

Government of Madras.

EDUCATIONAL DEPARTMENT.

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Recd.

Regd.

1915.

Enclosures

Spare copies

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G.O. No. 333, 23rd March 1915.

Dye industry.

Recording papers received from the India Office on the subject of the scheme for the development of the British —.

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சாபார்க்கும்
மு.பா.எ. ஆராய்ச்சி
கையொப்பம். உதவியாளர்
கையொப்பம். கையொப்பம்

GOVERNMENT OF MADRAS.

EDUCATIONAL DEPARTMENT.

READ—the following papers:—

I

Letter—from the Hon'ble Diwan Bahadur P. RAJAGOPALA ACHARIYAR Avargal,
C.I.E., Secretary to Government, Educational Department.
To—the Under Secretary of State for India.
Dated—Fort St. George, the 23rd December 1914.
No.—3986-1.

I am directed to forward an extract from the Indian Trade Journal of the 10th December 1914 regarding dye stuffs and colours and to request that, if there is no objection, His Excellency the Governor in Council may be furnished with papers showing the steps which have been taken by the Board of Trade in regard to the British scheme for developing the dye industry.

II

Letter—from E. J. TURNER, Esq., Assistant Secretary, Revenue and Statistics
Department, India Office.
To—the Secretary to the Government of Madras, Educational Department.
Dated—London, the 1st February 1915.
No.—R. & S. 465.

With reference to your letter No. 3986-1, dated the 23rd December 1914, I forward, for information, copy of the papers noted in the margin on the subject of the scheme for the development of the British dye industry.

ENCLOSURES.

(1)

Letter—from E. J. TURNER, Esq., Assistant Secretary, Revenue and Statistics
Department, India Office.
To—the Assistant Secretary, Board of Trade (Commercial Department).
Dated—Whitehall, S.W., the 19th January 1915.
No.—R. & S. 272.

A request having been received from the Government of Madras for papers showing the steps taken by the Board of Trade in regard to the British scheme for developing the dye industry, I am directed by the Secretary of State for India in Council to ask if the Board of Trade will be good enough to supply to this department for transmission to the Government of Madras any papers on the subject that may be available. It would be a convenience to have three copies of papers wherever possible.

(2)

Letter—from the Board of Trade (Commercial Department).
To—the Under Secretary of State, Revenue Department, India Office.
Dated—Whitehall, S.W., the 23rd January 1915.
No.—26.

With reference to your letter of January 19th (No. R. & S. 272) on the subject of the steps taken in regard to the scheme for the development of the dye industry in this country, I am directed by the Board of Trade to state, for the information of the Marquis of Crewe, that at a meeting of representatives of important firms and associations making use of artificial dyes, held at the offices of the Board on November 10th, a Committee representing the trades concerned was appointed to confer with the representatives of the Board of Trade. With the assistance of this Committee a scheme, the details of which will be seen from the documents enclosed, was elaborated.

In consequence, however, of the criticism which followed its publication, and the reluctance of certain important interests to support it without modification, it was decided, at a meeting of the Committee held on January 20th, to proceed immediately to the preparation of a scheme on a modified financial scale which, while not departing from the general lines originally laid down, would it was believed be in several respects more advantageous to the subscribers to the proposed Company.

The Board will be glad to furnish Lord Crewe, in due course, with copies of papers showing the results of the deliberations of the Committee.

SUB-ENCLOSURES.

OFFICES OF THE COMMITTEE 7,
NOBOLK STREET, MANCHESTER,
22nd December 1914.

To—

British Dyes.

DEAR SIR,

I am instructed to inform you that at a meeting of representatives of important firms and associations making use of artificial dyes, held at the Board of Trade, on Tuesday, the 10th ultimo, the following Resolution was unanimously passed, namely—

"That this meeting approves in principle of a national effort being made by the Trade to increase the British supply of synthetic colours and welcomes the assistance of His Majesty's Government for that purpose and that the following gentlemen be and are hereby appointed a Committee as representing the Trades concerned with authority to confer with the representatives of the Board of Trade with a view to the elaboration of a scheme on the lines of the memorandum submitted."

The Committee appointed was—

Mr. Lennox Lee (Calico Printers' Association, Limited).
Mr. Milton S. Sharp (Bradford Dyers' Association, Limited).
Mr. H. W. Christie (United Turkey Red Company, Limited).
Mr. Chas. Diamond (English Sewing Cotton Company, Limited).
Mr. G. Marchetti (John Crossley & Sons, Limited).
Mr. E. D. Pullar (J. Pullar & Sons, Limited).

This Committee has been engaged upon the elaboration of the scheme referred to in the Resolution, which involves the formation of a Joint Stock Company having for its object the manufacture and supply of synthetic colours.

The outbreak of the present war has demonstrated the dangers which surround British Trade through dependence upon Germany for supplies of dye stuffs. The gravity of the situation is shown by the following extract from a speech made by Lord Moulton in the Town Hall, Manchester, on Tuesday, the 8th instant. A copy of this speech is enclosed herewith.

Lord Moulton said—

"When I began to investigate the question of the lack of dyes I found England consuming £2,000,000 worth of dyes a year. Those dyes were essential to an industry of something like £200,000,000 a year on which at least 1,500,000 workmen were dependent. Of that £2,000,000 worth of dyes barely one-tenth was produced in this country."

Lord Moulton pointed out that this gravity would not under the present circumstances be lessened by the return of peace. The British textile and other industries would still be left at the mercy of their present foes, as they would be dependent on a supply of dyes from them, and our experience of German methods of trade was sufficient to convince us that such supply would only be given on terms which would be most unfavourable to the competition of our industries with those of Germany. The only efficient remedy was the establishment of a Company which would be capable of supplying substantially the needs of British industries for dyes. Owing to the long period during which German chemical industries have been allowed to develop without challenge from us, Lord Moulton expressed his belief that such an undertaking must be the result of a great national effort in which the Government took part. Success would depend on its possessing the three characteristics of being (1) Large; (2) British; and (3) Co-operative.

His Majesty's Government are prepared to assist such an effort on the following lines:—

(a) A Limited Company to be formed under the Companies Acts with a share capital of £3,000,000, divided into 3,000,000 shares of £1 each. This capital to be subscribed by those interested, and be paid up as to 2s. 6d. a share on allotment, 5s. on the 30th June 1915. The remaining 12s. 6d. is not likely to be needed for some time to come, and when required will only be payable in calls not exceeding 2s. 6d. a share at intervals of not less than six months between each call.

(b) The Government to advance to such Company £1,500,000, bearing interest at the rate of 4 per cent. per annum and secured as a first charge on the assets and undertaking of the Company and be repayable in 25 years.

(c) The interest on the advance and a sinking fund for its repayment are to be payable only out of the net profits of the Company, but are to be cumulative.

(d) The Government advance to be made as to £750,000 on the Government being satisfied that the £3,000,000 capital of the Company has been fully subscribed, and the remaining £750,000 so soon as the call of 5s. a share has been made.

(e) The Government shall have the right of appointing two Directors of the Company with power to veto any undue encroachment on the businesses of British Manufacturers of products other than dyes and colours, or the giving of any undue preference as regards supply, prices or otherwise to consumers of the Company's products.

(The names of the gentlemen so appointed are Sir Gilbert H. Cloughton, Bart., Chairman of the London and North Western Railway Company, and Sir Frank Forbes Adam, C.I.E.)

(f) The Company shall remain British.

The opinion expressed by Lord Moulton is strongly held by the Committee, who consider that the condition of co-operation would be best secured by the subscription of the Company's share capital by those interested and also by a contract being entered into between the Company and the Consumers or Users of its products, whereby the Consumers should agree for a period of five years after peace is established, or five years after the expiry of existing contracts and of all deliveries thereunder (whichever is the longer period), to take their supplies from the Company, in all cases where the Company is able to supply the same, of good quality and at reasonable prices, but with a provision that if a Consumer should consider the prices fixed by the Directors of the Company too high he may require that the prices to be charged shall be determined by an independent referee. A copy of the agreement proposed is printed on the back of the form enclosed herewith.

To meet the difficulties of the present situation it is proposed to take over certain existing colour works and use the plants to their full capacity for the manufacture of such dyes as are essential.

Negotiations with Read, Holliday & Sons, Limited, have resulted in arrangements being made for the extension of their plant so as to secure a material increase in their output, and it is proposed that the new Company shall take over the business and undertaking of Read, Holliday & Sons, Limited, under an option which has been obtained.

It is intended to negotiate for the acquisition of other businesses which it may be desirable to take over and extend in the same way as that of Read, Holliday & Sons, Limited, and also to take steps to acquire a suitable site and erect and equip works thereon.

This effort to create a great national industry does not preclude arrangements being made on co-operative lines with existing concerns in Switzerland, and the Committee have grounds for hoping that such arrangements will be possible.

Although the immediate supply of dyes must be inadequate in some respects, the Committee have reason to believe that the Company will be in a position to make arrangements which will protect the country from the consequences of a famine in respect of a large proportion of the dyes essential to the textile and other industries and ultimately to secure those industries from any repetition of that foreign domination which is the cause of their present difficulties.

With the object of securing for the Company impartial administration of its business as between the users of dyes it is intended that the Board of the Company (other than the Government Directors) shall be selected by the Committee and mainly composed of business men who are not themselves necessarily engaged in the dyeing trade. The Board will be assisted by an Advisory Committee constituted from among the representatives of the users of dyes and will in addition have the advantage of the advice of chemical and other experts.

In the course of their deliberations the Committee have had addressed to them, among other questions, inquiries as to whether the Company would not be hampered (1) by inability to secure the requisite alcohol free of duty and (2) by restrictions at the instance of German holders of British patents. The Committee have satisfied themselves with regard to (1) that the Company will be able to obtain from the Board of Customs and Excise permission to use alcohol for all industrial purposes, free from duty, by arranging that the denaturing of such alcohol shall be carried out under conditions which will not hamper its use for such purposes; and with regard to (2) that the new Act of 1914 and the rules thereunder will enable the Company to obtain on reasonable terms a licence from the Board of Trade for the duration of the Patents empowering it to manufacture commodities covered by such patents so as to enable the community to enjoy the full use of the patented invention.

The stage has now been reached when it is essential for the Committee to ascertain the extent to which they can rely on the support of those interested, and the object of this communication is to ask you to assist the Committee by filling up the enclosed form and returning it on or before the 11th January 1915.

This form has two objects, namely, first, to ascertain the amount of share capital in the Company which the signatory of the form will be willing to subscribe; and second, whether such signatory (if a user of dyes) is willing to be bound by an agreement in the terms endorsed on the form, with regard to the supply of dyes both during and after the war. The form is set in duplicate so that you can retain a copy.

It has been suggested that in the case of users of dyes, their subscriptions to the share capital should be at least the equivalent of one year's purchase of dyes.

The signing of this form involves no legal obligation, but the response to it will enable the Committee to ascertain whether those interested are prepared to protect themselves by the formation of the Company and the subscription of its capital, and thus get the advantage of the Government's assistance. If the response to this communication justifies it, the Company will be at once incorporated and a prospectus issued inviting the formal subscription of its share Capital.

Yours faithfully,

Secretary to the Committee.

British Dyes.

To the Committee.

DEAR SIR,

1. I am in receipt of your Circular, dated 22nd December 1914.

2. I am willing to subscribe £..... of the share capital of the proposed Company and to make formal application therefor if and when the Company is registered.

3. I am () (a) User (s) of Dyes and

* If not a User of Dyes please insert in the blank the word "not" and strike out the rest of the clause.

shall be willing to enter into a contract with the Company if and when formed in the terms of the form of agreement endorsed hereon.

Yours faithfully,

MEMORANDUM OF AGREEMENT made this day of 191
BETWEEN BRITISH DYES LIMITED whose registered office is at

in the of (hereinafter called "the Company") of the one
part and

of of (hereinafter called "the Customer") of the
other part.

WHEREAS the Company has been incorporated since the commencement of the present war for the purpose among other things of producing manufacturing and selling dyes colours and other chemical substances (hereinafter collectively referred to as Dyes) which previously to the war were exclusively or principally manufactured in Germany and sold by Germans and German companies and firms AND WHEREAS under the provisions of the Contracts of which particulars are set out in the Schedule hereto the Customer is or may be bound after the war to take delivery of the goods specified in the third column of the said Schedule AND WHEREAS the Company has supplied and/or agreed to supply the Customer with certain of the Dyes required by the Customer for the purposes of the Customer's business but it was stipulated by the Company and accepted by the Customer as one of the terms and conditions upon which such supply would be made that this Agreement between the parties hereto should be executed.

NOW IT IS HEREBY AGREED AND DECLARED by and between the Company and the Customer as follows that is to say:—

1. THE consideration for this Agreement is the supply by the Company to the Customer of certain of the Dyes required by the Customer and the mutual accommodation of the parties hereto by the sale and purchase of such Dyes during the continuance of the present war.

2. THE Customer undertakes with the Company that as from the conclusion of the present war and for a period of five years thereafter or until five years have elapsed from the last delivery to the Customer pursuant to the terms of the Contracts set out in the Schedule hereto or until five years have elapsed from the determination of the said Contracts whichever shall be the longest period the Customer (A) will purchase from the Company all Dyes which may be required by the Customer for the purposes of the Customer's business or such amounts and

quantities thereof respectively as the Company may from time to time be able and willing to supply to the Customer of a good quality and at reasonable prices within a reasonable time after the same shall be ordered having regard to the obligation and requirements of the Customer and (B) will not purchase from any Company firm or person (other than the Company) any Dyes which may be so required as aforesaid excepting only such amounts and quantities thereof respectively as the Company may from time to time be unable and or unwilling so to supply to the Customer Provided always that the fulfilment by the Customer of his legal obligations under the Contracts set out in the Schedule hereto shall not be deemed a breach of this Clause.

3. THE prices to be charged by the Company and paid by the Customer to the Company for the Dyes during the period referred to in the preceding clause hereof shall be reasonable prices from time to time fixed by the Directors of the Company PROVIDED that if the Customer shall consider such prices unreasonable he shall in writing notify the fact to the Company within seven days after being informed of the said prices indicating in such notice the prices he is willing to pay and in the event of the Company being unwilling to accept the prices named by the Customer he shall be at liberty to call upon the Company to submit the question of whether the Directors' prices are reasonable or not to the decision of a Referee appointed by the President for the time being of the Association of Chambers of Commerce of the United Kingdom. The Referee shall decide whether the prices charged by the Directors are reasonable and if he shall come to the conclusion that they are not reasonable he shall prescribe what prices shall be charged and in that event the prices fixed by the Referee shall be the prices to be charged by the Company to the Customer.

4. STRIKES breakdowns war fire flood and all similar occurrences which might curtail or render impossible either the manufacture or the consumption of the Dyes shall be regarded as *force majeure* and as mutually releasing either party from its obligations in respect to the time stipulated for delivery of any Dyes bought or sold in pursuance of this Agreement during the period of derangement.

5. THE expression the Company and the expression the Customer shall respectively include their respective successors in business where the context so admits.

IN WITNESS ETC.

The Schedule above referred to.

Date of Contract.	With whom Contract made.	Description of Goods and quantity thereof remaining undelivered under the Contract.	Period over which undelivered Goods are to be delivered.

Order—No. 333, Educational, dated 23rd March 1915.

Recorded.

(True Extract.)

P. RAJAGOPALA ACHARYA,
Secretary to Government.

EDUCATIONAL DEPARTMENT.

NOTES CONNECTED WITH G.O. No. 333, EDUCATIONAL, DATED THE 23RD MARCH 1915.

[SUBJECT.—*Suggestion to address the Secretary of State to reconsider his orders prohibiting the Local Government from embarking on commercial undertaking.*]

REVENUE DEPARTMENT.

Resolution proposed to be moved by the Hon'ble Mr. K. R. V. Krishna Rao at the meeting of the Legislative Council to be held on 20th November 1914.

XVII. (a) This Council recommends that His Excellency the Governor in Council may be pleased to move the Secretary of State for India, owing to the dislocation of trade and disturbances of markets created by the present war in Europe, to reconsider the orders passed by him precluding the Local Government from themselves embarking on commercial undertakings in this Presidency calculated to develop its internal industrial resources and make it less dependent on foreign countries.

(b) This Council recommends that in the incipient stage of the industries of the Presidency, the actual development of our industries in the case of those which have to be worked on European methods to enable them successfully to compete with foreign articles, should not be left entirely to private enterprise but that the Government should embark on industrial undertakings of all kinds on a commercial scale to serve as object lessons and incentives to private enterprise.

(c) This Council recommends that a beginning may be made by starting on a commercial scale, employing European experts, if necessary, industries connected with oil-seeds, namely, crushing seeds, refining oils and the manufacture of soap, stearin, glycerine, candles, tallow, lard and other products.

Under Secretary—

The proposals of this Government for the establishment of a Department of Industries in this Presidency made in letter Pages 7 to 10 of G.O. No. 3446, Revenue, dated 27th October 1910.

Pages 17 and 18 of Government Order *ibid.*

The proceedings of the Council are printed on pages 6 to 15 of G.O. No. 3851, Revenue, dated 30th December 1912.

Pages 2 to 6 of Government Order *ibid.*

Pages 23 to 24 of Government Order *ibid.*

Letter No. 3852, Revenue, dated 30th December 1912.

a view to a modification of the Secretary of State's decision—*vide* letter No. 269-D/11-1, dated 8th May 1911. The Secretary of State in his Despatch No. 24-Rev., dated 15th March 1912, stated that there was no objection to the creation of a Department of Industries subject to certain restrictions. These restrictions were accepted by this Government and the Department of Industries was finally reconstituted in April 1914. The functions of the department are defined in paragraph 1 of G.O. No. 892, Revenue, dated 21st March 1914.

2. The Secretary of State's despatches referred to above strictly prohibited this Government from themselves embarking on commercial undertakings. The *Press* *communiqué* recently issued by this Government was in accordance with these orders and it was stated therein that "the Government are precluded by the orders of the Secretary of State from themselves embarking on commercial undertakings, and the actual prosecution of projects of industrial development must therefore be left to private enterprise, but the Government will be willing to give, through their officers, all possible assistance by way of advice and information."

G.O. No. 2681, Revenue, dated 16th September 1914.

"the Government are precluded by the orders of the Secretary of State from themselves embarking on commercial undertakings, and the actual prosecution of projects of industrial development must therefore be left to private enterprise, but the Government will be willing to give, through their officers, all possible assistance by way of advice and information."

G.O. No. 1534, Revenue, dated 22nd May 1912.

Paragraph 2 of G.O. No. 2802, Revenue, dated 26th September 1914.

G.O. No. 3553, Revenue, dated 3rd December 1913.

The Government have undertaken industries for experimental and demonstrational purposes, e.g., sugarcane-crushing, oil-crushing, investigation of fish oils, etc.

3. The resolution urges that the Secretary of State should be requested to reconsider his decision, that the actual development of industries should not be left entirely to private enterprise, but that the Government should embark on industrial undertakings of all kinds, and that a beginning should be made by starting industries

Very little chance.

P. RAJAGOPALA ACHARIYAR.

connected with oil-seeds, on a commercial scale. It is hardly likely, it is submitted, that the Secretary of State will reconsider

his decision in the matter, and it is for consideration whether the resolution will be supported. Attention is, however, solicited to the Government of India's resolution No. 1810, dated 6th September 1913, printed in G.O. No. 156, Legislative, dated 2nd October 1913.

4. The file may be submitted to the Honourable Member through the Educational Department for orders on the three points referred to in rule 3 of the rules to regulate Secretariat procedure in dealing with these resolutions. Under the orders in G.O. No. 892, Revenue, dated 21st March 1914, the resolution has to be dealt with in the Educational Department. If this is accepted, the file may be transferred to that department with the remarks of this department.

K.A.M.—6-11-14.

M.R.N.—6-11-14.

Secretary—

To run an industry successfully on a commercial scale not only is intimate scientific and technical knowledge necessary but also a very close acquaintance with the trade and financial conditions of the market in which the product is to be disposed of. However well-advised Government may be regarding the technical side of the question, it is practically impossible for any Government servant to acquire the knowledge of the trading side of the matter since this can only be gained by actual experience among one's customers. Government can put up factories and supervise the production of the whatever product is desired, but the marketing of the produce which is the essential part of any commercial venture cannot be undertaken on a wholesale scale with any hope of success. This is the point which the member seems entirely to overlook; on the success of efforts to market goods produced depends the "development" of industry which the member so much desires; to attempt to comply with his request would, I think, necessitate the engagement of a large number of Government servants of the commercial traveller class.

The resolution should, I think, be dealt with in the Educational Department.

L. J. P. JOLLY—7-11-14.

Yes: I think so, in view of the division of subjects laid down in G.O. No. 892, dated 21st March 1914. It is highly probable, I should say, that the resolution will be disallowed by His Excellency whose attention has no doubt been drawn by Legislative to G.O. No. 156, Legislative, dated 2nd October 1913.

L. DAVIDSON—7-11-14.

To the Educational Department u.o.

EDUCATIONAL DEPARTMENT.

It is for orders as to how the resolution should be met at the Council. Under the Government of India's letter No. 1810, dated 6th September 1913, the local Government should not reiterate their industrial enterprises on *commercial* basis (as expressed in their letter No. 269-D/11-1, dated the 8th May 1911), nor should they follow the line of passive acquiescence. The Government are required "to give a full and temperate statement of the views" of the Secretary of State. The reasons for the policy laid down by him preventing direct pioneering by the Government of Industries, are given in Lord Morley's Despatch No. 50, dated the 29th July 1910, paragraphs 6 and 7, which runs as follows:—

"They (the arguments of the Madras Government) are not of a character to remove my doubts as to the utility of State effort in this direction, unless it is strictly limited to industrial instruction and avoids the semblance of a commercial venture. So limited, interference with private enterprise is avoided, while there still remains an ample and well-defined sphere of activity. The limit disregarded, there is the danger that the new State industry will either remain a petty and ineffective play-thing or will become a costly and hazardous speculation. I sympathise with the conference and the Madras Government in their anxiety for the industrial development of the province, but I think that it is more likely to be retarded than promoted by the diversion to State-managed commercial enterprise of funds which are urgently required for the extension of industrial and technical instruction."

He was not prepared to go further than expending State funds "upon familiarizing the people with such improvements in the methods of production as modern science and the practice of European countries can suggest." In his opinion "it must be left to private enterprise to demonstrate that these improvements can be adopted with commercial advantage."

2. It may also be observed that, while the existence of war may have created the need for special arrangement for the development of industries, the same reason may operate against any large portion of State funds being made available for any commercial venture.

3. Industrial undertakings for purposes of demonstration are now being started wherever possible or needed; a hydraulic press is to be purchased for crushing seeds; Mr. Tressler has deputed Dr. Marsden to examine the question of soap-making, and a total grant of Rs. 10,000 has been made for carrying out similar experiments during the present crisis.

Orders solicited.

P. RAJAGOPALA ACHARIYAR.

4. It has to be decided who is to be in charge of the resolution.

C. RAMANUJACHARI—10-11-14.

In view to the ruling of India—paragraph 3 of India's letter—recorded in G.O. No. 156, dated the 2nd October 1913, the resolution has to be opposed.

P. RAJAGOPALA ACHARIYAR—11-11-14.

Unnecessary I think to send this back to Revenue from which it has been sent to Educational.

2. Educational Secretary will please be ready to take the resolution.

3. Resolution to be opposed.

4. The India Office letter, dated 29th July 1910, gives the modification of Lord Morley's decision above quoted which indicates the present limits and basis of the work of the Department of Industries. This should, I think, have been noticed by the office-note, as forming part of the Government case against the resolution.

P[ENTLAND]—13-11-14.

The India Office letter No. 50, Revenue, dated 29th July 1910, is itself Lord Morley's decision. Lord Crewe's modification is in despatch No. 24, Revenue, dated 15th March 1912, in G.O. No. 3851, Revenue, dated 30th December 1912.

A. G. C[ARDEW]—15-11-14.

REVENUE DEPARTMENT.

Honourable Member—

Indian Trade Journal, dated 10th December 1914.—For perusal of pages 397-398 and 411-12 of the Journal.

L. DAVIDSON—14-12-14.

I suppose we must now take it that the British Government has definitely committed itself to official participation in the development of industries. If this is so, I think we shall have to move the Secretary of State, in accordance with what was said in the Legislative Council last month, to withdraw the embargo placed by Lord Morley on our doing the same thing. But the first step is to write to the Under Secretary of State for India and ask for papers as to the steps said to have been taken by the Board of Trade in regard to the British scheme for developing the dye industry which is described on pages 411-12 of this official Trade Journal. Will the Secretary please take action in this direction?

A. G. C[ARDEW]—15-12-14.

To Under Secretary—

Draft submitted. It should apparently issue in Educational.

K.R.N.—17-12-14.

M.R.N.—17-12-14.

Secretary—

L. J. P. JOLLY—18-12-14.

L. DAVIDSON—19-12-14.

To the Educational Department u.o.

EDUCATIONAL DEPARTMENT.

Submitted that the draft letter prepared in Revenue may issue in this department.

S.K.—22-12-14.

C.R.—22-12-14.

P. RAJAGOPALA ACHARIYAR—23-12-14.

[Letter No. 3986-1, Educational, dated 23rd December 1914.]

At the meeting of the Legislative Council held in November last the Hon'ble Mr. K. R. V. Krishna Rao, who moved a resolution in regard to the State development of industries, pointed out that in England the Government had undertaken to help

actively in the starting of new industrial enterprises and suggested that the Madras Government should also take similar action here. The Hon'ble Mr. Cardew, in his reply to the Additional Member, stated as follows:—

• If it were shown that the Government at Home had changed its policy in consequence of the outbreak of war in a manner which would justify this Government in addressing it again, I think the Government would be quite prepared to consider the possibility of again suggesting to the Secretary of State the desirability of reconsidering the limitations which have been placed upon us."

* Dated 10th December 1914.

Subsequently, with reference to an article in the "*Indian Trade Journal*" on the development of the dye industry, the India office was, in letter No. 3986-1, dated the 23rd December 1914, requested to furnish this Government with papers showing the steps which had been taken by the Board of Trade in regard to the British scheme for developing the dye industry.

2. These papers have just been received. From these, it appears that, in December last, the Government in England proposed to assist the British Dye Company (to be formed) in the following ways:—

(a) The Government to advance to the company £1,500,000 bearing interest at the rate of 4 per cent. per annum and secured as a first charge on the assets and undertaking of the company and repayable in twenty-five years.

(b) The interest on the advance and a sinking fund for its repayment to be payable only out of the net profits of the company, but to be cumulative.

(c) The Government advance to be made as to £750,000 on the Government being satisfied that the £3,000,000 capital of the company has been fully subscribed, and the remaining £750,000 so soon as the second call of 5s. a share had been made.

Each share of £1 to be paid as below:—

2s. 6d. a share on allotment.

5s. on 30th June 1915.

The remainder at 2s. 6d. at a time at intervals of not less than six months.

(d) The Government shall have the right of appointing two directors of the company with power to veto any undue encroachment on the business of British manufacturers of products other than dyes and colours, or the giving of any undue preference as regards supply, prices or otherwise to consumers of the company's products.

From the press communique recently issued by the Government of India it is observed that the Home Government have decided (i) to make a loan to the company of a sum equal to the subscribed capital up to a total of £1,000,000 and thereafter, in the proportion of £1 to every £4 of subscribed capital—interest on the loan and the term of the loan being the same as before, and (ii) to make a grant for ten years, for the encouragement of research work, of a sum not exceeding an aggregate of £100,000.

3. In this connection attention is solicited to His Excellency the Governor's speech at the Council meeting on this as well as on the other resolutions relating to "Industries." His Excellency remarked as follows:—

"So far as the work of the Department of Industries is concerned it may be the case that time will show that its present powers are not large enough. In the meantime, its present powers have not, by any means, been exhausted. We have not got to the full length of exercising the powers which we already have. Therefore, within the present powers of the Department of Industries, I suggest that there is still a large field which we shall have to explore before we have a strong case for going further. It is quite true that these powers are not so wide as they were, but still, taking them as they are, at the present moment, we have not by any means exhausted them. It is no doubt possible that, as soon as we have exhausted them, whenever that time comes, it may be quite advisable, or practicable, or desirable, to move the Secretary of State and the other authorities to extend those powers. I do not predict it. At any rate there is a good deal we can do in accordance with the views of the Honourable gentlemen who have spoken today to carry out their suggestions, which we can do within the lines of our present powers, but Government funds are scanty and our undertakings in every direction must be more or less crippled by the circumstances of the war."

Within the powers allowed at present the Department of Industries is carrying on experiments to demonstrate the uses of improved machinery in industrial operations.* The possibility of starting new industries † is also being investigated by the department. It is for orders whether any further action should now be taken to widen the powers of the department.

* *E.g.*, the extraction of oil from nuts, the crushing of sugarcane.

† *E.g.*, pencils, soap, glass, etc.

S.K.—4-3-15.

C. RAMANUJACHARI—5-3-15.

His Excellency the Governor and Honourable Member (Revenue)—

I do not think that it is either necessary or advisable to go up to the Secretary of State just now to allow us to widen the sphere of activity assigned to the Department of Industries. Mr. Tressler is doing useful work within the scope prescribed for him: and I think that, as he picks up experience and more funds are forthcoming, he will be able to do more. It can hardly be wise to enter into any contentious correspondence just now with the Secretary of State. The time may come—later on—when we may have to tell the Secretary of State that we have exhausted the powers assigned to us and that we want more: and we may then quote the Home Government's action in respect of the "Dye" industry. But for the present this correspondence may be recorded.

P. RAJAGOPALA ACHARIYAR—18-3-15.

P[ENTLAND]—19-3-15.

A. G. C[ARDEW]—20-3-15.

[G.O. No. 333, Educational, dated 23rd March 1915.]

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THE MANUFACTURE OF ANILINE DYES IN ENGLAND

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An ADDRESS delivered by Lord Moulton in the
Town Hall, Manchester, on December 8th, 1914;
the Lord Mayor of Manchester (Alderman McCabe)
presiding.

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MANCHESTER:
TAYLOR, GARNETT, EVANS & CO., LTD., BLACKFRIARS STREET.

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THE MANUFACTURE OF ANILINE DYES IN ENGLAND

MY LORD MAYOR AND GENTLEMEN,—

It is the first time that I have ever had the honour of speaking in this Hall, but it is not, by many, the first time that I have had the honour of talking to the chosen of Manchester on subjects, the nominal financial importance of which was even greater than that of which I am speaking to-day. The Lord Mayor says he is pleased to see so large a meeting. In one sense I am, but I confess that I feel a little daunted by your coming here in large numbers, for I am on this occasion neither an advocate nor a representative.

Some weeks ago now—I think it is even two or three months ago—I was asked by Government to take the chairmanship of a small committee that had to investigate the straits into which England was put by being cut off from that great supplying nation, Germany. I have had to investigate all the unsatisfied wants that have sprung from this war, and I am glad to say that in almost all the cases which cropped up, so numerous at first, it has been found that the resources of English enterprise were sufficient to meet the demand; that some makers have been more attentive to the variety of the tastes of their customers; that others have increased their works; that others have added new branches to their business; and that the straits have been alleviated if not removed. Everything that has happened has placed in harsh and dissonant contrast the question of dyes. Nothing that I have seen during these weeks—and I can claim to have spent almost every hour of the day in meeting the members of the trades affected and in trying my best to find some way out of the difficulty—nothing that I have seen in these long weeks has weakened—nay! I can say nothing has failed to strengthen my feeling of the gravity of this problem. (Cheers.)

Now what has been the consequence of that? The consequence of that is that after long reflection I have come to certain conclusions, and I have not hesitated to place them in the clearest language before the Government. (Hear, hear.) Now the Government has taken an unusual and almost unprecedented step in the direction to which I refer. I am not responsible for the details of that step. I am not in any way connected with the shape or form in which the action is

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to take place otherwise than so far as it has been a necessary consequence of the advice that I have given. The one thing I am responsible for is that advice, and I stand here, not as the representative of the Government, not as an advocate of a particular scheme, but I stand here to give you the same advice, based upon the same considerations, the result of the same reflections. Although that is a strange position for a man who is speaking in public, it is no strange position for me. There are the faces of many here in the audience who in years past have come to me for advice; who have asked it and taken it; who have shown by their coming that they had faith in my judgment. Well, I hope that faith has not entirely passed away.

But in any case I am coming in the attitude of one who is giving advice. When I used to see them in my rooms at the Temple I would as soon have thought of chanting my opinion as trying to put it in eloquent words. It will be the same to-day. I shall put to you in plain business language the things that have haunted me for these weeks past; things that oppressed my thoughts day and night. In my opinion we are at a crisis of our national fate, and I shall try to put as plainly as possible, in the simplest words, the facts which have led me to that conclusion. (Cheers.)

Now, gentlemen, what did I find when I began to investigate the lack of dyes? I found England consuming some two million pounds worth of dyes per annum. They were essential to an industry of something like two hundred million pounds per annum, and on which at least a million-and-a-half workmen were dependent. And I found that of the two million pounds worth of dyes that was required year by year barely one-tenth was produced within our own boundaries. I looked round for industries which could at a pinch supply the deficiency. So clearly demarked from other industries is the great chemical industry of the coal tar dyes that I could find no industry which could take its place.

I found that the stocks of dyes, the stocks kept in peace time—for no warning of the intended war had been vouchsafed to *English* customers—I found that those stocks were rapidly diminishing, and that practically there was only one nation from whom we could expect help. I refer to Switzerland, and I know that there pressure was being put by Germany of the most intense kind—threatening, and the carry-out of the threat, to stop all those supplies of intermediate products on which the Swiss dye-makers had built up their business, unless they would promise that not a pound of their dyes should, for the whole period of the war, come into this country. I found certainly some English firms

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who were manufacturing, and manufacturing successfully, in spite of the competition of the Germans. But what they could supply was inadequate to keep going the great textile industries, which ultimately depend to such a large extent upon the dyeing industry.

That was the serious immediate prospect, the immediate view. But what does the future promise? It is that which I have been brooding upon ever since. Supposing that this war were finished. Supposing that by the bravery of our soldiers, and by the unflinching determination of our Government, and that of the Governments of the Allies, we come out of it politically free. What position do we step into industrially? We step into the slavery of the Germans so far as our textile and dyeing industries are concerned, as absolute as they had hoped to put us in a political and military sense. (Cheers.)

What I am saying is no exaggeration. No. In my perpetual converse with those of you who are practically interested in the question I have learned the German methods of carrying on business. I know their way of dividing all the nations up into watertight compartments, by their system of selling dyes not to be exported, so that they can put the price up to one nation and down to another. I know the way in which even the two great rings, which may be competitors one to the other in Germany, are united against the foreigner.

I say gravely, meaning every word I say, that if peace were declared at this moment you in the English textile industry would be so much under the domination of the German dye-producing industry that it could boycott you as to the dyes, and it could hamper that industry pending the time when it had the capital and works to challenge its very existence. And all I can tell you is that, as an Englishman, that thought filled me, I will not say with dismay—because I have a blind faith in my countrymen which makes me believe that out of the most difficult position they will, when they once realise it, extricate themselves successfully—but it made me feel that it was my business to sound a note of warning, and not let people go on thinking that this trouble from shortage of dyes was one which would be temporary, lasting only during the war time. It was a signal of danger which threatens us more in peace than in war, and if we would not listen to this danger signal then our fate was on our own heads. (Cheers.)

Well, now, in most things in life one ought to consider how they are to be done before one determines to do them. But there are exceptions. This war was an exception. I do not think that many of us knew how we were going to struggle

through this war, but yet I doubt if there is a man in this audience who did not feel that we must take it up. (Cheers.) I feel just the same about this industrial war. (Hear, hear.) I feel that the first thing we have got to do is to say to ourselves, "That shall not go on." (Hear, hear.) And then we have got to set to work to find out how we can stop it.

But to find out how we can stop it we must first consider what are the causes which have led to this strange position, that a great enterprising industrial nation—a nation which lives upon export industries—should in the largest of its export industries, in the industry which I believe produces one-third of the total exports, be at the mercy of the foreigner. How was it that when the great chemical trade, based, as it was, on the marvellous way in which coal tar products will assume myriad forms and myriad different properties, how was it, when that El Dorado was discovered, far more valuable than the Rand ever will be, that England did not have its share?

Was it discovered by foreigners? It was started by an Englishman. (Hear, hear.) Was it that foreigners alone had the natural resources to carry it on? For years practically all the raw materials that were wanted for this industry were sent out in an untreated state from England. Then why was it?

Gentlemen, we have got to look the truth in the face. It was for no other reason than that the English dislike study. (Cheers.) The Englishman is excellent in making the best of the means at his disposal, but he is almost hopeless in one thing. He will not prepare himself by intellectual work for the task that he has to do. Now in the last fifty years the knowledge of the world, the additions to that which we know, which have been piled up from the work of ten thousand independent investigators, each applying himself to one thing, have made it so that with regard to each subject there is a vast amount of the "known." And a wise man who means to deal with a subject will master what is known before he attempts the problem of what he can do. That is what the Germans, who were rightly ambitious, accepted as the condition of success in industry. If you talk to any German who is engaged in any industry you will find that he knows about it all that can be known.

I admit that it does not make him a more pleasant companion. (Laughter.) Once I found myself on the top of one of the Dolomite Mountains, and the only other person there besides the guides was a German chemist. I found out that he was a chemist and I began to talk upon a chemical

subject. He told me he was only an organic chemist. He had not exhausted my resources, and I began to talk of coal tar and pharmaceutical products. Then he told me that he was a coal tar by-product chemist. That did not beat me, because I had just been fighting a case of canary yellow. (Laughter.) I thought I would get some subject which was common to us, and I slipped into the subject of canary yellow. Still the same ominous silence for a time, and then he said, "I am only a coal tar chemist dealing with blues." (Loud laughter.) But I had not finished. With an Englishman's pertinacity, not believing I was beaten, I racked my brains for a coal tar blue—I had had to advise on some cases—and I gradually, without a too obvious change of subject, slipped into that. Then he finally defeated me, because he said in equally solemn tones, but equally proud of the fact, "I only deal with methyl blues." (Laughter.)

Well now, gentlemen, that gives you an idea of the way that a German is willing to give up everything so as to concentrate himself on the subject with which he has to deal. It may limit his general view of life. (Laughter.) I confess that it is almost worse than wearing blinkers. Goggles are the only thing I can think of which at all describe the mental limitations. But this makes the German most formidable in industrial questions. It makes them thorough in that which they have to do.

Now, apart from certain business methods which I may have to refer to later on, I believe the sole cause of England's falling back, and Germany's possession of this great industry, is due to the fact that the Germans are perfectly prepared to undertake the intellectual study necessary to master a new science. The English, I believe, could do it just as well, and you will find in their great works English chemists as highly respected as the German, and as efficient. But unfortunately the holders of capital in England have had little sympathy with knowledge that they did not themselves possess. (Cheers.) As I have been talking these matters over with people—energetic, good, industrial producers—I have always found that when I commenced to talk about the intellectual study necessary to deal with chemical science there has always been that tone recalling the voice of the sluggard: "You waked me too soon."

They know the time is coming when they will have to do it, but they hope that during their time the traditional ways of their fathers may be sufficient, and let the next generation face the intellectual difficulty of study! (Hear, hear.) The consequence has been that inventions—great inventions—have fallen dead in England. They have been offered in Germany;

they have been studied by instructed minds; they have been accepted. And the consequence has been great industrial production, the fruit of which all the rest of the world has received. But in England—"Well, ah! yes. It has not been tried." It is difficult. It is given to somebody who has not disciplined himself like the Germans do, and he finds difficulties, and then gradually the thing is dropped. For you must remember that as the masters, the heads, the capitalists, have not got sympathy with this self-preparation for the difficult tasks, there is no career for the young men who are willing to study. (Hear, hear.) What can these young men do? They are paid salaries quite insufficient for the training they have to go through, and for the learning they have acquired. The consequence is, when I am asked how it is that we are so poorly represented in the industrial ranks by chemists I say, "Make a career for your young chemists, and then you will see." We have not done so.

Now, there is the cause, and so far as is material, the sole cause of the German supremacy. Remember that there is not one single thing in which we are at a disadvantage by natural position. It is perfectly true that in the Creation, by some blunder, the most valuable deposit of potash was put in the centre of Germany, but we can get potash from elsewhere if we want it. As to coal, and the sources of the coal tar industry, we have them in richer quantity than even Germany itself. The one thing is the difference in the human element, and this is not a difference in intellectual capacity, but in the industry and the willingness to study thoroughly the subject with which you have to deal.

Gentlemen, that is my opinion of the cause of England's inferiority, and I ask myself at once, "Is that a cause which must permanently operate?" The answer is, of course, "No." But it is for us to reform ourselves, otherwise no relief can come. It is impossible that we can get a chemical industry like the German's unless we are willing to train ourselves for it, to have faith in it, to embark our capital in it, and in this way take the steps which lead to it. Consequences follow causes in this world; and to hear people grumble at this difficulty about the dyes when one thinks they have neglected all the necessary causes to produce the industry, would make me feel almost impatient, if it did not make me sorrowful.

Has the condition of things become so permanent that it is too late to do anything? Here I confess that I feel cheerful. Let me deal for a moment with the difficulties that face one. The first is that there is a lack of the necessary technical skill. I have a great difficulty in returning a polite answer to that. To my mind it is nonsensical. We have the command, and we shall in peace

still more have the command, of abundant technical skill to create the industry. (Hear, hear.) You must remember this, that in the long catalogue of dyes (over which I have been poring all these weeks), the vast number are dyes the processes for the manufacture of which are well known. I do not say that the man who is practised in it will not get a better yield, or that his handiwork will not be more certain. Of course it will. But there are no people better qualified to learn by experience than the English people themselves, and the whole of these dyes can be manufactured with as great certainty in England, if we put up the proper plant and choose the proper men to guide it, as we can manufacture a casting. (Cheers.)

Now let me go to the more recent dyes, those that have hardly made their way into commerce, but the qualities of which show that they will be very desirable. It is perfectly true that if you want to manufacture these on an industrial scale, you will previously have to study in the laboratory, by observation of the reactions, how to get the best results. But you will be astonished how few the processes are in this great industry, and the extent to which they are simply the repetition of the same processes with different substances and under different conditions. The sole difficulty which separates brilliant success from comparative failure is that study has shown how to regulate the conditions so as to make the results more favourable.

There is no mystery to the chemist. There is that which requires study before he can arrive at it, but if you are going to be daunted by that, then the rest of my speech will not interest you. So that the objection of not having abundant technical skill to carry out any industry that we form is, in my opinion, absolutely baseless.

Well, then I am told: "It is impossible to compete. There are works with a capital of a hundred millions in Germany. Your foes are willing to crush you by every means they know, and those means I can assure you are various and effective."

Well, that is a very great fact, but if you tell me that it is impossible for manufacture to go on in spite of this competition I will ask you to turn your eyes not only to this country, but even to Germany, where you find firms outside these great combinations, who in their own particular line have a successful business, and even an export business, in which they contrive to flourish—not to make the gigantic profits of the rings—but still to make fair industrial profits. In our own country we have them. We have firms that, in spite of the pressure of the Germans, manufacture at a profit. And side by side with these firms—if you look back—there were many other firms whom the Germans feared sufficiently either to

buy out or to crush out. When they realised that these firms were capable of producing in competition with them they felt that at whatever cost they must get rid of them. That surely is proof that competition in production is not impossible.

Remember this, that success in production depends no doubt on cheapness, but if you produce on what I may call an economical unit, that is, on a scale which is adequately great, the advantages from doing it on an enormous scale are very small in comparison. And certainly England, with its rich market, its demand for dyes—and many of these demands capable of being satisfied with comparatively few dyes—England can certainly start an industry in which the manufacture is on such a large scale that it can challenge, if not equal, the economies of the biggest works in Germany.

Well, now let me go to the third objection which is raised to the possibility of our competing, and it is raised in connection with the suggestion that I am defending here—the consequence of my conclusion that a great national effort should be made, and a large company formed capable of producing dyes on a scale sufficient to satisfy the English demand. It is a very curious one, and yet you have all heard it. I remember saying to one with whom I was discussing the matter, and who knew well the trades of Lancashire and Yorkshire—I said, “Don’t you think it would be of infinite value to England to have a Company which would for ever secure its dyeing and textile industries, aye, and the great pigment industries which must not be forgotten, from being overcharged for their dyes?” The man said, “But that is not what I am thinking about. I am not thinking about being overcharged; my fear is we shall be undercharged!”

Here I was trying to protect an English industry. I was talking to a man vitally interested in it, and what was his fear? His fear was that the consequence of our doing it would be that you would get dyes cheaper than they could be made, and that was what was frightening him. I will tell you what it reminded me of. Supposing there was a question of building a defensive fort to protect the vitals of a country, to protect, we will say, London, and the objection was raised: “Oh, but if you build it as strong as that nobody will attack it, and then how will you defend the spending of your money?” (Laughter.)

I ask you to think of this objection seriously, and in the light in which I am putting it to you. To my mind it is the most universal and the meanest of all the things which influence men’s minds on this subject. They are afraid it will be too successful. They know that if they do not make such a Company they will be overcharged by the Germans ruthlessly. Of that there is not a fraction of doubt. They know that if they do form this Company that cannot be so, and

the probability, they think, is that your great industries will have their dyes cheaper even than they can be made. They must realise that that, to a nation which has a world-wide commerce, is a boon beyond estimation; and yet they are afraid, if they put their money in, that they will win this boon for their fellow-countrymen.

What does it mean? It is that ineradicable defect of the English mind, if it has not by travel or study or reading got rid of its insularity. I used to sit for a constituency, an agricultural one, in the South, and I never could get out of the head of any one farmer that his real competitor was the man living next door to him. (Laughter.) He did not realise that this insular idea of being afraid that the man next door will get the better of you for a penny, or that his goods, which are not quite as good as yours, will still be treated alike with yours, is the thing which has prevented all co-operation among them in the South. While Denmark, a poor country, has been rolling up its wealth by combined action, our English people stand apart, and are still as unfitted for helping the wholesale trade of the world as if it were almost 50 years ago.

What this objection means is, you are afraid that Mr. So-and-So, who has not subscribed, will get all the benefit you have won by your subscription. You do not doubt that you will win it for your country. You do not doubt that you will win it for yourselves. You do not doubt that in this way, so far from industries being harried, they will be put in an undeservedly fortunate position. And yet you do not want to do it because the gain will come to your trousers pocket instead of to your waistcoat pocket. (Laughter.) Instead of coming in the way of dividend it will come in the lower price of dyes.

So, if I could believe that the formation of this Company would force the Germans for one year or two years or twenty years to sell their dyes at less than cost price, I should come to you and say, “You have got a chance now to save yourselves and England, and to put yourselves and England in a position of vantage in competition in foreign lands that you have not deserved but that you are going to get.” (Laughter.)

But, gentlemen, I frankly tell you that I do not think you are going to have such a good time as that. I will tell you why. If a great Company is formed that is efficient and that produces, as an efficient English Company will produce, at fair prices, it will cost the Germans too much to sell below cost price here. For this reason: Once satisfy the English market with these low-priced dyes, and you free the output of this Company to go to those Eastern markets, out of which the Germans derive the profits which enable them to fight you; and you can sell there at fair prices, and the Germans will either lose the market or there, too, they must drop their prices.

I think you will find that dropping prices all round is not a good way of increasing your profits. You are business men. I am not a business man—(laughter)—but my opinion is that they will find that it is better to leave you alone, better to leave you to supply yourselves than to set free such a formidable output as a great Company would make to compete with them in other markets of the world.

What does all this lead to? It leads to this. In my opinion there must be, in order to give to England industrial freedom in this group which is almost, I should think, the greatest group of its industries—there must be a great national effort to create a Company, a Company working under the conditions of other Companies, suffering from its blunders and profiting by its wisdom.

But there are three conditions, and unless those three conditions are all satisfied it will be a failure.

The first condition I lay down is that it must be large. (Cheers.) Politically, the Germans are frankly the foes of small nations. They consider that small nations are to be eaten up. Industrially, this great embodiment of the German idea, the combination of the dye manufacturers, behaves to small manufacturers exactly as Germany seeks to behave to small nations. (Hear, hear.) It is hopeless to suppose that if there are sporadic attempts, all of them small, they will not be either dragged into a combine, or crushed by a combine, or in one of the many other ways, which you all know, put out of existence. It must be large, and therefore independent, and therefore beyond attack.

There is another thing. It must be national in this sense. It must be removed for ever from the temptation of listening to the voice of the charmer, and entering into a combine. (Cheers.)

We must have a Company that is not only powerful, but one the loyalty of which is necessarily beyond all doubt, and that we can only get if it is assisted by the Government, on the terms that the Government can stop it from ever entering into the backward path which would ruin its national utility. (Cheers.) Most of you like the idea, I can see, of its being large, and of its being kept always true and faithful to its national aim.

Now I am going to tell you the third condition, which concerns you. It must be co-operative. (Hear, hear.) The producer must be the consumer. You will never link up all these industries unless those who use the dyes are included, the textile people as well as the dyeing people as well as those who are in the great pigment trade. Unless all those who consume have an interest in the production, and therefore supply a preferential market, you will never

succeed in making the Company relieve the national need. If I had had the millions I wanted offered me on the Stock Exchange for a Company which would be free from all trammels, which would have no connection with the trade, the shares of which would be bought as the others that are called industrials on the Stock Exchange, where every penny of profit it made would be squeezed out of it for the benefit of the then holders of the shares, who would care nothing for the holders of the next year or for the future of the Company, I would have said at once: "It is doomed to failure," and its failure would be only the more marked because it was gigantic.

You must realise that you, the consumers, should loyally all combine with the producing Company, and then I will defy the German or any other competition to break down that bond of union. Remember this. The only thing against which a combine or a ring is doomed to failure is where there is co-operation between the producer and the consumer. I remember one of the earliest cases that came before me. It was a case of a very great industry, and we were told that it was entirely in the hands of such and such a ring formed in such and such a city in Germany. Well, what happened? We got the producers and the consumers together and said: "If you will produce the article yourselves you can defy rings. How can they touch you? (It happened to be a question of a metal.) You can buy in the markets of the world. It is produced everywhere. No one can run up the price against you, because they have got to sell at prices which repay them for their expenditure on the ores, and therefore the worst that can happen is that you are on equal terms with them." The consequence was that they realised that nothing could come in if the producer and consumer were united.

Now some of you will say: "Oh, yes, but is not this a violation of the chief commandment, 'you shall buy in the cheapest market.'" (Laughter.) Is it? Remember this. That in considering what is cheap you must not look at the money that passes, but at the consequences of the purchase too. The man who says, "I will buy for five years at a discount of five per cent., with the certainty that I shall have to pay fifteen per cent. more for the next ten years," and thinks he is buying in the cheapest market is, I suggest, a bad student of the school. It is not buying in the cheapest market if you buy something which destroys your real security for cheapness, that which keeps you, which is your defender, which prevents you from being overcharged. And I am perfectly certain that when the idea of loyal co-operation gets hold of Lancashire and Yorkshire the foes of England in the industrial world will begin to tremble. We have had a time of peace in England, and we have never thought of dangers, industrial or national. But there are these dangers, and even though

there may not be another war, as we trust there will not be, there is perpetual war going on industrially, and it is not based on the ideas of each man doing his best, and of fair sale and fair purchase. It is based on what in the industrial world corresponds to war in the political world, and if you do not realise that, if you will not stand by one another as producer and consumer and you let the producer go down under his enemies, so that in turn they have the mastery of you, then all I can say is that as consumers you have been buying in the dearest market, and you will deserve the consequences that you get. (Cheers.)

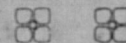
Now, gentlemen, I have come to the conclusion which I communicated to the Government. I have nothing to do with the particular form in which the Government have followed out that for which I am at all events responsible as an adviser. You must have a great Company, a Company with national control so far as to keep it in the right path; and you must have a Company which is co-operative between the producer and the consumer. If you do that I can warrant it a long and successful life, but if you attempt to leave out any one of these three essentials it is pre-doomed to failure. Now, gentlemen, I have kept you longer than I intended. (No.)

Just let me say one or two words in conclusion. Supposing our War Minister had been in the last few years buying in the cheapest market for the sake of cheapness, and that he had had the munitions of war manufactured by Krupps of Essen. Gentlemen, I think he would have been lynched about three months ago. (Laughter.) You would have realised when the moment of need came that your sources of supply were cut off. Now, gentlemen, there are munitions of peace which are essential for the defence of the great industries of the country, which are vital. There are munitions of peace as to which you have to take the same precautions as in regard to munitions of war.

You have to realise that, so far as it is possible, a country should be in such a position that if its supplies are cut off, for any reason whatever, from outside it should be able to supply itself. Of course we realise that in raw materials and in many other things we must depend on supplies from outside, and that is the reason why we are a nation that spends so unstintingly on its fleet. But this is no question of getting raw materials from a foreign country. It is a question of being at the mercy of a country, not friendly disposed, in a matter where we could make ourselves independent; and it is a case in which we know perfectly well what are the morals of that country in regard to its behaviour to other nations. Therefore I say you must look upon it as if it were one of those necessary munitions of peace which you must see adequately manufactured among yourselves.

Some will say—none here I trust—what I heard of a great dealer saying: "Oh, but I am a business man. I only look at things as business propositions, and a tenth of a penny would make me buy everything from Germany rather than from England." At that very moment tens of thousands of men were exposing their lives in the trenches to protect that man and his money. (Cheers.) I wonder how many would have been there if it was always thought a brilliant thing for a man to look on everything from the point of view of a business proposition.

If that is being done by the recruits what are you and I going to do for our country? You cannot go to the trenches, and yet I believe you are willing and burning to do what you can for your country. Well, this is your part. You can protect your country by taking care that when peace comes it shall be under no subordination. That is what I ask you to do. A great writer has said: "There is nothing more desirable in life than to be wise at a great moment." This is a great moment. Be wise. (Cheers.)



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