,000 rice traders marched on the office of the Assistant Controller of Prices armed with *lathis*. They threw stones and demanded that rice be distributed. Subsequently three large firms, including that of Thakurdas, were selected by the Assistant Controller to make the distribution.[120] However, the retailers did not agree with the Assistant Controller's selection, those selected being large firms with millowner connections and controllers of the "cheap grain shops" set up by the millowners in competition with the retailers. Consequently 15,000 petty retailers threatened to close shop, and in June 1919 the Rice Merchants' Association presented a memorial to the Governor along with an accompanying letter from its vice-president, the nationalist Mathuradas Matani. In his letter Matani claimed that not only could prices be fixed by the rice millers through a "one-sided representation to government", but also that the "bona fide" trade had been ousted in Bombay in favour of a few "monopolists" who sold rice much above the purchase price. The "monopoly" that had gained control of imports into Bombay was referred to as "a small influential clique" which had, through government connections, ousted an "ancient

trade".[121] Then, in the memorial of the rice traders, after due reference to the "antiquity" of their association, we learn just which firms the "monopolists" were. They comprised four European-owned, Rangoon-based firms and, in Bombay, Tatas and Amachand Madhavji,[122] both millowners. Soon after, wholesale distribution within Bombay, as distinct from importing, was given into the hands of one firm only, Currimbhoy Ebrahim, the large millowners.[123] Meanwhile, the retail trade had been given over to "70 or 80" cheap grain shops, many of them established by mills, and eighteen belonging to the Cheap Grain Agency, Thakurdas' group.[124] This, claimed the small retailers such as those of the Bhat Bazaar, was putting the petty traders out of business.[125] In April 1920 the Rice Merchants' Association presented another lengthy memorial to the Governor, denying that the Association's members were profiteers and again blaming the "monopolists" for the high prices.

Unlike the other markets, the oilseed and bullion markets managed to achieve a degree of reform from within. As we have seen, in 1918 there was no organised oilseed market and Gujaratis used the Grain Merchants' Association contract, while Marwaris traded under the auspices of the Marwari Chamber of Commerce.[126] In 1926 the Castor Seeds Market was amalgamated into the Seeds Traders' Association. Initially, its members were those who traded in groundnuts and castor seed only (*viz.*, the Shaurashtrians), but soon everyone interested in the seeds trade entered the Association. The contract and organisation of the Grain Merchants' Association was adopted almost *in toto;* but under the umbrella of the Association the different variety of crops allowed the Gujaratis and Marwaris to keep much to themselves — forward trading in linseed and cotton seed remaining with the Marwaris at the Marwari Bazaar and groundnut and castor seed remaining with the Gujaratis. This factor, and the lack of a powerful indigenous secondary industry dependent upon the trade, probably explains the lack of conflict within the oilseeds market.

The Bullion Market too achieved its reorganisation from within.[127] As with the cotton market, a motivating factor for that organisation was the wartime speculations. It was during the war that "price fluctuations" caused 60 or 70 of the leading brokers to form the Silver Merchants' Association. But the Marwaris, who were allegedly the chief speculators, still continued to operate heavily on the forward market "and many times the speculators could even upset the regular business of the *chokeis*." Therefore, in 1920 the Bombay Bazaar Merchants' Association came into being, and in 1923 this was metamorphised into the Bombay Bullion Exchange Ltd., the premier bullion dealing body until its liquidation in 1949. The Exchange attempted to stabilise the trade by bringing the forward market under its aegis. It built its own exchange, with shops selling ready bullion situated around the periphery, and ring trading in the centre. Thus the forward and ready markets became properly synchronised, and hedging became more viable for the ready dealers. The day-to-day working of the Exchange was in the hands of a board of directors who, although they had considerable powers, could only make rules in coordination with the merchants' committee. Thus, of the market associations, the Bullion Exchange was the most democratic. But the Board members were nonetheless an elite, and one had to hold Rs 15,000 in shares to be eligible for election to the Board.

*

If the 1920s was a period of crisis and change for the markets of Bombay City, it was also such for the financial institutions which linked these markets to the mofussil trade. By this time, with the arrival of railways, roads and telegraphs, the European exporting houses and exchange banks were better versed in mofussil conditions and were therefore less dependent on a host of middlemen who understood local conditions. Most important, they were better served by modern banking in the mofussil, both through the incursion of the Imperial Bank and the modern joint-stock banks, and through the cooperative credit societies. Thus they and the millowners were able to escape both crop adulteration and speculation to an increasing extent by circumventing the markets both in the mofussil and Bombay, and even by going to the length of growing their own raw materials.

Perhaps the most important financial event of the first quarter of the twentieth century was the incursion of modern banking into the mofussil. The first cooperative credit societies began in 1904 under the general orders of the Government of India.[128] Immediately, the millowners became involved in the societies as suppliers of capital, and in 1905 the Registrar of Cooperative Societies reported that

[illegible] number of gentlemen have agreed to form a society in Bombay in order to supply capital in small sums to rural societies."[129] This group met at the Orient Club, and planned to lend money at from 5 to 6 per cent, as the co-operative could not hope to have their credit recognised by *shroffs* and banks for some time. The leading light behind the society was the millowner, Vithaldas Damodar Thakersey.[130] In 1906 the Thakersey group[131] became the Bombay Urban Co-operative Credit Society. By 1923 the cooperatives had grown considerably. Total receipts and disbursements in that year (a poor year) were Rs 58,078,815; and this financed 2,869 agricultural societies, 569 non-agricultural societies, 69 unions, and 9 insurance societies. It was reported that "Even in so remote and backward a Taluka as Sangameshwar in the Ratnagiri District ... Sowcars throughout the Taluka have had to lower their rates of interest in view of the success of societies within the area."[132] By 1929 the total working capital had risen considerably, to Rs 119,179,910.[133] The numbers of agricultural societies had doubled, to 4,568, and in addition there were 776 non-agricultural societies, 102 unions, and six insurance companies. In 1929 it was found by the Bombay Provincial Banking Inquiry (BPBI) that cooperative credit institutions comprised "an important element in the banking organisation of the Province".[134] However, the total agricultural membership for the Presidency was still comparatively low, there being only 338,412 agriculturist members.[135] This was to be expected — it was probably the better off ryot who would patronise a society. Throughout this growth period the Bombay industrialists had continued to show an interest in cooperative credit. Sir Lalubhai Samaldas in particular is worthy of note in this regard. He was one of the main promoters of the Bombay Central Co-operative Bank and continued to express an interest in the movement throughout his life.[136] Sir Vithaldas Thakersey was another who continued to show interest in the cooperative movement.[137] Catanach has an interesting aside concerning a possible motive for this interest with regard to the founding of the Bombay Central Co-operative Bank. He records an official statement which contends that the directors' "primary object, which they may claim to have attained, was to place money within easy reach of the ryot."[138]

Another vehicle for the incursion of modern finance into the mofussil was afforded by the institutions of the Post Office — the Postal Cash Certificates and Post Office

Savings Bank. In 1929 the BPBI reported that Savings Bank deposits had "risen considerably of late", and in 1927-28 there were 37,408 accounts worth Rs 63,188,775.[139] The Postal Cash Certificates were aimed more specifically at the urban middle-classes than the ryots. Minimum deposits were high, in 1929 Rs 750, but then again so was the yield of 5.8 per cent, and this attracted a considerable amount of the public's money.

TABLE 3.1

Deposits in Post Office Savings Banks, 1910-11 to 1929-30, and in Post Office Cash Certificates, 1921-22 to 1929-30, in 000s of Rs.

Year	*Balance in Post Office Savings Banks + Interest*	*Value of Post Office Cash Certificates*
1910-11	169,188	-
1914-15	148,926	-
1919-20	213,484	-
1921-22	222,632	43,435
1922-23	232,003	312,881
1923-24	247,894	841,871
1924-25	256,393	131,150
1925-26	272,328	209,636
1926-27	295,161	266,768
1927-28	326,657	306,976
1928-29	344,918	323,026
1929-30	371,275	350,049

Source: *S.A. for B.I.* for 1910-11 to 1919-20, and for 1920-21 to 1929-30, Table 94.

A third form of public investment of relevance to the *shroffs* was that in government bonds. We have seen how government, from the commencement of the war, had been relying increasingly on the domestic money market. However, as in the case of shares, the competition afforded by bond sales in the money market was mainly for the money of the urban middle-classes. While it is doubtful that this money would ever have reached the coffers of the *shroffs*, nonetheless the *shroffs* themselves regarded shares and bonds as a

real threat to their existence.[140]

Most significant of all with regard to the incursion of modern financial institutions into the mofussil was the dramatic growth of indigenous joint-stock banking and insurance, and in particular of the Imperial Bank. The development of joint-stock banking took place in three stages. The first, which involved a substantial build up of unlimited liability banks, occurred prior to 1866. These banks, riven by speculation and fraud,[141] had their demise with the cessation of the boom of the 1860s. Then, after 1905, came a host of swadeshi banks. However, banks managing one-third of the total paid-up capital of indigenous joint-stock banks collapsed between 1913 and 1917. Those which survived into the new era were to become the backbone of indigenous joint-stock banking, and it is they with which we are mainly concerned.[142] The amount of competition offered to the *shroffs* by these banks was somewhat limited in that their growth was confined mainly to the large towns.[143] Competition from the Imperial Bank, however, was more severe. The Imperial Bank was founded in 1921 as a result of the amalgamation of the Presidency Banks. Under the terms of its charter it was required to afford facilities for inland remittances. Originally intended as a bankers' bank, it was in fact a joint-stock bank which happened to have special access to government money, and it fulfilled most of the functions of a commercial bank. By 1929 it had opened 100 new branches to give it a total of 153 branches in all, of which 49 were in Bombay Presidency.[144] While the sub-branches of the bank were reported to be very successful at raising money in the mofussil,[145] their lending policy was restricted and exclusive. The European branch managers had little contact with local life, and tended naturally to lend to those with European connections.[146] In addition, the bank had a secret list of some 100 *shroffs* to whom money could be lent. Each *shroff* had a credit rating and a ceiling above which money could not be lent, and those *shroffs* not on the list could not borrow from the bank.[147] The incursion of joint-stock banking into the domestic money market after the 1917 revival can be seen from Table 3.2. Another indication of the rate of expansion of modern banking into the mofussil is given by the growth of the number of branches of all joint-stock banks, including the Imperial Bank, for the whole of India. Between 1916 and 1920, 198 new branches were opened; between 1920 and 1930, 402 branches were opened; and between 1930 and 1936, 512 branches were opened. During the war it was the private joint-stock banks which expanded with the greatest rapidity, while the Presidency Banks were quiescent. However the post-war era was marked by the rapid expansion of the Imperial Bank.[148] The above figures should be viewed with caution. Do they in fact represent only the taking up of the slack in an expanding economy, or do they indicate a general advance in modern financial enterprise? The indications are that they represent a genuine advance;[149] however, whatever the reality, for our purposes the primary concern is what the *shroffs* actually *thought* was happening to them.

TABLE 3.2

Deposits in Indian Joint-Stock Banks, 1910-29; Private Deposits in the Presidency Banks, 1910-19; and Private Deposits in the Imperial Bank, 1920-29, in 000s of Rs.

Year	*Private Deposits in Presidency Banks*	*Deposits in Joint-Stock Banks*
1910	323,438	256,585
1915	386,119	178,727
1919	682,137	589,947
	Private Deposits in the Imperial Bank	
1920	780,190	711,464
1921	657,779	768,963
1922	570,057	616,386
1923	741,951	444,282
1924	767,122	525,052
1925	778,333	544,936
1926	738,970	596,802
1927	720,722	608,411
1928	713,044	628,536
1929	716,431	627,203

Source: *S.A. for B.I.* for 1910-11 to 1919-20, Table 95; and for 1920-21 to 1929-30, Table 130.

The Bombay industrialists were key figures in the growth and management of joint-stock banks and other financial institutions such as insurance companies. In particular, three Bombay-based joint-stock banks, the Bank of India, the Bank of Baroda, and the Central Bank of India, were founded and run by industrialists.[150] In addition, industrial houses sometimes had their own joint-stock banks as part of their stables. Some examples are the ill-starred Tata industrial banks, the banks owned by Sassoon David and Co. and E.D. Sassoon and Co., and the various banks controlled by the Readymoney family. In addition, industrialists were also deeply interested in the progress of the Imperial Bank. Thakurdas, for instance, joined its board in 1922 and was five times president, resigning only in 1934 in order to enter the Reserve Bank. *Swadeshi* insurance firms received their greatest boost in 1919, and industrialists proved to be the pre-eminent entrepreneurs. In that year, a host of companies blossomed in Bombay, including the Jupiter and Tata Prudential Companies, both founded and run by industrialists.[151] In addition, four other companies were founded, and these six companies together attracted Rs 18 millions in business.[152] The largest of the Indian-owned insurance companies in terms of policies taken out was the Oriental Life Assurance Co., with 7,971 policies and paid-up capital of Rs 150 millions in 1920.[153] Sir Purshotamdas Thakurdas was intimately involved with the running of the Oriental Co Lalji Naranji was another millowner and merchant involved in insurance, and his firm, Mulji Jetha and Co., were agents to the Jupiter General Insurance Co.

One motive for the involvement of the industrialists in the foundation of modern financial institutions was the desire that cheap money should eventually filter through to the ryots who grew their raw materials. For instance, during the deliberations of the Mackenna Committee, C.N. Wadia had complained that the ryot was "largely in the hands of the *bania*, who bought the standing crop".[154] He then pressed strongly for the extension of cooperative credit societies and the introduction of agricultural banks.[155] So concerned was the hierarchy of the EICA with the question of the financing of the cotton growers that they prompted the Indian Central Cotton Committee to conduct a detailed inquiry into the matter.[156] It was also in the climate of this concern that the Federation of Indian Chambers of Commerce and Industry (FICCI), founded and dominated by the industrialists,[157] pressed government to undertake the massive banking inquiry of 1928.

One other group of banks beginning to encroach on the domain of the *shroffs* during and after the war was the exchange banks. Traditionally, these European-owned banks were supposed to be remittance banks only, that is, they were only concerned with the finance of trade between India and Britain. However, they began more and more, as the BPBI put it, to "do every type of banking business",[158] including the finance of the mofussil trade. Further, unlike the Imperial Bank, the exchange banks offered 2 per cent on current accounts and were thus able to harness domestic money supplies.[159] This policy was necessitated by the fact that although the banks had large reserves they tended to keep them in Britain and were thus sometimes "caught short" in India.[160] In 1929 L.C. Jain commented on this process as follows:

> The first effect [of it] seems to have been to divert a portion of the capital which has been available for financing the internal trade of the country to the assistance of its foreign trade, with the result that an additional though temporary strain has been put on the resources of the indigenous bankers.[161]

The growth of borrowing in India by the exchange banks is illustrated in Table 3.3.

TABLE 3.3

Deposits in India of Exchange Banks, 1913-26, 000's of £s

1913	23,276	1920	56,105
1914	22,611	1921	56,397
1915	25,159	1922	55,038
1916	28,529	1923	51,332
1917	40,031	1924	52,976
1918	46,392	1925	52,909
1919	55,769	1926	53,658

Source: *Statistical Tables Relating to Banks in British India, 1926*, p. 1, as in Jain, *Indigenous Banking in India*, p. 54.

In the falling off of deposits after 1922, we can probably observe the workings of the 1921-22 slump rather than any setback suffered by the exchange banks. Moreover, after the slump the numbers of their branches grew steadily — from 54 in 1916 to 77 in 1926 and 99 in 1936.[162] The effect of this growth was to cut off both the *shroff* and the *hundi* broker as the mediators between the exporters and the banks.[163] This is why, in entering the field of financing of the mofussil trade, the exchange banks were accused of acting in concert with the European exporting houses with the alleged aim of enabling the latter to obtain their commodities more cheaply due to the cheaper money that the banks could inject into the mofussil. It was further alleged that the banks were financing Europeans in preference to Indian merchants.[164]

Not only did the industrialists attempt to escape the middle-man and the *sowcar* through involvement in modern financial institutions, but they also attempted to circumvent the market by means of "direct trading". This took two forms. Of these, the growing of the crop by the industrialist himself was less common and was particularly related to the desire of some mills to obtain good quality long-staple cotton. In desiring to grow long-staple cotton the millowners had to tread warily — attempts to grow long-staple cotton by the government had long been regarded by those millowners who spun low counts as part of a plot by Lancashire. The millowners were therefore adamant that the amount of short-staple grown should not be sacrificed for the sake of the long-staple.[165] The most important example of this type of market circumvention is that of the Sind Cotton Growing Syndicate. This syndicate was set up in 1912 by Greaves Cotton Co., Sir Fazulbhoy Currimbhoy, J.F. Bradbury, N.B. Saklatwala (of Tatas) and Sir Monmohandas Ramji, in order to grow American varieties in the Sind canal zone. The original initiator and co-sponsor to the scheme was the Government of Bombay. Gins and presses were set up at Shikapur, but, allegedly because it refused to pay the cultivators enough for the cotton, the Syndicate failed to secure the expected returns of long-staple. Eventually Tatas bought out the concern.[166] There are other instances of millowners growing their own cotton, particularly in Ahmedabad,[167] but the most outstanding example of this kind of venture is that of Walchand Hirachand. Hirachand had a cartel approach to business similar to that of Tatas — indeed he had been a business associate of Tatas. In 1921 he purchased 15,000 acres of low quality land near a canal at

Ravalgoan Village in the Malegaon Taluka, Nasik. After clearing and improving the land he devoted it first to growing groundnut and cotton and later sugar cane, which he milled himself.[168] But the cartel philosophy was perhaps best summed up by Sir Dorab Tata, who took to growing the food for his workers at the model town of Sakchi so that it might be a "self-contained unit, independent of remote and varying market conditions for its primary and everyday necessities."[169]

The growing of primary products was carried on only by a few exceptional industrialists. On the other hand, direct trading (the planting of agents of the mill company or exporting firm in the mofussil to buy either directly from the ryots or else from the district markets) appears to have been quite extensive during and after the war. One of the first recorded instances was that which occurred when Thakurdas entered the firm of Narandas Rajaram and Co.[170] By 1917 certain Japanese firms had begun to establish their own agencies in the mofussil.[171] While direct buying had been common practice amongst the Ahmedabad millowners,[172] one of the first Bombay Agencies to embark on this type of buying was the Currimbhoy group. It did so by means of a method which was to become increasingly popular among millowners, the establishment of gins and presses in the mofussil. In fact, as we have seen, gins and presses were not just small factories but also important centres of buying and selling, often operating in combination. The best solution for millowners such as the Currimbhoy group therefore was to establish their own gins and presses. In the case of Currimbhoys, the primary aim was to obtain unadulterated cotton; the venue was central India.[173] By 1919 it was reported that the "scramble" for cotton had prompted the Bombay mills to send their agents direct to the mofussil,[174] and in 1922 Professor Jevons wrote that

> There is an increasing tendency ... for the very big commercial firms in Bombay, Karachi and Calcutta, to send their representatives direct to the small market towns, and in some cases even to the villages, so as to purchase from the small merchants, and in the latter case direct from the larger cultivators themselves, thereby cutting out the middleman's profits.[175]

By 1926 the BMA could report to the Tariff Board that "a growing number of mills have their own buying agents in the cotton growing districts who buy cotton, gin and press it and bring it to Bombay.'[176] Moreover, in 1920 Volkarts had forty buying agents all over India, cotton presses at eleven centres, and gins at eight centres.[177] In 1929 it was found that Rallis had captured almost the entire Bombay-Sholapur groundnut and grain trade.[178] Thus it appears that the European exporting houses were joining the millowners in their general invasion of the mofussil.

With regard to adulteration of cotton, it was the large selling agents of the mills who suffered most. If cotton were adulterated, it was they who had to pay when it reached the mill, and their losses could amount to from 15 to 20 rupees per bale.[179] Therefore it is not surprising that Thakurdas should strongly support anti-adulteration legislation introduced by the central government in 1925.[180] The Bill in question, the Cotton Ginning and Pressing Factories Bill, was in keeping with the conclusions of the Mackenna Committee in that it was aimed explicitly at ginners and pressers as the main speculators. An earlier piece of legislation, the Cotton Transport Bill, was designed to stop adulteration of the crop *en route* to Bombay, and it too was a product of the findings of the Mackenna Committee. In 1927 a Bill was introduced into the Bombay Legislative Council in order to extend government control from the Bombay market to the mofussil markets. Based on a set of rules operating with success in Berar, it received the consistent support of the industrialists in its passage through the Council.[181]

During the 1920s, then, the market structure came under a three-pronged attack. The Bombay markets experienced a substantial amount of government "interference" in the form of either direct controls or legislation that operated indirectly. In addition the exporters and the industrialists and their agents encroached on the mofussil markets through direct trading and control of finance. Finally, the mofussil markets also came under legislative control at the provincial and central level. The true economic effects of this attack are difficult to gauge; more apparent is the reaction of the *shroffs*, *adatayas* and *dalals* to this threat to their existence.

Perhaps the most consistent expression of their disquiet was that given before the Bombay Provincial Banking Inquiry. However, prior even to this inquiry some rumblings can be detected. *Speaking before the Marwari Chamber of Commerce* at Diwali in 1927, the president of the Chamber, Beniprasad Dalmia said:

> I hear complaints everywhere that trade is bad, unemployment is increasing. Have you ever tried to analyze the causes? Gentlemen, we [Marwaris] have been engaged mainly in the internal trade of the land. We have been bringing the raw materials from the inside to the ports and taking the foreign imports from the ports of the country. In the first place foreign traders are usurping that trade. Their agents have penetrated the remotest corners of India, and are purchasing the produce of the farms when the farmers are in need of funds.[182]

That the *shroffs* and middle-men thought their trade was being usurped is further confirmed by the evidence taken by the Bombay Banking Inquiry. For instance the Bombay Shroffs Association in its evidence maintained that "latterly" foreign exporters had begun to make purchases directly from the mofussil markets, and that they were thus "consolidating their strangle hold over the trade of the country".[183] Chhotalal Morarji Kothari, a *shroff*, thought along similar lines,[184] as did the Marwari Chamber of Commerce. The latter claimed that the efforts of the exporting houses were "harming the merchant engaged in internal trade"[185] and that the incursion of modern banking has meant that "conditions have come to such a pass that banking by itself does not pay sufficiently now ..."[186] Although there was a consensus among *shroffs* and middle-men that their position was under threat, Dalmia's interpretation of the nature of the threat, and therefore the solution he offered, was unique in that he felt that the *shroffs* and middle-men were losing out because of their failure to update age-old methods in banking and business. They must modernise their banking methods and enter into industry, and only then could they hope to regain their former position.[187] A more common point of view, however, is best illustrated by the evidence of the BSA before the Bombay Banking Inquiry Committee. Put simply, the interpretation (which was used by both middle-men and *shroffs*) was as follows: the incursions made by and the competition for money offered by modern financial institutions had

created an era of dear money. In addition, the modern banks had special access to government funds through the Imperial Bank, *an access denied shroffs.* Having syphoned off funds from the traditional money market and created dear money in that market, the banks then lent the money at cheap rates to their friends, the agents of large foreign exporters and millowners, while refusing to lend to the traditional marketeers. The latter were therefore dependent upon the dear money of the *shroffs* and were a disadvantage in relation to the former. In this way both the *shroffs* and their clients, the middle-men, were being driven from the market network.[188] This argument was not expressed simply as an isolated opinion, but was presented in part or in full by many individuals.[189] Put another way it could be linked up with a line of argument already noted with regard to the constitution of the EICA, that is, a general conspiracy theory which regarded the consumers as banding together to weaken the position of the suppliers and so forcing prices down. For instance, the BSA claimed that

> purchasers who are people of substance and besides command vast funds and facilities from the banks [are] therefore in a position to take advantage of the weak position of the sellers and buy off their produce when prices have declined to the lowest level of the season ... [and thus exploit] the helpless cultivator.[190]

With regard to the "competition for funds" theory, it is of interest to note that its propagation did in fact coincide with an era of high bazaar interest rates. After the boom, money in the bazaars continued to remain scarce, partly because of the government's contractions of the money supply from 1922 to 1924 and again in 1930-31 in connection with its attempts to maintain the value of the rupee (see Chapter V). In the first of these periods the joint-stock banks did not experience a comparable scarcity of funds.[191]

The *shroffs* and middle-men suggested three possible solutions. First, the Imperial Bank must use the *shroffs* as their mofussil branch managers. Then the staff of the Imperial Bank must be "Indianised", so as to allow for a greater degree of contact between the bank and its clients. Finally, the exchange banks must be restricted to the presidency towns so as not to compete with the traditional trade in the mofussil. In reaching this conclusion, it appears, the *shroffs* and their supporters acted in consensus and after prior consultation. From evidence presented to the Banking Inquiry it seems that the argument may have filtered down from the IMC, and in particular from Walchand Hirachand, who gave evidence on behalf of the Chamber.[192] Hirachand, who was soon after to come into conflict with Thakurdas over the Presidency of the FICCI, still exercised a good deal of influence in the IMC after his presidency in 1927. Moreover, these were the days of *rapprochement* between Indian business interests under the umbrella of the various doctrines of economic nationalism then current.[193] Thus a united nationalist stance was hammered out in a special sub-committee of the Chamber established for the purpose.[194] A more extreme solution to the problem of the incursion of modern capitalism into the markets was adopted by certain *dalals*. These men forced Rallis, by means of a well-planned boycott, to stop trading through cooperative sale societies.[195]

By 1929 it had become apparent to all concerned that Western oriented businessmen and industrialists had been making a concerted effort to synchronise the industrial and exporting sectors of the economy with the market sectors. The most common vehicles by which this was being done were the government in the case of the Bombay markets, and modern financial institutions combined with direct trading methods in the mofussil. The marketeers and *shroffs* who were caught up in this far-reaching and general economic change took some time to appreciate the situation. For one thing the parameters between different business sectors were as yet unclear — certain industrialists still had strong connections with the traditional market world from whence they had risen. Further, as we shall see, a powerful doctrine of economic nationalism was being developed in Bombay. This was to cause great confusion among the marketeers with regard to the true issues that were facing them. But when they did come to react, it was with a marked degree of revisionism which found ready expression in Gandhian philosophy. Moreover, the success of the industrialists and exporters in the markets had owed much to their high degree of influence with government. Therefore it is not surprising that the marketeers should look to the nationalist movement for an outlet for their frustration.

CHAPTER 4

CITY POLITICS AND BUSINESSMEN

Urbs Prima in Indis.

Popular description of Bombay

It is a city of death.

Sir George Lloyd
in reference to Bombay

In the previous chapters we have examined the great economic changes wrought by the combination of the war, the Reforms, and industrialisation. We have seen that on the one hand rapid industrialisation created enormous physical and social problems in Bombay City; while on the other the Reforms and the war took from the Government of Bombay financial resources which it might have used to overcome these problems. Moreover, the economic turbulence created by the war had, in combination with industrialisation, produced a considerable amount of economically based sectionalism within business.

The present chapter examines the implications of these changes with regard to the politics of businessmen at the local level. In so doing, it seeks to explain the failure of government to solve the problems of Bombay — a failure which is, as we shall see, material to the account of the political response of Bombay businessmen to the Congress agitations — in terms of the interest-group factionalism which rent the Bombay Corporation on the one hand and the loss of financial flexibility which resulted from the Meston Settlement on the other. Factionalism itself was in part due to the tension created by the lack of synchronisation between the traditional mercantile sector of the economy and the modern sector. Thus the study of local politics is not only important in that it explains the state of the city at the time of the Congress agitations; it also reveals the political implications of the economically based dichotomy within business.

Basically, municipal politics in Bombay revolved around the tension between opposing development strategies, strategies which were themselves products of the economic and social forces generated by the rise of industry. Three main interest groups (which were by no means mutually exclusive) each vied to impose their concept of the future of the city. These groups were the landlords, the large merchants involved in foreign trade and the industrialists and, if it can be termed an interest group, the government. The smaller, more traditional merchants and the proletariat were, by and large, excluded from the local government institutions. The power of the pre-eminent groups *vis a vis* the general populace, and the level of factional strife between them, were enhanced by the system of government adopted by the raj in the nineteenth century. By 1840 all three of the presidency towns had been accorded some measure of self-government, and thus the corporations early on had powers of expenditure and taxation which far surpassed those possessed by central or provincial legislatures.[1] These powers of raising and spending moneys together embraced a large portion of the urban environment. They were the very "bread and butter" of the citizens' daily lives, and they gave real teeth to local government. However, they were, up until the Reforms of 1919, combined with a strictly limited franchise. This combination ensured the domination of the elites of the city over the planning of the development and the choice of the section of society which had to pay for it.

During the nineteenth century, the thinking of the Government of Bombay was paradoxical when it came to determine its ultimate vision of how Bombay City should develop. On the one hand, it was concerned with directing expenditure towards improving the abysmal standards of public hygiene and housing into which the city had lapsed;[2] on the other hand, both government officials and the business magnates were also concerned with the position of Bombay as the emporium of trade of western India, the *Urbs Prima in Indis*.[3] However, both these aspirations, that of promoting general hygiene and what we would now call social welfare, and that of creating a modern industrial and trading centre, were extremely costly to realise; to an extent, therefore, they clashed.[4] The former involved the creation of sewers, wide streets, adequate working-class housing and sufficient water

supply for the whole of the city; the latter involved the continued maintenance of a large area of inadequate but cheap housing in one part of the city to house labour, combined with a section which contained modern and spacious offices, shops, warehouses and public buildings along with a sophisticated transportation and docking system. There was, of course, to be adequate provision for housing for the wealthy. A third line of argument, that which was generally adopted by the smaller merchants and landlords, held that nothing should be done by way of development at all. The smaller merchants, at least in their own eyes, did not require a modern business infrastructure, and were content to dwell in the teeming *mohullas* of the traditional Indian city;[5] while the landlords were above all concerned to keep taxes, and particularly property rates, to a minimum and to prevent government from lowering rents by incursions into the field of housing. In the latter half of the nineteenth century, these were the forces acting on the allocation of expenditure. The interests affecting the sources from which taxes were drawn, however, were narrower; government intruded less to temper the magnates and landlords who made up the bulk of the two hundred odd Justices of the Peace included in the municipal election college. Consequently, we can see attempts at a very early stage to shift the burden of expenditure away from influential groups and on to those with a lesser voice in municipal affairs, smaller merchants and consumers.[6] These conflicts, conflicts about how Bombay City was to develop and who was to pay for that development, were to endure until the 1930s.

In 1898 an additional element was introduced into local politics with the inception of the City of Bombay Improvement Trust (BCIT). The Trust was to have overall responsibility for developing the city, and its formation was essentially a result of the arrival of bubonic plague in Bombay in 1896. So effectively did the plague damage commerce and industry that the Government of Bombay was made to realise for the first time the interdependence of the two policies represented by slum clearance and public hygiene on the one hand and the establishment of a modern trading and industrial centre on the other. However, just as the Corporation was dominated by landlords, the BCIT was dominated by industrialists and commercial magnates. Consequently, the work actually undertaken by the Trust was weighted in favour of the *Urbs Prima in Indis* policy and against works of public hygiene. Thus, although by 1918 nothing substantial had been achieved by way of eliminating the slums of Bombay, considerable antipathy towards government had been aroused amongst merchants and landlords alike.

As we have seen, 1918 was a year of severe social disorder, speculation and inflation in Bombay City. The provincial government, feeling its back was to the wall and attributing much of this disorder to the shocking housing conditions, decided to undertake a massive development scheme to help alleviate the situation. However, mindful of the past failings of both the Improvement Trust and the Corporation it decided to undertake the work entirely by itself – to exclude any degree of popular control or any participation of Indian businessmen in the actual prosecution of the scheme. In so doing, it created a deep rift in the pattern of interest-group politics which had evolved in the city, and further alienated landlords, merchants and, ultimately, industrialists who had hoped for lucrative development contracts. Furthermore, in commencing this large development just prior to the post-war slump, government created a severe strain on local resources, a strain which was increased by the allocations made by the Meston Committee. This in turn exacerbated two hitherto almost dormant areas of conflict – that between various tax-paying groups as to which of them was to pay for the new schemes, and that between the government and Corporation concerning the desire of the latter to regain its jurisdiction over development. Although the decade of the 1920s saw great changes in municipal politics in the form of the introduction of extensive municipal reforms in 1922 and the incursion of nationalist politics on a large scale in 1923, the conflicts concerning taxes and control of development were to be the key conflicts of the decade. This is because the dominant groups, the landlords and business magnates, showed remarkable resilience in the teeth of these changes; and this resilience was in turn partly due to the willingness of the Municipal Nationalist Party (MNP) to compromise its independence to groups to which it was beholden for support, particularly the landlords. Although the MNP was also partly dependent upon the support of small merchants, many of these were also landlords, and so small merchants as a group again lost out in municipal politics. This fact was reflected in the outcome of the struggle between landlords, millowners and merchants as to which group was to shoulder the brunt of taxation, a struggle marked by compromise between the nationalists, landlords and millowners, to the exclusion of the merchants.

By the end of the nineteenth-century government's policy of devolving authority in order to solve the problems of Bombay was bankrupt. Neither of the Municipal Reform Acts of 1872 and 1888 did much to undercut the basic principle of municipal finance and government established in 1865. The Municipal Commissioner continued to be a single government appointee, the Corporation continued to have more or less *carte blanche* budgetary powers, and the franchise continued to be severely restricted. A recent assessment claims that while the city was embellished with magnificent buildings during the speculative years of the 1860s, and in subsequent years attempts were made to improve the road system, little was done to improve sanitation, and the city was left exposed to the ravages of plague in 1896.[7]

The advent of bubonic plague in Bombay, and the great epidemic during which one quarter of the population fled, led the European-dominated Bombay Chamber of Commerce to warn government that the city was faced with commercial extinction. The Chamber urged the necessity of completely draining the city, of reticulating clean water, and of introducing effective building by-laws if Bombay was to be saved.[8] In attempting to remedy the situation it was obvious that government could not easily renege on civil freedoms which had already been given.[9] Therefore, in 1898, it created a parallel organisation to the Corporation, the Improvement Trust. The Trust was established with the express purpose of developing the city in a planned way. It was charged with the laying of new roads, the improvement of crowded localities, the construction of sanitary dwellings for the poor, reclaiming of further lands and providing accommodation for the police.[10] In other words it was not pinned down specifically to the problem of sanitation but could, if it wished, make improvements to the infrastructure necessary to commerce and industry. It was to have a constitution very similar to that of the Port Trust and, in keeping with government's traditional reliance on business magnates, these gentlemen, particularly millowners, dominated its board over the years of its existence.[11]

The activities of the BCIT did not proceed in a total vacuum: a definite town planning strategy was developed as a result of a questionnaire issued to the leading citizens in 1907. However, in this instance too it was the magnates who appeared to have the final say, and "most of the replies received had a bias in favour of ... [the replier's] respective interest" [12] The strategy developed in 1907 was to dominate town planning in Bombay for the following twenty years.

We have noted that Bombay was, by force of geographic circumstance, a longitudinal city. It had a large modern office and administrative section in the south, docks lining the sheltered east, upper-class housing along the cool western foreshore and, crammed in the centre, a hotch-potch of factories, markets, *mohullas, pedhis* and cheap housing with horrifying standards of sanitation. Clearly, a development strategy with a primary concern for releasing the pressure from the crowded southern areas into the large almost vacant area to the north was what was called for in 1907. This would have required a transportation system of sufficient cheapness for use by millhands, but it was the only viable solution to the problem of overcrowding. Instead, the magnates and millowners who were now consulted in effect opted for the continuation of the *status quo*. The policy embarked upon in 1909 as a result of the 1907 questionnaire was based on the belief that the western shores should provide accommodation for the "wealthy class" (as they already did); that Salsette should provide accommodation for the middle-class; that broad arterial roads should be knocked through the congested areas of the middle island; and that the Back Bay and Colaba areas should be reclaimed. As a concession to the need for sanitation government announced its intention of passing a town planning act which would involve stricter building by-laws.[13] In other words the plan which was envisaged was definitely of the *Urbs Prima in Indis* emphasis. Even the creation of new arterial roads[14] was basically an attempt to break a passage through the crowded central city from the projected middle-class area (H on Map II, p.54) and the upper-class area (F) to the factory area (G) and modern office areas (A and B). This is particularly true of the largest of the road schemes, the Hornby Road-Ballard Pier arterial road, or "East-West Road", as it came to be known. This road was designed to free the new and prestigious Ballard Offices Estate from its crowded surrounds. And even the reclamation of the Back Bay was to be combined with a through-road from Malabar Hill to the South Fort.[15]

In 1913 government decided to review the progress of the development of the city to date. It therefore appointed a Development Committee which made its report in 1914.[16] This Committee suggested no substantial change to the scheme of 1909, but it is of interest in so far as it illuminates the positions taken by various interest groups. In committee it held that the mills should not be moved from their present situation; that any new mills should be concentrated in the northeast of the island; that millhands should continue to dwell near the mills;[17] and that

> In a city situated as Bombay is, with an attractive western frontage and a very uniform direction of air currents from the west, it is of obvious importance, so far as possible, not only to preserve the western area for residential purposes, but to avoid the location, along the western belt, of industries or trades of an offensive or defacing character.[18]

It was not pointed out in the conclusion of the Report that nearly 60 per cent of the population resided in less than 20 per cent of the populated area, an area which was not, in fact, on the western seaboard but among the "defacing" factories, an area as densely populated as anywhere in the world — 500 to 700 people per acre including the factories amongst which these people lived.[19] Among other matters discussed, the question of the East-West Road was prominent. The Report argued that the North Fort area (D on Map II) was currently in decline because of the influence of new modern office blocks built to the west of Hornby Road; and in any case it was an area which was "dingy and cramped" [20] Further, it was argued that the future trend would be to demand offices in the northeast Fort area (F), which is now the Ballard Estate, and the position of the head offices of most of the large industrial and export houses.[21] But in order for this trend to be realised it would be necessary to knock a broad thoroughfare through the North Fort. This scheme was "warmly advocated by many of the witnesses" and was held to be "intimately associated with the internal convenience and healthfulness of the centre of business activity" [22] In fact, most of the leading industrialists interviewed by the committee, men such as Sir Phiroze Sethna, J.A. Wadia and Sir Cowasji Jehangir,[23] favoured the East-West Road; while Monmohandas Ramji and Purshotamdas Thakurdas, though opposing the road in their evidence on behalf of the IMC,[24] favoured the scheme in their personal evidence.[25] This, along with Sir Ibrahim Rahimtoola's powerful opposition to the road, indicates that a groundswell of opposition to it was already rising in the North Fort. Sir Ibrahim, a Muslim and large landlord, obtained the core of his support in the municipality from the Muslims of the North Fort commercial areas,[26] B and C wards, where Muslims made up 50 per cent of the population.[27] Thakurdas and Ramji, as IMC leaders, were catering for the mass of sub-associations such as the grain merchants', *shroffs'* and cloth merchants' associations which made up the IMC and whose members had their offices and homes in the crowded lanes of the area. Its modernisation not only represented a hindrance to business, but also a direct attack on their culture and life-style. The case of those to be affected by the road was later taken up by the Parsi nationalist, B.F. Barucha, and the chairman of the Rice Merchants' Association. Several meetings of citizens were held and it was claimed that the road directly raised the question of the status of Bombay, that it would render homeless "8,000 poor" for the sake of offices for the wealthy, and that it could in no way be called a sanitary work.[28] In fact, Thakurdas and Ramji, in their paradoxical attitude, were attempting to walk that tight-rope between the modern industrialists and the marketeers which made them such appropriate agents of the industrialists.

The Bombay Development Committee also proved its stamp by coming out strongly in favour of land reclamation, and in particular the reclamation of the Back Bay.[29] This, it was claimed, would fulfil the twofold purpose of providing middle-class housing and offices and providing a thoroughfare between the wealthy residential areas of the western foreshore and the offices at the Fort.[30] That the Committee opted for land reclamation is not surprising, for schemes for reclaiming land in Bombay were as old as the city itself.[31] However, the Back Bay was something of a special case, being a particularly ambitious scheme with a stormy past. D.E. Wacha, in his *History of the Bombay Share Speculation, 1863-65*, chronicles the chequered history of schemes to reclaim the Bay at the time of the 1860s land boom. Since then, the BCIT had taken over the reclamation rights with the intention of using the reclaimed land to accommodate the "richer" class[32] and, in 1909, the Government of Bombay had re-affirmed its belief in the reclamation of the Bay and seconded the development rights from the BCIT.[33]

Those industrialists and magnates interviewed by the Bombay Development Committee, including Sir Vithaldas Thakersey, Sir Purshotamdas Thakurdas, Sir Sassoon David and Sir Dinshaw Petit, almost all favoured the reclamation.[34] Sir Dinshaw wondered whether

> with the mercantile population of our City being ever on the increase and with the decrease among the Indian communities of living on the joint family system why may we not [now] entertain the hope of the new scheme turning out a success?[35]

The only active opposition to the scheme[36] came from Ramji and Thakurdas on behalf of the IMC, and Sir Ibrahim Rahimtoola in his minute of dissent.[37] The IMC felt that the emphasis of expansion should be to the north, to Mahim Wood, and that this would obviate the necessity of reclamation.[38] Rahimtoola raised a different objection – that of the increasing burden of taxation, particularly on the house-holding ratepayers.[39] In this he was in the long tradition of landlord dissent to high taxes dating back to the days of the excesses of Arthur Crawford. Moreover, Rahimtoola, as a merchant, could not easily be involved in bids to pass taxation on to merchants and consumers. However, there was another facet to the opposition of landlords to the Back Bay Scheme: certain of them feared that additions to the Island would tend to lower rents for office space and middle-class housing. Sir George Lloyd's irony was not particularly delicate when he claimed that "perhaps I put it mildly when I say that any action to check the rise in rents and land values [he referred to Back Bay] had not had very strong support from the local landlords".[40] Lloyd later came to regard Sir Ibrahim as the evil genius behind the landlord opposition to the scheme, and reiterated his belief that landlords opposed it for fear of a drop in land values.[41] On the other hand, the stance of at least some of the supporters of the Back Bay scheme can be explained not only by the general desire of the modern-minded businessmen of the city to enhance its prestige as a trading centre, but also by personal involvement in the development project. In 1917 two syndicates were formed with the express purpose of land reclamation and one of them, that led by Sir Shapurji Broacha, addressed the Bombay Government on the subject of the desirability of reclaiming the Back Bay.[42] In 1918 these syndicates combined into a single syndicate involving many of the leading industrialists of the city, including R.D. Tata and his contractor lieutenant, Walchand Hirachand, Broacha, Sir Lallubhai Samaldas, Sir Sassoon David, Sir Fazulbhoy Currimbhoy and Sir Vithaldas Thakersey.[43] These names are of particular significance in so far as they represent the leading millowners of the city — the very antithesis of the landlord-small merchant opposition to the scheme.[44] They were the same men who had hitherto supported government's and the BCIT's attempts to aggrandise the city.

Although much had been achieved by way of modernisation of certain sections of the city by 1918, the confusion of government as to its aims, combined with its traditional reliance on the business magnates for advice, meant that next to nothing had been done to alleviate the horrifying conditions in which most of the inhabitants of Bombay lived. The BCIT, in so far as it represented an attempt by government to break away from the landlord-dominated Corporation, only manifested the policy most suited to the magnates, a policy which meant that it concentrated on activities such as widening streets, "probably its most valuable activity",[45] and reclamation.[46] Although by 1920 it had provided 21,387 new tenements in slum areas, this had involved the demolition of 24,428 tenements;[47] and while by 1918 it had accumulated 11 per cent of the total land area of the island accommodating 9 per cent of the total population, 66 per cent of this land remained undeveloped.[48] On the other hand, by 1924-25 a large reclamation had been successfully undertaken at Colaba, 18 miles of roads had been fully drained, paved, sewered and lit and a further 29 miles of roads were in the process of being improved.[49] Although there *was* a decline in the death rate amongst tenants of the *chawls* which were built by the Trust,[50] the following assessment of its work, made in 1925, is fairly accurate:

> That body [the BCIT] has followed a cautious policy by paying attention rather to the widening and bettering of streets, and in a measure, to the improvement of the actual structure for human habitation, than to the problem of overcrowding, and the insanitation which results as a consequence of it ... the evil of overcrowding remained as acute as ever.[51]

While the government had been proceeding with its unsuccessful attempts to circumvent the Corporation, that august body had done little since 1898 to alleviate conditions in the city. Its failure to tackle the housing problem is well represented by the quinquennial figures for the heads of its expenditure between 1900 and 1915 (Table 4.1).

TABLE 4.1

Certain heads of expenditure of the Bombay Municipality for the quinquennia between 1900 and 1915, in 000s of rupees.

Head	*1900*	*1905*	*1910*	*1915*
Public Works Dept.	1,601	1,881	2,386	3,002
Public Health Dept.*	2,030	1,846	2,364	2,315
Education	111	159	293	503
Debt	2,340	2,833	3,377	3,762
Improvement Trust	474	250	780	976

* Included "Hospitals and Dispensaries", "Vaccination", "Markets and Slaughter-houses", "Pounds", "Dak Bungalows", "Veterinary" and "Registration".

Source: Shah and Bahadurji, *Constitution, Function and Finance of Indian Municipalities*, pp. 333-4, and GB, *Report on Municipal Taxation and Expenditure in the Bombay Presidency including Sind for the year 1901-2*, Form No. 3.

Of these heads, the Public Works and Public Health departments are the most pertinent, and might fairly be said to be representative of the general direction in which the Corporation was headed.[52] The increase for public health is only 14 per cent over the fifteen year period, while that for public works is 88 per cent.[53] In fact, most of the spending on public works went towards such matters as increasing the number of footpaths and building, metalling and widening roads rather than construction of public housing.[54]

This is not to say that such activities were unnecessary, but rather that, on the eve of the wartime inflation and influx of people and the attendant social disorder, there was no public body prepared to handle the enormous physical problems faced by Bombay, and that these problems were largely the result of years of empire-building on the part of government and the large business magnates, and of obstruction on the part of landlords.

*

Late in 1918 Sir George Lloyd commenced his term as Governor of Bombay. As one of his ministers remarked, "he was clear-headed and hard-working. But was, however, an imperialist and inclined to be autocratic".[55] He was also impatient, in search of a peerage, and a personal friend of the Secretary of State, E.S. Montagu.[56] He was able to use this friendship to bulldoze his massive schemes through the bureaucracy — schemes which would otherwise almost certainly have been vetoed by the Government of India.[57]

The severity of the housing situation in 1918 and the belief that it contributed to political unrest caused Lloyd to regard it as his foremost problem. Early in his governorship he wrote to Montagu that the situation was so acute that the only solution was a combination of a northward expansion to solve the housing shortage and reclamation of Back Bay to lower office rents.[58] He subsequently developed a massively imperial scheme involving middle-class housing development in Salsette, the erection of 50,000 tenements to house 200,000 — 250,000 labourers, and expansion of the business sector into the reclaimed Back Bay.[59] However, Lloyd trusted neither the BCIT nor the Corporation to undertake his scheme. Of the Corporation, he wrote:

> The Bombay Municipality may be considered one of the most enlightened in India: its addresses to the incoming Governors breathe progress in every line and had I not been a long time in the East I should have been almost moved by the generous sentiments that characterised the Municipality's interest in the poor of Bombay ... But in fact what have they done. They are responsible and unashamed for a system of housing and insanitation which would have caused the worst of Abdul Hamid's valis to blush crimson.[60]

Therefore Lloyd felt that the plans could not be left to the tender mercies of the Municipality or Improvement Trust, but must be carried out by the government itself. Moreover, the actual work was to be done by the government rather than private contractors, for, as Lloyd later put it:

> If we were to give the contract ... to British contractors there would have been a storm of nationalist protest and we should have been unable to raise the money on the market: if we were to give them to Indian contractors the schemes would have been spoilt by corruption and maladministration ...[61]

Consequently the most dignified businessmen of Bombay, the members of the 1918 syndicate, were brushed aside in favour of a specially formed department, the Bombay Development Department (BDD), under a civil servant, Sir Lawless Hepper. The department, founded in 1920, was to be funded from the proceeds of a development loan to be mounted under the catchword of "by Bombay for Bombay"[62] and from a one-rupee town duty levied on each bale of cotton which entered the city.[63]

Lloyd had, in usurping the rights of developing Bombay from its citizens, done what the government of 1898 had not been game to do when founding the BCIT. In so doing, he upset a *status quo* which had antedated even the founding of the Trust. Under this *status quo,* the magnates of Bombay had become used to controlling their city; and in any case, it was a dangerous thing to retract liberties which had once been given. Nonetheless, because his plans for the city *happened* to be basically in accord with those of the industrialists at the time he commenced them, he might well have succeeded without too much bother, despite the protests of the small merchants who resented such a change to the character of their city. The scheme, particularly the reclamation portion of it, dovetailed with the industrialists' ultimate goal for their city, and in the turbulent years between 1918 and 1920 they were as concerned to bring an end to political and social unrest, to rent inflation, and to the consequent wage-push and strikes it engendered as was Lloyd.[64] In those stormy political days the fact that they were denied contracts was just a detail, although it was to become important in quieter times. In spite of this support, however, Lloyd's scheme had the rapidly rising costs of Bombay's three spending authorities, the Corporation, the BCIT and the BDD, militating against its success. Total expenditure of the Corporation alone rose tremendously during the 1914-24 decennia (Table 4.2).

TABLE 4.2

Rise in total expenditure of the Bombay Corporation between 1914 and 1924 (1914 = 100).

Year	*Index*	*Year*	*Index*	*Year*	*Index*
1914-15	100	1918-19	136.7	1922-23	210
1915-16	100.8	1919-20	147	1923-24	232.4
1916-17	114	1920-21	162.2		
1917-18	114.5	1921-22	180.3		

Source: *S.A. for B.I.*, 1910-11 to 1919-20 and 1920-21 to 1929-30.

This rise entailed a rise in the per capita incidence of municipal taxation from Rs 12/9/8 in 1915-16 to Rs 21/13/- in 1924-25,[65] making the rate for Bombay in 1924-25 the highest of any Indian city;[66] while in that year the per capita incidence of municipal debt for Bombay stood at Rs 83, higher than that of Birmingham (Rs 79), Liverpool (Rs 74) and Tokyo (Rs 33) [67] This debt appears all the more remarkable when we consider the number of itinerant and poor people in Bombay. By 1924-25 the BCIT had spent an aggregate of 645.2 lakhs of rupees, of which 214.7 lakhs had been contributed by the municipality, and the years following 1922 saw the Trust running into an increasing deficit due to the rapid prosecution of several projects.[68] The BDD had spent, up until 1924-25, a total of 7.72 crores of rupees; the amount being made up of 4.68 crores spent on the Back Bay, 0.06 crores spent on the East Colaba reclamation and 1.19 crores spent on the housing scheme.[69] The total debt of the three above-mentioned bodies, combined with that of the Bombay Port Trust, came to an enormous 38.02 crores of rupees by 1925,[70] or nearly 280 rupees per capita.

After 1921-22 the situation was exacerbated in several ways. First, the Back Bay Reclamation, implemented at a time when capital outlay and expected returns on land sales were at a peak,[71] increasingly embarrassed government after prices and expected returns plummeted in 1921-22.[72] The situation was worsened by repeated technical blunders by government and its consultant engineer, Sir George Buchanan,[73] and by the failure of the dredge to handle the wet-fill which was to have been taken from Bombay Harbour.[74] Further, the population faced increased local taxation at a time when it could ill-afford it because of the slump. Moreover, the Meston Award, as we shall see in the following chapter, bit into the province's projected income, an income upon which the costs of the Lloyd Schemes had been calculated.

The effect of the financial crisis thus engendered was electric. The Corporation tried to wrest back the powers over expenditure taken from it by the BDD and the BCIT, and landlords, merchants and millowners all vied to thrust the burden of the new taxes necessitated by the crisis onto each other. However, these tensions surfaced at a time of profound change within the Corporation. As this change was to have a material effect on the outcome of these two struggles, we must digress to examine the movement for municipal reform as it developed after 1918.

As can be seen from Table 4.3, the Corporation prior to the reforms of 1922 was in essence a landlord-millowner-large merchant corporation and was overtly anti-nationalist. However, intense agitation for reform of the franchise for municipal voting had been going on since early in 1918. It was led, at least initially, by strange bed-fellows — the European Association[76] and the Municipal Reform Association,[75] the latter led by the nationalist and future mayor of Bombay, Joseph Baptista. By the end of 1919 these voices had been joined by a group of quasi-worker and lower-middle class South Indian associations, including the Peoples' Union, the Clerks' Union and the Tenants' Association.[77] The agitation of the Europeans is not as surprising as might appear at first glance: it was common practice for the majority of Europeans to rent their accommodation,[78] and there had always been a large number of Europeans concerned with municipal reform in Bombay.[79] Neither is the concern of the South Indians surprising. As we have seen, they were entering Bombay in large numbers at this time, were educated, and being denied a commercial outlet, they moved into the lower-paid clerical positions. There on a salary of Rs 40 or so per month they had little chance of ever becoming house owners and achieving the franchise, in spite of their education. At this stage, the Maharashtrian labourers had not yet begun to interest themselves deeply in municipal reform, though they and the south Indians were eventually to replace the Gujaratis and Parsis as the dominating influence in local government.

TABLE 4.3

Profession and "party" of the Bombay Corporation prior to the elections of 1919.

Profession (ex-Europeans – mill-owners category overrides)		*Landlords or not (ex-Europeans)*		*Nationalist or not (inc. Europeans)*	
Doctor	11	Landlord	17	Nationalist	4
Lawyer	11	Not landlord	24	Non-nationalists	68
Small merchant	6	N.A.	19		
Large merchant	7				
Millowner	15				
Landlord (by profession)	3				
Other	2				
N.A.	5				
TOTAL	60		60		72

Source: Compiled from various sources by the author.[80]

This agitation, combined with the liberalising effect of the 1919 Government of India Act, meant that some degree of reform was inevitable. The debate therefore centred the nature of reform, and in particular the extent of the franchise. The Municipal Reform Association wanted a wholly elected corporation to avoid the situation where the nominated members were servile instruments of the Municipal Commissioner; it wanted a qualifying rent (compared with a house tax) of Rs 5 (or enfranchisement of 20 per cent of the population); and it wanted a wholly elected Standing Committee.[81] This, or a more radical approach, was largely

position adopted by the lower middle-class and labourers' ociations. Broadly, it was supported by the official members of the Bombay Government. Lloyd in particular was ustrated by the Corporation, and early in 1919 he reported t *"Urbs prima in India"* is a disgrace, its municipality a isp of landlords" and that he was urging a wide extension of the franchise. But, he warned, "a standup fight ... must take place with vested interests here on this question".[82] Lloyd also received the support of some of his officials. The Judicial Department, for instance, doubted that a Rs 10 franchise would be sufficiently low to check the power of the landlords and stated that

> It is owing to their [the landlords'] neglect of their duties, and to their oppression of the poor, that it has been necessary to create, first, the Bombay Improvement Trust, and now the Development Directorate.[83]

For its part, the pre-reform Corporation refused to be a party to its own sacrifice. Although it entirely approved of government's reform scheme[84] in the first instance,[85] the sub-committee appointed by it to examine this scheme agreed to the increase in numbers and to the size of the nominated element, but stipulated a franchise of Rs 20 and an electoral college system whereby voters were to be divided into two sections – those paying rents and those paying taxes – each of which would elect half of the elected members.[86] However, it is of interest to note that some of the more progressive of the millowners, led by H.P. Mody, challenged the stance of the landlords in minutes of dissent. Although for Mody adequate provision for the control of landlords was a long-established matter of principle,[87] some of the millowners were presumably concerned with the high rents being paid by their labourers. In his dissenting minute, Mody rightly claimed that the recommendations of the sub-committee neutralised the proposed reforms and penalised the majority of citizens, who were rent-payers, in favour of the minority, who were rate-payers. The divisions within the Franchise Sub-Committee[88] are worthy of attention in detail in so far as they say something about attitudes within the Corporation at a time when there were no defined political parties (Table 4.4). Of the five millowners, three presented minutes which dissented from the regressive stance taken by the Sub-Committee; while the two who did not were both substantial landlords. On the other hand, of the nine known landlords who sat on the Sub-Committee, only one dissented from its findings while eight supported these findings.

TABLE 4.4

Attitudes towards Municipal reform of certain members of the Bombay Corporation (pre-1923 elections) according to profession and attitude on nationalist issues.

Those who gave a minute of dissent challenging the vote of the majority.		*Those who gave a minute of dissent which did not oppose the majority decision, or who gave no minute.*	
Hooseinbhoy A. Rahimtoola	Lm.	Cowasji Jehangir	M, L.
H.P. Mody	P, M.	Gulabchand Devchand	N, Lm, L.
Dr Jehangir Cursetji	P, L.	J.B. Petit	N, M, L.
Mirza Ali Mirza Khan	P.	M.R. Jayaker	N, P.
Meyer Nissim	M.	Dr Sukhia	N, P, L.
N.M. Joshi	P.	P.J. Marzban, P (editor) N (in 1919, but later not)	
Phiroze Sethna	M.	A.E. Fazla	N, L.
B.N. Motiwalla	M.	Abdul S.A. Gaya	P, L.
		H. Gidney (European)	
		Byramjee Jeejeebhoy	Lm, L.
		K.E. Dadachanji	P, L.
		Md. Ismail Curtay (clerk)	
		Morarji Kamdar	N, P.

Key: N = Nationalist (in 1919)
P = Professional
Lm = Large merchant
L = Landlord
M = Millowner

Source: Report of the Franchise Sub-Committee, BMC Proceedings, 1919, I B, pp. 1286-7, App. B.

While the size of the sample used is not great enough to establish conclusively that millowners as a group favoured an end to landlordism in the Corporation by means of its reform, this may safely be assumed when the above evidence is used in conjunction with the voting record of millowners

with regard to the implementation of rent controls. For instance, the Corporation s Committee on High Prices and House Rents[89] recommended that rent controls should be implemented, but should only apply to rents below Rs 50 per month. Although H.P. Mody wished to amend this recommendation so that the controls would embrace rents of above Rs 50, or middle-class rents,[90] it so happened that most of the Corporation landlords, particularly the capital-rich ones who formed the most vociferous of the landlord wing, rented to middle-class tenants. Therefore, the Rs 50 ceiling was quite acceptable to the landlords of the Prices Committee. They combined with those millowners who were only concerned to control those rents which would affect labourers, and so the Rs 50 ceiling was adopted. When a poll was taken on Mody's amendment the millowners divided fairly evenly: H.P. Mody, J.A. Wadia and Meyer Nissim supported the amendment and C.V. Mehta, Sir Cowasji Jehangir and Sir D.M. Petit opposed it.[91] A few landlords, notably the Parsi and then nationalist, Dr Sukhia, violently dissented from the findings of the Committee. Interestingly, Dr Sukhia's attack was directed at the government (on the grounds that it was exporting food) and at the millowners. The latter he accused of being silent about the very heavy prices for cloth actually manufactured in the City. "This very fact of the reticence with regard to the great profiteering in cloth business", he went on, "evidently shows that the Corporation is not a property holder [Corporation] but really a Millowner Corporation" [92] When the findings of the Prices Committee came up for consideration before the Corporation, the millowners, although they were not concerned with rents above Rs 50, felt that rents below this figure should not be allowed to rise above 5 per cent, rather than the 10 per cent ceiling envisaged by the Committee. This amendment of the millowner and merchant, C.V. Mehta, was carried, 18 votes to 6, by a combination of the millowners and the landlords who leased to the middle-classes.[93]

With regard to the Franchise Sub-Committee it is also of interest to note that of the eight nationalists represented, not one attacked the regressive findings of the Sub-Committee in a meaningful manner. Of course, this evidence must be approached with some caution, particularly with regard to the definition of "nationalist" Most of the members of the Sub-Committee might be termed "nationalist" within varying degrees in 1919. But the term is used here in its narrowest sense — that of followers of the Congress or one of the two Home Rule leagues with regard to subsequent Corporation voting records,[94] and those who were supported by, or supported those who were known Home Rulers and Congressmen during Corporation elections.[95] Where possible these two determinants are taken in conjunction. Also some members, such as J.B. Petit and M.R. Jayaker, were well-known as nationalists at this time, although their position may have undergone moderation at a later date.

In its regressive stance, the landlord faction of the Corporation received the support of the Member of the Governor's Council in charge of the General Department, Sir Ibrahim Rahimtoola. But as we have seen Rahimtoola was a corporation and one of Bombay's largest landlords, and so this was hardly surprising. However, as a Member of Government his opposition had to be somewhat circumspect in comparison with that of the most rabid of the Corporation landlords. Therefore, with regard to the question of reform, Sir Ibrahim tended to emphasise the effect of the lower franchise upon the loyalty of the Corporation towards the government rather than on the landlord element of the Corporation. Thus his overriding concern was to find the effects of various franchise levels on the communal makeup of the Corporation, and in particular upon the loyal Parsi and Muslim communities. For in terms of the total population of the city these communities were heavily over-represented on the Corporation (Table 4.5).

TABLE 4.5

Pre-Reform Corporation, Community by percentage

Pre-Reform Corporation		*Bombay City*	
Hindus (+ Jains)	31.5 %	Hindus (+ Jains)	73.2 %
Muslims	20.0 %	Muslims	15.7 %
Parsis	29.0 %	Parsis	4.5 %
Europeans	15.6 %	Europeans & others	6.6 %
Other	3.9 %		
TOTAL	100 %	TOTAL	100 %

Source: Corporation: calculations of the author; Bombay City: *Census of India, 1931*, IX, p. 12.

In view of this situation Sir Ibrahim commandeered Rs 10 lakhs from amounts which were to have been set aside as grants to local bodies in order to implement a study of the question.[96] However, it was found that there was not sufficient information available to determine the figures for enfranchisement by community for a Rs 10 (rent) franchise, and so Sir Ibrahim suggested that a franchise of Rs 10, which was in fact that desired by the officials in the government, be avoided unless such figures could be found.[97] On the other hand, it was thought that a franchise of Rs 20 (rent) would cause very little alteration to the *status quo*.[98] Sir Ibrahim acted on this information and recommended Rs 20 as the franchise or, as an alternative, a Rs 10 franchise in conjunction with the electoral college system recommended by the Corporation.[99] Subsequently he withdrew his support of the electoral college system in favour of a simple Rs 20 (rent) franchise.[100] Soon after this, however, the relationship between Sir George Lloyd and Sir Ibrahim, previously one of dependence of the former on the latter, soured. From a close contact with "Ibrahim",[101] one of his "best council members",[102] Lloyd moved to a position whereby he was "in constant friction with Sir Ibrahim over the housing scheme". In October 1919 he wrote to Montagu that

> As you know, he [Rahimtoola] is very much interested in landed property himself in Bombay, and has always been the leader of the reactionary landlord's party in the Municipality. We were three to one against him on every point in my Council.[103]

Consequently, by 1921, the General Department, no longer under Rahimtoola's control, began to advocate a Rs 10 (rent) franchise in accordance with official government thinking.[104] Indeed, government was by this time having doubts as to the effectiveness of a Rs 10 franchise so far as checking the Corporation landlords was concerned.[105] In the end, Bombay Act IV of 1922, which established the new Corporation, fixed the franchise at Rs 10 and the total number of corporators at 106, 80 elected by the ratepayers, the chambers of commerce and the University, 16 nominated by the government, and 10 co-opted.

From the historical point of view, the jockeying which preceded the 1922 Act proves to be as interesting as the outcome of the elections consequent upon the Act. Even if the groupings within the Corporation appeared somewhat shadowy at this stage, nonetheless it is apparent that there *were* definite groupings; that the landlords were by no means in alliance with the millowners; that the millowners were by no means averse to reform of the Corporation provided that such reform implied the end of the landlord-corporation; and that the landlords, perhaps out of bitterness against government due to the latter's intervention in the housing market, tended to throw in their lot with the nationalists.[106] To an extent these facts elaborate the accepted view of Corporation politics during this time, a view which amalgamates millowners, merchants and landlords and places them in a position to the popular party, the Municipal Nationalist Party.

Sir Ibrahim Rahimtoola's fears concerning the effects of the Rs 10 (rent) franchise on the communal make-up of the electoral roll proved to be well-founded. Prior to the Act of 1922 there had been 14,500 voters comprising 1,106 Europeans, 448 Anglo-Indians and Christians, 6,437 Hindus, 3,112 Parsis and 3,346 Muslims. The post-reform electoral roll included 2,976 Europeans, 3,889 Anglo-Indians and Christians, 41,550 Hindus, 9,702 Parsis, 12,678 Muslims and approximately 5,000 companies.[107] However, somewhat surprisingly, this change was not entirely reflected in the results of the 1923 municipal elections. Table 4.6 gives an approximate ratio of Hindu:Muslim and Hindu:Parsi electors compared with the same ratios for councillors in the pre- and post-reform electoral rolls and corporation.[108]

TABLE 4.6

Hindu:Muslim and Hindu:Parsi electors compared with Hindu:Muslim and Hindu:Parsi Councillors in the pre- and post-reform Corporations.

Electorate		*Corporation*	
Pre- 1922 Reforms	2 Hindus : 1 Parsi	Pre- 1923 Elections	3 : 2
	2 Hindus : 1 Muslim		3 : 2
Post-1922 Reforms	4 Hindus : 1 Parsi	Post-1923 Elections	2 : 1
	3 Hindus : 1 Muslim		2 : 1

Source: Compiled by the author.

In other words, either communal voting patterns were not as significant as the fuss over the Reforms might have suggested, or the Hindu, and to an extent the Muslim, communities were suffering from some sort of drag effect.

A second, more expected result of the Reforms was a surge of nationalists into the Corporation. The Nationalist Party captured 35 seats, and another 3 members joined the party after the election. In addition, there were some 9 sympathisers.[109] However, these 47 members and sympathisers were never sufficient to capture the Corporation and, except on one or two specific issues,[110] the loyalists, government appointees and members of Homy Mody's Progressive Party dominated the municipality. In fact, V.J. Patel, as leader of the Municipal Nationalist Party, lost the 1923 mayoral elections to Mody by three votes.[111] Yet the Progressive Party itself was by no means a homogenous group with regard to the interests of its members, comprising as it did professionals, landlords, and large merchants as well as millowners. Thus, with regard to the crucial question — which group within the city was destined to bear the brunt of the burden of the rising taxation — the interests of the new members of the Corporation, who were largely nationalists, was to prove very important. If, as its adoption of the Rs 10 franchise suggests, government was really as concerned with the landlord problem as with a potential nationalist upsurge, then it was to be disappointed on both counts; for just as they had been prior to the 1923 elections, the nationalists were still dependent upon the support of a number of landlords. This support consisted mainly of a compact between professional and merchant landlords such as Dr Motiram Velkar, Dr Jethalal Vora, B.G. Parelkar (merchant), L.R. Tairsee (merchant), Velji Lakhamsi (merchant), Mia M. Chotani (merchant), Shivdas Chapsi Thakkar, Punjabi Thakersey (merchant), Mahamadally Allabux (merchant) and Ramchandra Bhat (merchant).[112] At the time of the 1926 Municipal elections, these men gave each other mutual support with regard to nominations and secondings,[113] and with these elections Lalji Naranji (millowner and merchant), Narandas Purshotam (merchant) and Vithaldas Govindji (merchant) were added to their numbers. Thus, whatever might be said of the Municipal Nationalist Party, it certainly cannot be claimed that it was an anti-landlord party. On the other hand, it might also be termed the party of the traditional Hindu merchants (as distinct from the magnates of the establishment) who had hitherto been denied a voice in the affairs of the city. While very few of these merchants sat in the pre-reform Corporation[114] a significant number were borne into the Corporation on the shoulders of the Nationalist Party at the time of the 1923 and 1926 elections. True, the petty traders and shopkeepers were not present, but the leaders of their trade associations, men such as Velji Lakhamsi Napoo, Givraj G. Nensey and Mathuradas Tricamji, grain and cloth dealers who had come to the fore as non-cooperators, did give them some representation. Of the 35 incoming nationalists at the time of the 1923 elections at least 16 can be described as leaders of the smaller merchants, and their presence in the MNP, along with that of the nationalist landlords, was to put the stance of the party in the balance in the ensuing struggle over which group was to pay the new taxes.

This conflict concerned four possible sources of revenue, each of which was damaging to a specific group within the city. These were: rates on industrial land and water taxes, which were damaging to the millowners; house rates, which were damaging to landlords; the refundable town duty, which was damaging to millowners and their cotton suppliers; and the non-refundable town duty, which was damaging to merchants, the general public and, in certain forms, to the millowners.

Prior to the slump of 1922 several of these heads had been enhanced without undue stress. For instance, in 1918-19 the mill assessment was enhanced by 50 per cent, an enhancement which was accepted by the majority of millowners at the time.[115] Yet by 1924 N.N. Wadia was complaining that "even the municipal taxes have become a tremendous burden, a burden which in the difficult times we are passing through is much too heavy for us to bear".[116] In addition to the one rupee town duty on each bale of cotton, the millowners had faced increases in local taxation by 1925-26 (Table 4.7). The sharpest increases occurred between the years 1921 and 1924, and were largely due to increases in rateable value rather than actual taxation increases. The main complaint of the millowners, therefore, was that rateable value had failed to fall in accordance with the slump in land values and returns. Buildings built at the height of the boom were still being assessed on the basis of boom-time costs and, indeed, faced a 25 per cent enhancement on that cost.[117] However, in spite of these complaints, and in view of the enormous area of the city occupied by the mills, the percentage of taxation to the total borne by the mills was not

TABLE 4.7

Gross Municipal taxes on mills in Bombay, 1914-15 to 1925-26 (in Rs).

Year	*General Tax*	*Halalkore*	*Water Tax*	*Total*
1914-15	@ $9\frac{7}{8}$% = 332,452	@ 3% = 102,539	@ 8a. = 307,826	742,818
1918-19	" = 555,472	" = 168,763	" = 472,671	1,196,907
1921-22	" = 599,543	" = 182,145	" = 501,932	1,283,623
1922-23	@ $11\frac{1}{2}$% = 732,967	" = 191,198	@ 12a. = 696,680	1,620,846
1923-24	" = 953,287	" = 248,678	" = 865,881	2,067,848
1924-25	" = 962,886	" = 252,138	" = 761,856	1,976,881
1925-26	" not known	" not known	@ 16a. = 253,952	2,230,833

Source: Rutnagur, *Bombay Industries: The Cotton Mills*, p. 351.

TABLE 4.8

Sources of revenue of the Bombay Municipality (in Rs), 1925-26.

Land Tax		*Other*	
House tax	8,925,035	Town duty	1,700,000
Tax on Gov't land	320,820	Cotton duty	1,600,000
Port Trust	910,098	Water (total)	3,202,000
Improvement Trust	242,670	Water (mills)	253,952
Mills	712,626		
		Mills total	2,230,833
TOTAL LAND TAX	11,111,249	GROSS REVENUE	34,096,950

Source: Shah and Bahadurji, *Constitution, Functions and Finance of Indian Municipalities*, pp. 377, 411 and Rutnagur, *Bombay Industries: The Cotton Mills*, p. 351.

In other words, in spite of the enormous economic significance of the mills to Bombay they only paid 6.5 per cent of the total municipal revenue.

Nor was the percentage of the gross revenue paid by the house owners excessive considering the extremely high rent levels which had always existed in Bombay. In 1925-26 house rates brought in Rs 8,925,035,[118] or approximately 25 per cent of the gross revenue. Growth of house rates was dependent upon a combination of two variables: rateable value and the percentage of this value at which the tax was levied. For the three quinquennia between 1901 and 1915-16 the gross rateable value of all land in Bombay rose (on average) between 4 and 6 per cent a year.[119] However, the average percentage increase between 1918-19 and 1922-23 (inclusive) was much higher -- 18 per cent.[120] Although the increase in takings from landlords during the boom years may have *seemed* dramatic, in fact the increase of gross rateable value did not keep pace with the gross municipal revenue increase. Nor did the enhancement in 1921 of the rate of levy of the property tax (from 9.88 to 11.5 per cent) make good the deficiency (Table 4.9).

During the post-war boom price-rise, the landlords had thus come to pay a smaller share of the gross municipal revenue than they had done previously.

This deficiency was presumably made good by the introduction in 1917-18 of a refundable town duty on liquor, sugar and sugar products, grain and flour, *ghee*, timber and railway sleepers, and firewood. In effect, this tax was a consumption tax on the Bombay public, in so far as the amount levied was returned to the merchant if the article upon which it was levied left the town unconsumed. As such, it was a tax upon consumers and the smaller merchants who supplied them rather than upon the millowners or the large merchants involved in the through trade, and its introduction was a result of the landlord-millowner bias of the pre-reform Corporation. In 1925-26 the tax grossed approximately Rs 33 lakhs and netted approximately Rs 16 lakhs, or 5 per cent of the total net revenue.[121] In 1921 the Corporation was faced with a 17 per cent revision of the property tax[122] to defray the expenses of the introduction of universal education[123] and the growth of costs due to the boom. It was at this stage decided that property owners could not meet this increase, and that the deficit should be

met by converting the refundable town duty into a non-refundable terminal tax (hereafter, terminal tax).[124] In fact, this tax was regarded by the Corporation as an attempt to shift the burden of taxation from Bombay onto the Indian public, and, it was argued, "the selection of articles should be made so as to reach not only the local consumer but also the general tax payer".[125]

TABLE 4.9

Increase in gross municipal revenue compared with increase in gross property valuation and gross property valuation adjusted to the rate of levy for the quinquennia between 1900-01 and 1915-16, the triennia to 1918-19, and thence annually till 1922-23 (1900-01 = 100)

Year	*Gross Revenue*	*Gross Valuation*	*Gross Val. @ rate of levy*
1900-01	100	100	100
1905-06	108	120	120
1910-11	145	152	154
1915-16	165	171	173
1918-19	207	200	202
1919-20	218	213	216
1920-21	240	232	235
1921-22	275	248	259
1922-23	318	271	283

Sources: Shah and Bahadurji, *Constitution, Functions and Finance of Indian Municipalities*, p. 149; *Proceedings of the Bombay Municipal Corporation, 1917-18*, XLI, p. 1667; and various other sources.

At this stage, while the post-war boom was still in progress, the attempt to shift the burden of taxation was approved in principle by the millowners and the large European business houses as represented by the Bombay Chamber of Commerce.[126] The Grain Merchants' Association also agreed to the change, although for them the proposed duty would mean a lightening of taxation because they were already subject to a heavy town duty.[127] The IMC, representing as it did both small and large traders, disapproved of both the town duty and the terminal tax.[128] However, by 1923 two factors had become apparent to the larger merchants and millowners, both of which militated against their continuing approval of the introduction of a terminal tax. First, the schedule of articles to be taxed, which was drawn up by the Sources of Income Committee of the reformed Corporation, was very different from the old town duty schedule, which had fallen most heavily on the small merchants. It comprised *inter alia* coal, fuel oil, petrol, dyes, cement, gunnies and other essential mill stores.[129] Therefore it represented not so much a shift in taxation from the Bombay public onto the Indian public as a shift from small merchants onto millowners. Consequently it proved to be a severe shock to the millowners, who feared that they would face an additional taxation burden of Rs 8 lakhs.[130] H.P. Mody doubted that it could be the intention of the Corporation to "antagonise important commercial and industrial interests", and went on to point out that the move would be damaging to industry and that representations of the BMA and IMC had been "absolutely ignored".[131] Whether the Sources of Income Committee had intentionally antagonised these "important interests" or not, the Committee was definitely weighted in favour of the landlords and against the millowners. Of the sixteen members of the Committee only Sir Dinshaw Petit and Meyer Nissim were millowners, and Petit was also a large landlord. However, at least four members were large landlords, while four were large merchants. Only two represented the small Hindu merchants who had entered the Corporation on the post-reform nationalist wave. There were also six known nationalists, who might fairly be said to be anti-millowner.[132] A second factor in the change of policy of the millowners and large exporting and importing merchants towards the substitution of a terminal tax for the town duty was the growing fear of the diversion of trade and industry away from Bombay to other centres. This fear arose because of the failure of the city to adjust costs to the new conditions at the end of the post-war boom.[133] It was argued that the cost of Bombay as a port compared unfavourably with the Kathiawar ports and with Karachi in particular, and that the terminal tax would add considerably to this cost. Moreover, it was claimed that the situation would be made worse: the Port Trust would be forced to increase its charges to recover revenue, and the new tax would thereby result in a loss of trade.[134]

These very real fears, combined with the anti-millowner bias of the schedule, meant that the attempt to substitute a terminal tax for the town duty met with stiff opposition from merchants, both large and small, and from millowners. In the case of the town duty, it had suited the large merchants and millowners to support the landlords; however, the anti-terminal tax campaign presents a rare case of a concerted effort on the part of all sections of business. Not only did the BMA, BCC and IMC voice their anger at the proposed tax, but associations such as those representing small shippers, commission agents and *shroffs* also protested loudly.[135] The merchants, naturally enough, emphasised their fears at the prospect of diverted trade, and feeling was such that Indian and European merchants sent a combined petition to the Government of Bombay on the subject.[136] They were joined by such august bodies as the Port Trust and the railway companies.[137] The millowners and their suppliers, however, complained not so much about loss of trade as the fact that the articles to be taxed appeared to be unduly discriminatory against millowners. Such a policy of discriminatory taxation, they argued, was bound to bring ruin to the city.[138]

However, this facade of unity was short-lived. By 1925 the millowners and their allies who dominated the Committee of the IMC were trying a different tack, that of moving the tax from commodities in which they dealt — commodities of industrial usage — onto commodities which appeared in the original schedule of the town duty — those consumed directly by the public and traded in by small merchants. Provided such a shift could be made they were now prepared to accept the tax in principle.[139] By the end of 1926 the schedule for the proposed terminal tax had in fact been shifted back to that of the old town duty, and almost all mill stores had been removed from it.[140] Therefore the Corporation received the assent of BMA and IMC to the implementation of the tax. Soon after, taxes on mill stores were totally abolished.[141]

This victory of the millowners was not won without a hard fight with the merchants. During the debate in the Corporation, Ishwardas Laxmidas, a nationalist and merchant, amended the schedule to move the burden from merchants back onto the millowners. But another nationalist, Mathuradas Tricamji, moved a second amendment which accepted the schedule under discussion — that favourable to the millowners — provided that the rates mentioned be maximum, and that the Corporation should have the power to re-draw the schedule as it saw fit. This amendment was supported by the nationalist, K.F. Nariman, because it allowed the Corporation to discriminate against Empire goods at a future date.[142] Presumably the landlords too supported the terminal tax, the only alternative to it being to raise the required Rs 30 lakhs from property taxes. For its part, the BCC opposed the tax on the grounds that it would divert trade.[143] In fact, the tax would affect its members' lucrative through-trade, and the amendment tabled by Tricamji could place in danger the Empire trade on which they fed. This debate, then, presents a clear example of collusion between nationalists, millowners, and landlords against merchants and consumers.

After the elections of 1926 the millowners no longer had to rely on such strange bedfellows, for during the campaign which preceded these elections an overtly communal element was introduced into municipal politics for the first time.[144] This meant that the MNP in particular suffered because of the unorthodox nature of the Gandhian philosophy, and the Bhatia nationalist member of the Corporation, L.R. Tairsee, found himself in the centre of a campaign mounted against him by orthodox Bhatias.[145] The debilitating effect of this squabble was enhanced by a further split in the ranks of the MNP, in this case between landlords and their supporters and anti-landlord members. To an extent this split was the reflection of a contemporary split in the ranks of the Bombay City Congress Committee concerning the question of leadership, the contestants being K.F. Nariman and Jamnadas Mehta. In the case of the MNP, the anti-landlord wing, which was extremely small, was led by Jamnadas Mehta, who had initiated the demand for an enhancement of the property tax from 11.5 per cent to 13 per cent. However, on one occasion his support for this move was so narrow that a motion proposed by him was not even seconded.[146] The seceders called themselves the Independent Nationalists and, perhaps significantly in terms of his support for small merchants, Bhulabhai Desai also gave the dissidents his support.[147] Partly as a result of these divisions, the ranks of the party in the Corporation were cut to 30 members in the 1926 elections, while the Progressive Party retained its 40 odd members.[148] Moreover, provided that taxation was not unduly levied on the landlords, the Progressive Party could count on the support of a fringe group of about 10 corporators under the leadership of Sir Dinshaw Petit. This group,

although professing to be slightly to the centre of the Progressive Party, voted with the latter fairly consistently.[149] Together, they and the Progressives could easily outvote any nationalist-small merchant alliance which might be mounted against the millowners and large merchants.

Unlike the old town duty, the terminal tax, as proposed by the post-1926 Corporation, would affect exporters, both Indian and European. Therefore the European-dominated bodies, the BCC, Port Trust, railway companies and even the powerful Calcutta-based Associated Chamber of Commerce and Industry, along with Indian exporters, commission agents and the *shroffs* who financed them, continued to fight against the tax. However, this time they appealed directly to the Bombay Government rather than to the Corporation, and the BMA and IMC were notably absent from their appeals.[150] In appealing directly to the Bombay Government, the exporters brought a difficult problem to its doorstep: the government, while committed both to the costly reforms which had necessitated the new taxation and to maximum freedom for institutions of local self-government, would be opposing its friends and supporters, the European exporters, if it supported the tax. Furthermore there did exist the real problem of diversion of trade from Bombay Port, as well as the fact that the proposed tax conflicted with the all-India tariff. These conflicting pulls found expression in a division within government itself. The General Department, as might be expected of a department transferred to an elected minister under the 1919 Reforms, supported the Corporation.[151] The Finance Department, which was by contrast a non-transferred department, was more committed to the "important sections" opposing the tax in its latest form,[152] and was also opposed to octroi taxes in principle. It suggested that the deficit in the revenues should have been filled by a tax on trades and professions,[153] a dangerous suggestion when it is considered that the Corporation was as much a corporation of professionals as of landlords.[154] Ultimately, the non-transferred section of the government prevailed, to the disgust of the IMC, which was not consulted and which by now held "strong views in favour of the terminal tax and against the continuation of the present town duties".[155] The Corporation was refused permission to convert the town duty to a terminal tax.[156]

The struggle to introduce a terminal tax illustrates the type of conflict which characterised local politics in

Bombay. In spite of a moderate degree of party grouping, interest-groups were still all-important. The introduction of the nationalists as a powerful force in the Corporation after 1923 meant that they and the landlords could successfully combine to produce an anti-millowner tax. However, by 1925 the millowners and nationalists were prepared to compromise against the common enemy of foreign goods, and to direct the tax against exporters and importers. Soon after, the position of the millowners was consolidated with a weakening of the MNP in the Corporation. However, the European interests and exporter-importers were able to use the desire of government to protect British commercial interests to defeat the tax in its new form.

A more straightforward example of the struggles over sources of revenue can be found in the 1923 attempt of the Corporation to enhance the rents of the Crawford Market stalls. Leases for the municipality's stalls at the Crawford Market were sold by auction, and, it was alleged by the stallholders, this meant that the rents were raised in excess of the ceiling allowable under the Rent Act.[157] The nationalists, L.R. Tairsee and Ranchhodas H. Gandhi, took up the question in the Corporation on behalf of the stallholders,[158] and in 1925 a large meeting of stallholders was held under the auspices of the MNP upon their failure to achieve results.[159] Although V.J. Patel presided over this meeting, Jamnadas Mehta appears to have been its leading light, and he was present along with another member of the MNP associated with rent control, S.H. Jabwalla.[160] Eventually, these anti-landlord members of the party were reprimanded by Husseinbhoy Laljee and L.R. Tairsee at a Corporation meeting. Mehta's proposition about the stalls was eventually lost, he being the only member of the MNP to vote for it.[161] The incident is a small one, but it illustrates the willingness of the MNP to compromise within the precincts of the Corporation.

Other groups within the city, groups hitherto denied a voice in municipal affairs because of the franchise, such as Maharashtrian labourers, South Indians, and non-Brahmins, were themselves by this time well aware of the limits of the MNP with regard to their interests. The Maharashtrian non-Brahmins, in particular, who comprised over 60 per cent of the population and who had only two representatives in the Corporation after 1923, felt cheated by the Reforms. Rao Saheb R.V. Vandekar, a leader of the Peoples' Union,

complained in 1925 that the Corporation was dominated by powerful "monied interests." He continued:

> It need not be gainsaid that our "so-called democratic Corporation" composed of Patel, Jamnadas, Nariman and Co. and backed up by the so-called leaders of the Progressive Party – representing less than half the population of the city – will not dream of championing ... the voiceless masses.[162]

He added that while voting for the Corporation was generally communal, workers, because of their economic position, had to vote for their employers or creditors.[163] There was much truth in this accusation.[164] When in the mid-1920s the Maharashtrians realised that the MNP, as well as being representative of the Gujarati middle-classes in terms of personnel, was also representative of them as an interest-group, they began to protest vehemently against the Rs 10 franchise. Appeals were made to government for a lower franchise, pointing out the loyalty of the Maharashtrian community in contrast to the nationalists, and pleading that government nominate more members of the working-class and Maharashtrian community to the Corporation.[165] In a sense it is true to say that the Maharashtrian separatist movement of the late 1950s can be found in embryo in this upsurge of the mid-1920s.

Besides intensifying the conflict between different groups over who was to pay for the increased revenue needs of the Corporation, the financial embarrassment of the Corporation also intensified its desire to wrest the BCIT, the BDD and the power to appoint the Municipal Commissioner from government so that costs might be reduced. Another area of conflict developed over the amount and type of municipal spending.

With regard to the latter of these conflicts the East-West Road scheme presented a useful focal point for the attacks of the MNP on the policy of aggrandising Bombay at the expense of the life-style of the merchants and the pockets of the landlords.[166] Projects such as the East-West Road were costly, and therefore a related plank in the MNP platform was retrenchment. During the 1923 budget session the party had failed in an attempt to block individual budgetary items.[167] Soon after, Bhulabhai Desai moved that a retrenchment committee be appointed to see if certain development schemes, and those involving compulsory acquisition of land for roads in particular, could not be dropped.[168] When it made its report, this Committee called for "drastic reductions,"[169] but split over the crucial question — who was to decide in which area the cuts were to be. The nationalists on the Committee wanted an "outside" expert to make the retrenchments[170] while the Progressives wanted the Progressive sympathiser, R.P. Masani.[171] Again, during the 1924-25 budget debate the nationalists Ranchhodas H. Gandhi and Mohanlal Desai, both landlords and merchants, demanded Rs 30 lakhs worth of cuts, and V.J. Patel supported them. At the same time, Gandhi and Desai tried to get the property tax decreased by 1.5 per cent to 10 per cent,[172] which suggests ill of their motives for seeking retrenchment in the first place. The nationalists then put forward their own alternative budget, which called for drastic reductions under the public health head as well as substantial across-the-board reductions in other items.[173]

There was general agreement that retrenchments should be made, but disagreement as to the correct direction. The nationalists used the general desire for retrenchment to give vent to the popular discontent with the *Urbs Prima in Indis* policy, pursued for so long by the magnates of the Corporation and the government.

There was much discontent at the manner of government spending. In fact, most of the large municipal contracts were awarded to friends of government, Europeans and Muslim firms.[174] Awards of contracts and, to an extent, the nature of the Budget, were determined by the Municipal Commissioner, a government appointee. Therefore as well as desiring to control government spending departments, the Corporation also desired to be given the right of appointing its own Commissioner. Demands to transfer the BCIT to the Corporation were first made in 1917 by Sir Ibrahim Rahimtoola on the ground that its work was entirely a local self-government matter, and that in any case the Trust was originally intended to be a temporary body. On this occasion Rahimtoola received overwhelming support from the Corporation.[175] This move by the Corporation was the culmination of a growing hostility on the part of landlords and merchants, but particularly landlords, to the Trust. The Trust came under criticism partly because of its limited achievements in the field of housing but mainly because the municipality, though

it contributed financially towards the Trust, had no say in its running. The Corporation further complained that "no provision had been made for any contribution from trade towards the improvement of this principal port of the presidency".[176] A further area of discontent against the Trust, particularly amongst landlords and developers, must have been the fact that it controlled 19 per cent of the land of Bombay Island.

For a long while, up until the transfer of the Trust to the Corporation by stages in 1926 and 1933 as a result of the financial strain caused by the Trust, the Government of Bombay resisted the transfer.[177] It believed that the Corporation was still essentially a landlords' corporation in spite of the municipal reforms of 1922, and that therefore handing the Trust over to such a body would be tantamount to giving the lamb up for slaughter.[178] Government also strongly resisted attempts made by certain elements in the Corporation, particularly the nationalists, to obtain for the Corporation the power of appointing the Municipal Commissioner. However, in this instance, due to the support of those loyalists who stood to gain by the continuation of the *status quo*, government had more success. In 1925, after "years of struggle" on the part of the Corporation towards this end, the Swaraj Party challenged the Government in the Bombay Legislative Council on the issue, but was heavily defeated.[179]

Of the battles for control of the government spending departments, that over the BDD was the most fierce and long-fought. The most prominent engagement of this battle was fought over the reclamation of the Back Bay. To an extent, the Back Bay issue became a rallying point for all the discontent felt over the Bombay Government's "usurpation" of the functions of the Corporation. When looked at through the pages of the popular press, the battle appears to be the concern of the whole of Bombay City rather than the specific concern of the Corporation. Indeed, it was actually fought out in the courts of law and in the Bombay Legislative Council rather than in the Corporation. However, strictly speaking, the matter should be regarded as the primary concern of the Corporation: it was due to the intransigence of the Corporation landlords that the Development Department was set up in the first place and it was these same landlords who, according to Sir George Lloyd, were in the vanguard of the attack on the department.[180]

We have seen that criticism of the Back Bay scheme became intense after the financial havoc created by the post-war slump. Prior to this, as early as 1921, landlords and small merchants had been critical of the scheme,[181] but they had been in a minority and had not been present in sufficient numbers to block the scheme in the Bombay Legislative Council, where it received the full support of the commercial and industrial magnates.[182] In the case of the merchants (and here it should be noted that many of those merchants concerned about Back Bay in the early stages were also landlords), the criticism of the scheme was of the same nature as that of the East-West Road scheme: it was regarded as a threat to their way of life. Although nationalist merchants were involved at this stage, it was not until 1924 that the nationalist leaders and commercial magnates became actively involved in criticism of the Back Bay scheme and the Development Department in general. When they did, moreover, it was for ostensibly different reasons than the reasons for the involvement of the small merchants.

K.F. Nariman is the man most closely associated with the criticism of the Back Bay scheme. He tenaciously pursued the Bombay Government over the issue from 1924 onwards, both in the Corporation and in the Legislative Council.[183] There is evidence to suggest that he was prompted to the move by the petitions of disappointed contractors,[184] and the business partner of Tatas, Walchand Hirachand, was one such contractor who approached him in 1925.[185] Hirachand also expressed his bitterness at government's decision to undertake the work itself at the time of the Back Bay Inquiry of 1926, when he submitted a joint-statement on behalf of the contractors of Bombay.[186] This statement included the complaint that "there is a difference in the treatment of contractors in America or England or any civilised country and India. [In India] a contractor is treated worse than a cooly."[187] Through his connection with Tatas, Hirachand was involved in the syndicate of 1918. Presumably, other members of that syndicate were equally bitter. Thus there appears to be some substance in the claims of Sir Leslie Wilson that disappointed contractors were behind some of the criticism of the scheme.[188] Moreover, we have seen that the government, and particularly Sir George Lloyd, also claimed that large landlords were behind the opposition.[189] Sir Ibrahim Rahimtoola in particular was singled out by Lloyd as being the mastermind of the 1921 opposition of the small merchants of the IMC.[190]

The burden of Nariman's complaint was that, under the Devolution Rules of the 1919 Government of India Act, development should have been a transferred subject under the head "Public Works"; that although the Corporation paid a cotton cess towards the department's *chawl* building program, it was not represented in the department; and that the Back Bay scheme was extremely costly. "This mad and chimerical venture", he said, "has practically mortgaged the resources of the Presidency for a least a generation to come".[191] In terms of the publicity it received, the most electrifying accusation levelled at the government by Nariman related to mismanagement, and even malpractice, within the Development Department. The then head of the department, Sir Lawless Hepper, was accused of having lied when he gave a favourable report on the scheme to an interim inquiry conducted in 1925,[192] and the department was accused of favouring specific contractors and taking commission,[193] as well as of gross financial bungling.[194]

Nariman was by this stage fully supported by the millowners and magnates of the Corporation.[195] The Corporation called the BDD "autocratic" and "unrestrained", demanded that it should be a transferred subject, and that it should have representatives of the Corporation, BLC and other public bodies on it.[196] In addition, the magnates had reversed their stance within the IMC, and the agitation of that body against the scheme was now led by Lalji Naranji,[197] a large landlord, merchant and millowner, and Manu Subedar, leader of the radical splinter-group within the Chamber.[198] These two can together be taken as being representative of a wide cross-section of the Chamber's members. Other magnates of the Chamber, such as Sir Dinshaw Petit, also spoke out against the scheme at the time of the 1926 Inquiry,[199] and the Chamber came to be regarded as one of the prime-movers of the agitation, representing as it did the widespread fury of businessmen at the scheme.

If 1925 was the year of the currency issue in Bombay,[200] 1926 was the year of the Back Bay "scandal", for thus Nariman's accusations had dubbed the scheme. That year the papers were full of it, and when Nariman was sued for defamation for his remarks made before the Back Bay Inquiry Committee, publicity reached fever-pitch.[201] But as Back Bay became firmly established as one of Bombay's popular myths of the 1920s, the in-fighting became lost from public view. Millowners, small merchants and landlords all sank their differences over the issue because each had been alienated by government in a different way: the millowners and industrialists were angered at being denied lucrative contracts; the merchants resented the alteration of the character of their city, an alteration of which the scheme was a represenative part; and the landlords were angered at government incursion into the housing industry. All resented the high degree of taxation to which they thought the scheme had contributed. Consequently, in terms of the publicity received by the scheme, the issues involved seemed to have been much more clear-cut than they in fact were, and the argument appeared to be a simple one between the government and the people. Thus the Back Bay scandal furnished the nationalists with their greatest triumph in city politics of the 1920-30 decade: a direct link had been made in people's minds between the failure of the Bombay Government to hand over to the citizens of Bombay the running of their own affairs and the financial disaster created by the government. As a result of the scandal, the government was put under a cloud, a cloud that was all the blacker because the scandal was exposed by a nationalist.

Generally speaking, however, the incursion of nationalists into local city politics in Bombay was not marked with singular success. In the local arena, issues were too closely tied to extant interest-groups, were too "bread and butter", to be easily taken from context and made into universal issues. There was a strong element of dependence on specific interest-groups in the MNP — on landlords and merchants in particular — with the consequence that the party was all too ready to compromise on Bombay's pressing social issues. At times the party was even willing to sacrifice the interests of the merchants in favour of the landlords. Thus, at the local level the marketeers remained largely excluded, while the labourers were totally ignored.

Chapter 5

Businessmen and Nationalism, 1918-30

> Nothing is more likely to endanger the good relations between India and Great Britain than the belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain.
>
> Clause 33, Joint-Select Committee's Report on the 1919 Government of India Bill, or so-called "fiscal autonomy convention".

> It is not for me to judge what are the interests of India ... But I am much concerned about the effects of this, as I believe, unnecessary proposal [a full gold standard for India] on the one hand on the price of gold and consequently on the trade and financial position of all India's customers who are on a gold basis and not least on this country.
>
> Winston Churchill, Chancellor of the Exchequer, to the Secretary of State for India, 1926.

The period between 1918 and 1930 can be roughly divided into two eras, that of "agitational" politics (1918 to 1922) and that of "constitutional" politics (1922 to 1930). During the whole of this period industrialists, merchants, nationalists and government played a complex quartet in terms of their constantly fluctuating relationships. Certain of these relationships were interdependent. For instance, that between industrialists and merchants (on an overtly political level as distinct from an economic level) shifted according to the state of the relationship between the government and the industrialists. When this relationship was close, as during the 1918-22 phase, the industrialists and merchants drew apart. When the industrialists and