COUNCIL OF GOVERNOR GENERAL

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Abstract of the Proceedings of the Council of the Governor-General of India assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 and 25 Vic., Cap. 67.

THE Council met at Government House, on Thursday, the 30th April, 1863.

PRESENT:

Major-General the Hon'ble Sir R. Napier, K.C.B., *presiding.*
His Honor the Lieutenant-Governor of Bengal.
The Hon'ble H. B. Harington.
The Hon'ble H. Sumner Maine.
The Hon'ble Sir C. E. Trevelyan, K.C.B.
The Hon'ble W. Grey.
The Hon'ble W. S. Fitzwilliam.
The Hon'ble D. Cowie.
The Hon'ble A. A. Roberts, C.B.

CIVIL PROCEDURE (BRITISH BURMAH) ACT AMENDMENT.

The Hon'ble MR. HARINGTON moved for leave to introduce a Bill to amend Act I of 1863 (to define the jurisdiction and to regulate the procedure of the Courts of Civil Judicature in British Burmah, and to provide for the extension of certain Acts to the said territory). He said that, in the month of January last, the Council passed the Act which it was now proposed to amend. The second Section of the Act declared that there should be six grades of Courts in British Burmah, and gave their designations. Sections followed defining the jurisdiction to be exercised by the Courts of each of the six grades. From a recent letter of the Chief Commissioner of British Burmah it appeared that in the Town of Rangoon there were no Courts of the 2nd and 3rd grades, though suits, cognizable by Courts of those two grades, occasionally arose within the limits of the Town, for the adjudication of which some provision was required. In the absence of work sufficient to justify the establishment of Courts of all the grades specified in Act I of 1863, the best course appeared to be to vest some of the existing Courts of the higher grades with power to receive and determine suits, arising within the limits of their respective jurisdictions, which, from the amount or value of the claim, as well as in other respects, were within the cognizance of Courts of a lower grade. This could not, however, be done without an alteration of the law, and the first part of the present Bill contained the necessary amendment. It was not proposed to confine the operation of this part of the Bill to Rangoon, though the necessity for legislation had arisen there, but to make the provisions of the Bill generally applicable.

Then, Section 1 Act I of 1863 repealed the Code called the Civil Code of the Province of Pegu, and a later Section extended to that Province, from the 1st May 1863, with certain modifications, the Code of Civil Procedure contained in Act VIII of 1859, which was in force in the remaining parts of British Burmah. It now appeared, from the letter of the Chief Commissioner already referred to, that the Chief Commissioner had, in the month of May last, extended the Code of Civil Procedure, with some reservations, to the Province of Pegu, in supersession of the Pegu Code, which he had no authority to do. The Pegu Code did not differ very materially from the Code of Civil Procedure, and certainly no Suitor could have a right to complain of injustice having been done to him by reason of his suit having been tried under the latter instead of the former Code. But the fact of the illegal extension of the Civil Procedure Code remained. This illegality might be pleaded by any disappointed Suitor in appeal from an order or decision passed against him under the Civil Procedure Code, and the Court having to dispose of the plea would find it difficult to overrule it. In order therefore to prevent what would really be trifling with justice, the second part of the present Bill proposed to make valid the act of the Chief Commissioner, by declaring that no order or decision passed, and no proceeding held by any Court in the Province of Pegu, on or after the 20th day of May 1862, and before the first day of May 1863, should be deemed invalid merely by reason of such order or decision having been passed, or of such proceeding having been held under Act VIII of 1859, instead of under the Code called the Civil Code of the Province of Pegu, or *vice versâ*.

The Motion was put and agreed to.

IMPRISONMENT OF CONVICTS IN HOUSE OF CORRECTION OR GREAT JAIL.

The Hon'ble Mr. MAINE moved for leave to introduce a Bill to empower Judges of the High Court and other authorities at Calcutta to direct Convicts to be imprisoned either in the House of Correction or the Great Jail; and to authorize the transfer of Convicts from the House of Correction to the Great Jail, and from the Great Jail to the House of Correction. He said that shortly before the last adjournment of the Council, a Bill with a similar title, but applying only to Bombay, was passed. That Bill was necessary in order to remove an inconvenience which had been created by Act XVIII of 1862, which provided, amongst other things, that prisoners sentenced to rigorous imprisonment by the Supreme Courts, or by the Magistrates of the Presidency Towns, should be imprisoned in the House of Correction only. Soon after Act XVIII of 1862 came into force in Bombay, it was found that the House of Correction could not contain all the prisoners sentenced to imprisonment in it, and consequently a Bill giving the Judges and Magistrates power to sentence either

to the House of Correction, or to the Common Jail, was introduced into the Bombay Council. The measure was, however, in excess of the legislative powers of the Bombay Government, as involving the amendment of an Act passed by the Imperial Council since 1861: but it was immediately re-introduced into this Council and passed at once into law. Now then, precisely the same circumstance which necessitated the Bombay Act has arisen in the Government of Bengal. The Judges and Magistrates having only power to imprison in the House of Correction, that place of confinement had become inconveniently crowded: so crowded, that there had been much reason to apprehend an outbreak of infectious disease. Considering the urgency of the case, the Lieutenant-Governor of Bengal, on his own responsibility, directed the transfer of some of the prisoners to the Great Jail, where there was ample room for their accommodation. The Lieutenant-Governor desired that what he did should be confirmed and rendered legal by this Council, and moreover that the power of transferring prisoners from the one prison to the other, whenever occasion arose, should be given to him by law. The Bill contained three provisions:—the first was to give the Judges of the High Court, and Police Magistrates for the Town of Calcutta, power to direct the imprisonment of Convicts either in the House of Correction or the Great Jail; the second was to authorize the Lieutenant-Governor of Bengal, from time to time, as occasion rendered necessary, to order the transfer of Convicts from the one prison to the other; and the third was to legalize what had recently been done, without any strict legal authority, but under pressure of undoubted necessity, in transferring prisoners from the House of Correction to the Great Jail. As the matter was urgent, and as the policy of the measure seemed to have been acquiesced in by the Council in passing the analogous law for Bombay, he (Mr. Maine), if leave were now granted to bring in the Bill, proposed at the next Meeting of the Council to apply to the President for a suspension of the Rules, and under their suspension to move that the Bill be made at once into law.

The Motion was put and agreed to.

FINANCES OF INDIA.

CUSTOMS' DUTIES, AND INCOME TAX.

The Hon'ble Sir Charles Trevelyan moved for leave to introduce a Bill to amend Act XI of 1862 (to amend Act X of 1860, to amend Act VII of 1859, to alter the Duties of Customs on goods imported or exported by Sea); *and also* for leave to introduce a Bill further to amend Act XXXII of 1860 (for imposing Duties on Profits arising from Property, Professions, Trades, and Offices), and to amend Act XXXIX of 1860 (to amend Act XXXII of 1860), and Act XVI of 1862 (to limit in certain cases the amount of assessment to the Duties chargeable after the 31st day of July 1862, under Act XXXII of 1860 and Act XXXIX of 1860, and otherwise to modify the said Acts). He said:—

Mr. Laing estimated that there would be a surplus in the year 1861-62, of £239,896. The Secretary of State was of opinion that two sums had been improperly omitted from the charge side of the Account, by the insertion of which the surplus was converted into a deficit of £595,513. The actual result is, that there was a deficit of £150,628 only, which we may hope is the last of the long series of Indian deficits.

The Financial year 1862-63 opens a new era. Mr. Laing estimated that there would be a surplus at the end of the year, of £179,814. The Secretary of State again objected that certain omissions and deductions had been made, by the correction of which the estimated surplus of £179,814 was converted into a deficit of £284,086. The result is that, after providing for the whole of the Expenditure, there is a clear surplus in the current year 1862-63, which terminates this day, of £697,168 according to the Regular Estimate; which has since been increased by reductions in the Home Charges and Guaranteed Interest, to £936,925.

I will now explain how the Revenue of 1862-63 has turned out, as shown in the Regular Estimate, compared with the Budget Estimate of that year, and with the actual Receipts of 1861-62.

"Land, Sayer, and Abkaree" show an improvement of £304,000 over the Budget Estimate, and a decline of £39,555 compared with the actual Receipts of 1861-62. This last, however, is not a fair comparison, for in 1861-62 there was a double Receipt, arising from the adoption for the first time of the salutary Financial rule of carrying to account all the Receipts of the year as Revenue of the year, instead of holding payments in advance in deposit until the next year; and there was also a much larger sum obtained from the sale of Khas Mehals in 1861-62, than in 1862-63. When these allowances are made, the year 1862-63 shows an increase of £646,423 under Land, Sayer, and Abkaree, compared with 1861-62.

"Income Tax" has exceeded the Budget Estimate by £206,700, which is due partly to the fact that there has been a large collection of arrears of the 2 per cent. rate, which was repealed from the 1st of August last, and partly to a better management of the assessment.

"Customs" show a falling off of £87,500 compared with the Budget Estimate, and of £488,639 compared with the actual Receipts of the preceding year. This is caused by the paralyzed state of the Trade with England in Cotton Piece Goods and Yarns, which yields half our Customs Duties exclusive of Salt. Out of a total amount of Duty of £2,151,505 received in 1860-61 (excluding Salt), £1,103,401 was for Piece Goods and Yarns.

"Salt" on the other hand shows an increase of £282,800 over the Budget Estimate, and of £774,419 over the actual Receipts of 1861-62. As this is an article of general consumption, and the price of the commoner kinds is not

liable to much variation, the effective demand for it is a good test of the circumstances of the community.

The "Receipts from Opium" have surpassed the Estimate by £1,550,000. Even this is not all, for the last opium sale of the year has since taken place, and the total Receipts from all sources are expected to exceed £8,000,000, which will raise the surplus over the Estimate to upwards of £1,700,000. The causes of this remarkable result are, that the price of Bengal Opium was estimated at Rs. 1,200 a chest, while the average price per chest actually realized has been Rs. 1,429, and that Passes were taken out for a larger number of chests of Malwa Opium than had been expected. The Receipts from Opium in 1861-62 were £6,359,269.

"Stamps" are £317,100 below the Estimate, and £160,317 below the sum realized in 1861-62. The amount received from Stamps in 1861-62 was abnormally large. It arose from the Limitation Act, which came into operation in January 1862. There was a great rush to get cases instituted previously to that date, and many Debtors, who were unable at the time to pay, gave fresh bonds on stamped paper admitting the justice of their Creditors' claims. The Indigo and Rent disputes in 1861-62 also contributed not a little to the Stamp Revenue. In the Punjab and Oudh, fees called "Tulubana" for serving processes in the Civil Courts, were charged at so much per cent. on the amount of the suit. These were subsequently paid in Stamps, but early in 1862 the plan of paying in cash was resumed, and the surplus is carried to a Local Fund for the improvement of the Judicial Establishments of the Province.

The other branches of Revenue call for no remark.

The total gross Revenue of 1862-63 is £45,105,700, which is £2,134,500 more than the Budget Estimate, and £1,276,228 more than the actual Receipts of 1861-62. It is a favourable indication of the progress of India that the Revenue is habitually under-estimated. The growth is so rapid as to outstrip every calculation which it is considered safe to make.

Excluding Opium, the remaining branches of Revenue yielded £584,500 more than the Budget Estimate, and £214,503 less than in 1861-62. This was chiefly owing to the falling off that has been noticed in Customs and Stamps.

The first point deserving of notice in the Expenditure of 1862-63 is that the charges connected with the Salt Revenue have been less by £169,100 than the Estimate, and by £90,431 than the expense actually incurred in the preceding year. These are the first-fruits of the contraction of the Government Salt Manufacture in Bengal. There was a saving of £175,000 in consequence of the abolition of one Government Agency, and of the consolidation of two other Agencies into one.

The increase under "Electric Telegraph" from £162,600 to £380,000 is only nominal. It arises from the value of stores expected from England having been included only in the later Account, and from the transfer from Public Works of the construction charges.

"The Army" shows an increase of £266,000, arising from too sanguine a view having been taken of the rapidity with which certain Military reductions would be made.

Of the £500,000 for "Education, Science, and Art," £100,000 remains unexpended. The sum of £146,453 was added to the Regular Estimate of the preceding year to make the grant up to £500,000; but as the Local Administrations were not prepared for so large an immediate extension of their operations the money has not been spent.

The increase of £43,700 under "Superannuations" is one of the consequences of reduction of Establishments; and the increase of £42,900 under "Interest" arises from the Interest on the loan from the Maharaja of Cashmere, and on the sum funded for the Mysore Princes having been included under this head.

The total Expenditure in India in 1862-63 is £37,228,900 against an estimated sum of £36,329,400, but to this last must be added £366,300 for loss by Exchange, which was not provided for, and the real comparison therefore stands as follows:—

Budget Estimate	£ 36,329,400
Add loss by Exchange	£ 366,300
	£ 36,695,700
Regular Estimate	£ 37,228,900
Excess of Expenditure over the Budget Estimate	£ 533,200

The total Expenditure in India in 1861-62 was £37,245,756, and there is therefore a decrease of Expenditure in 1862-63, compared with the preceding year, of £16,856. These results are satisfactory, inasmuch as they show improved accuracy in estimating the Expenditure and the absence of any increase in it.

The net Expenditure in England is £5,292,397, which is less than Mr. Laing's Estimate corrected by the additions which Sir C. Wood directed to be made to it (making a total sum of £5,491,432), by £199,035. This arises from reduced Expenditure at Home.

The sum paid at Home for Guaranteed Interest on Railway Capital, less net Traffic Receipts, is £1,647,478, against a Budget Estimate of £1,500,000.

The gross Expenditure in India added to the net Expenditure in England, including Railways, amounts to £44,168,775; and deducting this from £45,105,700,

the gross Revenue of India, there remains a net surplus of £936,925 of Income over Expenditure for the year 1862-63. This result is more favourable than that shown in the Regular Estimate, because, as has been already stated, information was subsequently received of reductions having been made in the Home Charges and Guaranteed Interest.

I now proceed to my Estimate of the Expenditure of the coming year 1863-64.

Under "Allowances, Refunds, and Drawbacks" the sum taken is less than the Expenditure of the two last years, chiefly because those years included a considerable sum for License Tax repaid.

"Land Revenue (including forest) and Abkaree" show an increased charge of £124,500, caused by the additional Establishments employed to revise the assessments preparatory to the concession of a permanent settlement of the Land Revenue.

The cost of collecting the income tax has diminished from £121,043 in 1861-62, to £76,400 in 1862-63, and it is estimated at only £51,400 in 1863-64. This is, perhaps, as low as it can be reduced. It amounts to a charge of a little more than 3 per cent. upon the estimated produce of the Tax.

The charges connected with the Salt Revenue show a remarkable downward progress. In 1861-62 they were £646,931; in 1862-63 they were reduced to £556,500; and in 1863-64 they are estimated at only £293,100, being a diminished annual Expenditure of £353,831 in two years. In 1861-62 the Salt Revenue was collected at the rate of 14·201 per cent., including the cost of manufacture. In 1863-64 it is estimated that it will be collected at the rate of 5·425. The steps by which this great economy has been arrived at will be hereafter explained. It is enough to say at present that it is owing to the cessation of the Government manufacture of Salt in Bengal, with the help of a diminished charge of £25,000 at Madras.

The increase under "Electric Telegraph" arises from the causes which have been already noticed in reference to the Expenditure of 1862-63, *viz.*, to the value of stores from England and the cost of construction being included in the Estimate. Provision has also been made for the formation of several new lines of Electric Telegraph.

It will be observed with regret that the charge for the "Army" has again risen from £12,466,000, at which, according to the Regular Estimate, it stood for 1862-63, to £12,646,900 for 1863-64. This addition of £180,900 is the result of a balance of increases and decreases. The chief causes of increase have been, 1st, The Bengal Native Infantry was much below its Establishment last year, but it has now been brought up to full strength. This accounts for £80,000. 2nd, The Reserve Stock of Ordnance Stores having been largely

drawn upon during the last two years without replenishment, the demands are £150,000 in excess of last year. 3rd, The practice of charging every disbursement to the year in which it occurs having been extended to the Military Accounts, there will be a difference of about £80,000 to be provided for between the arrears at the beginning and end of the year; and 4th, Six European Regiments have to be relieved this year against one last year, involving a further increase of £70,000 or £80,000, after allowing for volunteering.

On the other hand, several measures of reduction have been adopted. There is one Regiment of European Infantry and one Local Corps (the Pegu Battalion) less. Eleven Troops of European Cavalry are in course of gradual absorption; and the Establishment of 24 Regiments of Native Cavalry has been diminished by 36 men each. As the strength of the Native Cavalry Regiments was below their Establishment, the effect of this last arrangement has been rather to save future increased expense than to make any immediate reduction.

Although the Establishment of the Army, as now fixed, is not to be revised until the changes which will be made by the Railways and other means of improvement in progress shall have been more fully developed, much may be done to reduce the annual Expenditure, by a careful manipulation of administrative details, without impairing either the interests of the Officers or the efficiency of the Service. On the contrary, both are often promoted by well devised economical arrangements. The necessity for action of this kind, in reference to the Indian Army, is very urgent. In so vast an Establishment, many and often well-founded applications for increased Expenditure are made from various quarters; and if these are not met by a pervading spirit of economy, ready to avail itself of every opportunity of effecting an unobjectionable saving, the Expenditure must go on creeping upwards till public attention is called to the subject. This single item of my Estimate equals the average cost of the British Army, and to this has to be added £2,213,000 more of Indian Military Expenditure, included among the Home Charges. The great interests of our Nation in India require, that the Estimate for the Indian Army should at least undergo the sifting to which the War Office Estimate is subjected before it is laid before Parliament.

The "Indian Navy" has disappeared from the Accounts, having been dissolved under instructions from the Secretary of State, and the protection of the Indian and adjoining Seas has been entirely committed to Her Majesty's Naval Force; but "Marine Charges" continue to occupy the next place to the "Army," because they are chiefly incurred in paying for the conveyance of troops and Stores. The Estimate for 1863-64 is less by £193,000 than the Regular Estimate of 1862-63, and by £379,193 than the actual Expenditure for 1861-62. This is caused by the employment of hired and contract vessels in the place of vessels belonging to the Government, and by the arrangements in progress for transferring the Government Dockyards to private Companies.

The provision proposed for the Public Works expected to be carried on in 1863-64 is as follows:

It was ascertained by a careful analysis of the grant for the preceding year, 1862-63, that, of the aggregate amount of £4,260,000, the sum which had been appropriated to Works of Public Improvement was £2,380,000. It is proposed to make a similar appropriation for 1863-64, and to add to it a Reserve Fund of 10 per cent. or £238,000, to be held in hand by the Supreme Government to be applied to meet any special cases of Cotton Roads or other Works which cannot be provided for out of the proportion of the sum of £2,380,000 allotted to the Local Governments and Administrations.

In order that the Local Governments may work on confidently from year to year, following out consistent plans, maintaining Establishments in proper proportion to the work to be done, and preserving satisfactory relations with Contractors, it is necessary that the appropriations should not only be large, *but steady*; or, in other words, that they should vary as little as possible from year to year. At the same time it is desirable that means should exist of supplementing local deficiencies and of accelerating any Works the early completion of which is of special public importance. Both these ends will be attained by the arrangement proposed.

The appropriation for Civil Buildings and ordinary Repairs and other Military Works will be the same as last year, that is, £570,000 for the former, and £650,000 for the latter.

The sum assigned this year for building new Barracks was £50,000; but a necessity exists for constructing permanent Barracks for our European Troops at central strategic Stations which are certain to be permanently held, and it is proposed to appropriate £300,000 to this object during the ensuing year. This also will be held in hand by the Central Government to be allotted as circumstances may require, according to arrangements which have been carefully considered.

The charge for "Railway Supervision and cost of Land" in 1862-63 was £132,500, and in 1863-64 it is estimated at £182,500; and the loss by Railway Exchange in the two years is respectively £366,300 and £294,600.

Lastly, another sum of £380,000 from the proceeds of the Income Tax will be divided among the different Governments and Administrations for the purpose of carrying on Local Works.

The aggregate amount of all these grants for Public Works for 1863-64 is £4,995,100, which is an increase upon the corresponding grants of this year of £466,300. Judging from past experience, it is very unlikely that the whole of this sum will be spent within the year, and, excepting only the appropriated one per cent. from the Income Tax, savings from any part of this large grant

will be available to supplement any other part. In the extremely improbable event of the whole being spent and more being wanted, we have a surplus in Reserve derived from an outside Estimate of Expenditure and an inside Estimate of Revenue, which may be drawn upon to any extent required. The Government desires that it may be clearly understood that any funds that can be expended with advantage on Cotton Roads, on Works of Irrigation or Navigation, or on any other useful Works, will be granted during the ensuing year. There will be no difficulty as far as money is concerned. The only limit will be the impossibility, in particular cases, of getting value for the outlay.

Besides the preceding grants, an old Local Fund balance amounting to £58,700, which had long been due to the Government of Bengal, has been appropriated to the construction of Railway Feeders, the plans and estimates of which had been previously prepared. Post Office and Telegraph constructions, which were included in the grant for public works in 1862-63, have been provided for in the Departmental Estimates in 1863-64 to the amount of £183,400. The total sum appropriated for Public Works in 1863-64, therefore, amounts to £5,237,200, and including Guaranteed Railways, to £9,237,200.

"Salaries and Expenses of Public Departments" show a diminution of £22,600, and "Law and Justice" an increase of £154,700. This arises from the pains that have been taken to keep the ordinary Civil Establishments within proper limits, and the disposition which exists to make every necessary addition to the Judicial Establishments. The consolidation of the Supreme and Sudder Courts into united High Courts has caused a considerable additional expense.

The total estimated charge for "Police" is £2,280,000, being an increase over this year of £180,000. This arises from the extension of the new Police to Bengal Proper, which was the last Province remaining to be brought under the new system. The transition period is always an expensive one, and this was especially the case in Bengal, where twelve Police Battalions and the old Thannadaree Police had to be put down, while the Constabulary Police, which was to supersede them both, was being set up.

As the large reduction of the Native Army has been rendered possible by the extent to which the Civil duties previously performed by it have been transferred to the new Police, the two must be viewed in relation to each other. I agree with those who are of opinion that, with proper economy, £12,000,000 may be taken as the standard of the expense to be incurred in India for the Military Force of all Arms, even supposing it to be maintained at its present Establishment, and that £2,000,000 is a sufficient allowance for the Police. In order to keep the Expenditure within due limits, it is indispensably necessary that there should be only one Military, and one Civil Force. The permission to employ "Guards," or any other protective Force not included in the Army or

in the organized Police, would at once give scope to the former practice of making discretionary miscellaneous charges. Efficiency, as usual, goes hand in hand with economy. It can be secured only by concentrating attention on the Military and Police Forces, and dealing with each according to its special conditions.

The new Indian Police is now in a state to be effectually acted upon by a searching revision. At the commencement of such an organization, the Officers employed do not know what their real requirements are; and if the Establishments first set up are permitted to go on long without scrutiny, the difficulty of bringing them back to a just standard is much increased. Colonel Bruce, who has already acquired much valuable experience, will be employed during the ensuing year as Commissioner for investigating and reporting upon the Police Forces of Northern India, in concert with the Inspector General of each Force, and such other Officers as may be appointed for the purpose by the Local Government.

Although the assignment for "Education, Science, and Art" is £38,400 less than the Budget Estimate for this year, it is £61,600 more than the sum likely to be expended according to the Regular Estimate. Even so, it bears no proportion to the magnitude of the object. But National Education is not merely an affair of money grants. To deserve the name, it must be supported by the contributions and co-operation of the communities concerned. What is chiefly to be desired, therefore, is a natural growth and interior expansion according to the circumstances of each Province. The object is not uniformity, but progress and efficiency; and there may be virtue even in variety, because more is likely to be accomplished, on the whole, when each Government is left to follow the bent of its own wants and inclinations, and because there is a positive advantage in the experiment being tried in different ways. The different Local Governments by which the administration of India is carried on have a great deal to learn from each other. An elaborate system for the Education of the Upper and Middle Classes has been successfully worked out in Bengal, while in the North-West Provinces and Madras much progress has been made in laying the foundation of a really popular system. Large Local Funds are already expended on Education, and the school fees and other incidental Receipts arising out of the application of the grant, are similarly appropriated. The duty of the Central Government is to be ready to sustain and encourage every well-directed effort to promote the Education of the body of the people in every part of India, and liberal grants will, I trust, never be wanting to supplement in due proportion the Funds locally raised. If, in the course of next year, any well-considered plans are brought forward which cannot be provided for from the grant of the year, a further appropriation will be made out of the savings of other grants, if there should be any; and, if not, out of the general surplus of Income over Expenditure.

There is an increase under "Political Agencies and other Foreign Services" of £25,200 over this year, which is chiefly occasioned by the presents to be given during the Governor-General's tour.

Under "Superannuation and Retired allowances" an additional sum of £7,500 has been taken to provide for the increased demands for compensation likely to arise from the extensive reductions in progress.

It will be seen with satisfaction that the charge for interest on the Debt, after increasing for several years, has received its first check, and will be less next year than this by £77,000, while there is an increase of £50,000 in the Receipts on account of Interest.

This Government has the advantage of having three *real* Sinking Funds.

The first of these is the proceeds of the sale of Waste Lands, and of the redemption of fixed Rent-charges, both of which, according to the instructions of the Secretary of State, are to be applied to the payment of Debt. As the same principle is applicable to all sums derived from the sale of real property yielding, or capable of yielding, Revenue, the Local Financial Officers have been directed to make Returns of the sums available for investment on this comprehensive footing. No investments have yet been made from this Fund.

The second is the sum authorised to be invested in Government Securities from the Coin and Bullion received for Notes, within the limit of the smallest amount which experience has proved to be necessary for the monetary transactions of the country. That limit has been fixed for the present, by Act XIX of 1861, at four Millions Sterling, but the sum which it has been considered proper to invest up to the present time is only one Million.

The third is the surplus of the Cash Balances beyond the amount required to carry on the Expenditure. I shall return to this point when I have to speak of the Estimate of Cash Balances for the ensuing year. One Million Sterling has been lately applied from the surplus of the Cash Balances in the extinction of Debt held in this country, and three Millions have been remitted to the Secretary of State, over and above what was wanted to meet the Home expenditure, to enable him to operate upon some portion of the Indian Debt held in England.

Neither of these three Sinking Funds is directly derived from the produce of taxation. To impose, or continue Taxes to pay off Debt, is a measure of doubtful policy; but when, from any cause, Capital accumulates beyond what is required for current purposes, instead of spending it as Income, it ought to be employed in extinguishing Debt, in order that there may be no diminution of the Capital stock of the community.

As investments made from the Waste Lands Fund and the surplus Cash Balances result in a final extinction of Debt, the Interest saved will appear in

the Estimates and Accounts in the form of a diminished charge. The investments from the Currency Deposits, on the other hand, are held in trust to meet a possible, but extremely improbable, demand for the payment of Government Notes; and the sum annually received for Interest from this source will, therefore, be credited as Revenue, leaving the principal available for re-sale if necessary.

The total estimated Expenditure in India for 1863-64 is £37,525,300, which is £296,400 more than the Regular Estimate for 1862-63, and £279,544 more than the Actual Expenditure for 1861-62. The Estimate for 1863-64 exceeds Estimate for 1862-63 by a larger amount, but the true comparison is not with the expectation which the Budget Estimate of 1862-63 held out, but with the near approximation to actual fact afforded by the Regular Estimate of the same year. The increased Expenditure in 1863-64 is caused by additional appropriation for Public Works the greater part of which are of the nature of a highly reproductive investment. In other respects the Expenditure has been kept below its previous level.

I shall now review the estimated Revenue of 1863-64.

"Land Revenue" is taken at £19,384,500 or £45,500 less than the sum expected to be realized in the current year. It falls short, by a much larger sum, of the amount credited in 1861-62; but it has been already explained that there were incidental Receipts in that year, the greater part of which cannot recur. The Estimates for the Land Revenue are made by the different Local Governments long before the end of the preceding year, with a liberal allowance for a possible failure of the harvest; and the consequence is that, as the harvest never fails in the same season all over India, the Estimates are almost always under the mark. For this reason alone I am persuaded that the Estimate for 1863-64 is a very moderate one. There are, however, still more potent causes. The high prices of agricultural produce strongly stimulate the extension of cultivation, which is attended in the Madras and Bombay Presidencies and some other quarters with a direct proportionate increase of the Land Revenue. But, everywhere except where the Land Revenue has been already permanently settled, the hope of obtaining that great boon furnishes a powerful additional motive. In order to prevent any undue sacrifice, it has been determined that the claim of the Government against an Estate is not to be fixed until it has been cultivated up to a fair average, leaving only the usual proportion of Waste Land for pasture.

I have long been of opinion that a well considered arrangement for fixing the Land Tax would, besides indirectly augmenting other sources of Revenue, increase the productiveness of the Land Tax itself.

The Government can, under no circumstances, demand more than a moderate assessment. When, therefore, the cultivation has nearly reached its maximum, our obvious policy is to fix the assessment, and to trust for the further improvement of the Revenue to the outlay of Capital and the accretion of wealth, which are the natural results of permanency of tenure, besides

diminished expenses of collection and certainty of Receipts. Thus the country becomes divided between Estates, the assessment of which has been fixed, and Estates which the owners are endeavouring to cultivate up to the point which will qualify for its being fixed, and it is difficult to say which condition is most conducive to the increase of the Revenue.

The interests of the Revenue are also deeply concerned in the sales of Waste Land being made in the manner most convenient to intending settlers. Every difficulty will be obviated if the practical course which experience has dictated at Ceylon be adopted, *i. e.*, that instead of leaving intending settlers to go through a series of embarrassing and expensive formalities, pains are taken to survey and mark out beforehand the most suitable allotments, with a view to their being put up to auction at fixed periods after full information has been given to all concerned. A suggestion has been already made to this effect, and matured instructions will shortly be issued.

I have commented on "Land Revenue" as it stood previously to a slight change which has been made in the form of the Accounts. The next head was "Sayer," an obsolete Arabic word, which has the same meaning as "Miscellaneous." It has latterly been composed of a variety of items connected with the Land Revenue, of which the Revenue derived from the Forests has been the most important. The progress of improvement has given a value to the Forests which they never had before, and it has been determined to give increased attention to their conservation and management, and to constitute the Revenue derived from them a separate Head in the Public Accounts. The other Miscellaneous items of Land Revenue, which appeared under "Sayer," have therefore been added to "Land Revenue," and what remains has been denominated "Forest Revenue."

The "Abkaree," or Excise upon Spirits and intoxicating drugs, is estimated at something less than the expected Receipts of this year. The plan of letting the privilege of selling Spirits and intoxicating drugs at such prices as local monopolists think most for their advantage, is giving place in several parts of India to that of "Sudder Distilleries," or a fixed Excise upon the manufacture. Whatever may be the relative merits of these two plans in their bearing upon public morality, the "Sudder Distilleries" have not, so far as the experiment has been tried, been favourable to the Revenue. The subject will be fully investigated.

The "Assessed Taxes" call for no remark. As the Income Tax year is from August to August, one-quarter of the 2 per cent. Duty on Incomes below £50 a year was included in 1862-63, whereas the collection of 1863-64 will be entirely confined to Incomes above £50.

It has been already stated that the continued depression of our "Customs" Revenue is caused by the long stagnation of the Piece Goods Trade. The prevailing opinion is, that a revival is not at present to be expected, and in deference to it, I have taken "Customs" at about the sum realized in the present year.

I myself take a more sanguine view, the reasons for which will be hereafter adverted to.

"Salt" is estimated at £64,900 above the Receipts of this year, which is a moderate allowance for the growth of the consumption from the improvement of the circumstances of the people and of the means of communication with the interior, and for the increased quantity likely to be sold in Bengal in consequence of the cessation of the Government manufacture and the disposal of the remaining stock.

On all main points I concur with the view taken by Mr. Laing in his remarks upon the "Opium" Revenue in his last Financial Statement. We have gone on calling the Opium Revenue "precarious" long after the contrary has been demonstrated by actual experience. It is *anomalous*, but it is not *precarious*. It rests upon precisely the same basis as the Excise upon Spirits in England; with this difference, that the Spirits are consumed by Her Majesty's Subjects, while the Opium is consumed by the Subjects of the Emperor of China; but the Chinese will no more go without Opium than, it is to be feared, certain classes of our fellow-subjects will forego the use of Spirits. The idea of the Chinese becoming independent of us by growing their own Opium is a mere chimera. The cultivation has been permitted in China for several years with the result that the demand upon India for Opium has been continually increasing. India has been bountifully dealt with in the great division of labour established by nature. She has an advantage over all the world in producing Indigo, Saltpetre, Opium, and some other things. The Chinese, on their part, are more likely to increase their cultivation of Tea and Silk than of Opium. Even if the quantity grown in China was largely increased, Bengal Opium is so much better than the native product, that it would still be sold as an article of luxury like Manilla or Havannah Cigars.

No doubt the cultivation of Opium in China would increase if the market were not supplied with a sufficient quantity of Indian Opium. In Bengal we make a quantity in each year as nearly approaching 50,000 chests as we can. In other parts of India, Opium can be freely manufactured and exported subject to a Pass Duty, and the annual quantity is gradually rising to another 50,000 chests. The wants of the China market, therefore, appear to be sufficiently supplied.

The moral justification of the Opium Revenue also follows the parallel of the Home Excise upon Spirits. Is it best to check the consumption of Opium by placing the highest possible Tax upon it; or, by leaving the cultivation and export entirely free, to give to the Chinese the means of unlimited indulgence in their favourite drug? There is only one other alternative; which is, without taking any Revenue from Opium, to maintain an Army of Preventive Officers in the interior and round the coasts of India, to secure the entire cessation of the cultivation. Indeed, we could not stop there; for there are other intoxicating drugs in common use in India and China which are more injurious than

Opium, and, if Opium were prohibited, the increase of these truly brutalizing stimulants would call for their suppression also.

In 1861-62 Mr. Laing estimated Bengal Opium at Rs. 1,748 a chest. The average price of the year was Rs. 1,614 a chest, and at the end of the year there was a surplus on Bengal and Malwa Opium, over the Estimate, of £251,708.

In 1862-63 Mr. Laing estimated Bengal Opium at Rs. 1,200 a chest. The average price of the year was Rs. 1,429 a chest, and there is likely to be a surplus of upwards of £1,700,000.

Bengal Opium has been estimated by me at Rs. 1,250 a chest, which would give a total sum of £8,290,000 upon the expected crop on both sides of India. The sum for which I have actually taken credit in my Budget Estimate is £8,000,000, which is less than Opium will yield this year.

The causes of the recent low state of the "Stamp" Revenue have been already explained. I expect that it will revive next year, but I have taken the Estimate on the supposition of its continued depression.

"Post Office" shows no increase. This Revenue is derived from voluntary payments made in return for advantages expected to be received, and it therefore depends upon the manner in which the department is regarded by the Public.

An increased Receipt is expected from the "Electric Telegraph," in consequence of the new lines which are about to be opened.

The increased Receipts under "Law" and "Justice and Police" arise from the circumstance that large Municipal contributions towards the expense of the Police, which were previously carried to Local Funds, have now been credited as Revenue.

Of the £350,000 which are the estimated Receipts from "Marine," about £150,000 are from Pilot-dues and other ordinary sources of Income. The remaining £200,000 will be from the sale of ships and Marine stores; but owing to the abolition of the Indian Navy, and to the substitution of Freight and Contract for Government Vessels, and the transfer of the Government Dock-yards to private Companies, the Receipts from this source are certain greatly to exceed the amount named.

The diminution in "Miscellaneous Military Receipts" is owing to several causes. Retrenchments not finally upheld, and consequently not actually Receipts, have been to some extent included heretofore. During the last year there has been a considerable realization on account of Remounts sold to officers, which was an exceptional measure and will not recur. The actuals of 1861-62 also include a large amount of arrear Receipts, chiefly recoveries, the result of more effective Audit.

The total amount of Revenue estimated by me for 1863-64 is £45,806,200, which is only £200,500 more than, according to the Regular Estimate, will be

actually realized in 1862-63. Indeed, when the increased Receipts from Opium, of which information has since been received, are taken into account, my Estimate of the Revenue of next year is less than the actual Receipts of this year. In the absence of any extraordinary unexpected check before the end of April 1864, there must be a progressive increase of the Public Revenue, taken as a whole, which will carry the Receipts beyond the figure at which I have taken them.

How much reason there is to expect a sustained progress, will be seen from the following statement of the annual Revenue since the mutiny :—

1858-59	£36,060,788
1859-60	£39,705,822
1860-61	£42,903,234
1861-62	£43,829,472
Regular Estimate for 1862-63	£45,105,700

From these it will be seen :—

1st.—That the increase in 1862-63 over 1858-59 is £9,044,912.

2nd.—That the average Revenue of the three last years exceeds that of the three first years by £4,389,520.

3rd.—That the aggregate increase in four years upon the Income of 1858-59 is £27,301,076; and,

4th.—That there has been an average annual increase in each succeeding year of £2,730,107.

The net Expenditure in England is estimated by the Secretary of State at £5,347,300, which is more than the Expenditure of 1862-63 by £54,903. This is caused by increased payments for the Persian Gulf Telegraph, and for the site and construction of the India Office. As the object of the first is to establish direct Telegraphic communication with England, it stands in no need of explanation; but as regards the second, I may mention that the plot of ground in London where the Foreign Office and other buildings stood has been allotted for Public Offices, and that the Foreign Office and India Office divide the Park frontage, and pay for the ground and building, which is all one design externally, according to the space they take. Therefore, India only pays exactly as England does, both for ground and building.

It is estimated that the Home Military charges will be £148,000 less in 1863-64 than in 1862-63, including a diminished payment of £50,000 to the Imperial Government for Her Majesty's Troops serving in India. Having during many years assisted in the settlement of the Home charges of Her Majesty's Troops serving in India, I have had painful experience of the public inconvenience arising from the attempt to adjust such periodical accounts upon a consideration of the infinite variety of fluctuating and perplexing details into which

they ramify, and am able to say that a great improvement has been made by substituting the principle of an average rate per man. The rate adopted up to the close of this Financial year was a provisional one, founded upon the average of a period when the recruiting arrangements were conducted on a very economical footing, and the matter is to undergo further investigation.

The Guaranteed Interest on Railway Capital, less net Traffic Receipts, is estimated by the Secretary of State at £1,617,825, which is £117,825 more than the Budget Estimate of 1862-63, and £192,745 more than the actual charge for 1861-62.

The total Expenditure which has to be provided for in 1863-64 is, therefore	£44,490,425
And, as the total estimated Revenue is	£45,306,200
The estimated surplus is	£815,775

The Secretary of State, being strongly impressed with the public importance, in the present state of India, of expediting the construction of reproductive Public Works, and especially of Roads subsidiary to the new Railways, or opening direct communications with the Coast, authorized, by a despatch dated 30th August last, the appropriation for this purpose of any sum that might be required out of the Cash Balances, not exceeding £3,000,000 Sterling. The resources of Indian Finance have proved greater than they were at that time expected to be, and we have been able to make, out of the Revenue of the year, ample provision for all the Public Works of every kind that can be carried on within the year, leaving a clear surplus, after doing this, of upwards of £800,000. It is a matter of congratulation that the Secretary of State's object has been accomplished without the necessity of departing from the good old rule of English Finance, that the whole of the Expenditure of the year should be provided for out of ways and means raised within the year, leaving a surplus of Income besides, to meet contingencies. To use Lord Elgin's words, the exhibition of a surplus "tangible, palpable, and incontrovertible," at the present turning point of Indian Finance, is a matter of much public moment, and if we had drawn upon our Cash Balances for any portion of our current Expenditure, some doubt might still have remained on this point. The Secretary of State has since directed Six Millions Sterling to be remitted to England from the Cash Balances for the payment of Debt. The matter has thus been replaced on its right footing. Our available Capital is to be employed in extinguishing permanent charges upon Revenue, and every demand of the year is to be met, as heretofore, from the surplus of Income over Expenditure.

Before I enter upon the disposal of the surplus, I must express my grateful sense of the cordial assistance I have received from all the Public Departments, and from the Chief Officers in every part of India; but there is one obligation which I wish especially to record. The Honorable Mr. Drummond, the late Financial

Secretary, not only gave me the invaluable aid of his excellent judgment and mature knowledge of Indian Finance during his tenure of office, but after his appointment as Lieutenant-Governor of the North-West Provinces, he remained at Calcutta, with the Governor General's consent, solely for the purpose of assisting me in a task which I should have found heavy indeed without his help

One article now charged with an import duty of ten per cent. is a material of Industry so essential to the development of the great works upon which the future of India depends, that it is proposed to charge only a Registration Fee of one per cent. upon it. I, of course, refer to Iron. The loss of Revenue will not be great; for, after separating Ironmongery and Cutlery, which are used for domestic purposes, and will still be chargeable with the ten per cent. Duty, much the largest portion of the remainder is imported for the construction of Railways, and is either added, together with the Duty upon it, to the Capital of Guaranteed Companies, the Interest of which is made good out of the Public Revenue, or is enti rely exempted from Duty under a privilege lately conceded to Companies more directly based upon the principle of private enterprise. Out of a total value of £1,087,464 of Iron imported at Calcutta in 1862, £542,608 was for Rails alone: Machinery, into which Iron so largely enters, is on the Free List.

Keeping the Duty on Spirits at its present rather high rate, it is proposed that the Duties charged on Beer and Wine should be lowered. Besides sharing the burden of the general high prices with the Native community, Europeans pay heavily for articles of consumption peculiar to themselves; and now that Artisans and others in narrow circumstances are resorting to this country in large numbers to assist in carrying on Public Works and Industrial undertakings of various kinds, it is desirable that they should get their European supplies with as little additional cost as possible, beyond the necessarily heavy charge of freight from England and conveyance into the interior.

The Duty on Beer, the most wholesome of stimulants and the best suited to this climate, is at present two annas or three pence per gallon. It is to be reduced to a Registration Fee of one anna.

The Duty on Wine was reduced by Mr. Laing from an uniform rate of two Rupees a gallon, to one Rupee upon Wines of less value than 12 Rupees per dozen; and two Rupees upon all of a higher value. The arrangement has not answered the object intended; for in the ten months ended on the 28th February last, only Rs. 16,499 was paid at Calcutta on Wine of less value than Rs. 12 a dozen, while Rs. 1,84,683 was paid on Wine above that value. It is proposed that every kind of Wine should be charged a Duty of one Rupee a gallon, which will be equal to an *ad valorem* Duty of about 13 per cent. Several inconveniences arising out of the present discriminating Duty will thus be avoided, and the importation of wholesome Wine will be encouraged.

The total loss of Revenue from these reductions of Duty, making the necessary allowances on Iron arising out of our connection with the Railway

Companies, may be estimated at £50,000. The reduction of Duty will take effect from the 1st May 1863.

Of the three great War Taxes originally proposed, the Income Tax alone came into operation; and, by subsequent legislation, Incomes less than £50 a year were exempted, and the assessments first made were accepted until the Tax expires in August 1865. It is satisfactory to the Government that the state of the Finances enables them to a certain extent to anticipate that period, and they propose that one per cent. of the Income Tax shall be remitted from the 1st August next. From that date, therefore, the Duty upon Incomes will be three, instead of four per cent.

The annual sum thus remitted is £380,000; but, as the Income Tax year is from August to August, one quarter of the one per cent., or £95,000, will come within the Financial year 1863-64, and the actual loss in that year will therefore be only £285,000, and adding to this the estimated loss of £50,000 from the remission of Customs Duties, the diminution of Revenue will be in all £335,000.

The estimated surplus of Income over Expenditure, after making ample provision for Public Works and every other object, has been shown to be £815,775; and deducting from this the above-mentioned sum of £335,000, the final surplus is £480,775.

It will be seen from the Estimate of Cash Balances in the Indian Treasuries, that, after taking seven Millions Sterling out of the Cash Balances for the payment of Debt—that is, one Million paid off in India, three remitted this year to the Secretary of State for the payment of Debt at Home, and three more to be remitted for the same purpose next year—it is expected that the Cash Balance on the 30th April 1864 will still amount to fifteen and a half Millions Sterling.

After a careful study of the Cash Balances I have come to a decided opinion about them. Their extraordinary increase has not arisen from a surplus of Income over Expenditure. This is simply impossible because till now we have had no such surplus for many a long year. It arises, in the first instance, from our having borrowed five Millions more than we wanted, the proof of which has been worked out by Mr. Drummond. Then there is Prize Money; Service Funds; Suitors' Funds; Local Funds of various kinds; Trust Funds; Deposits; Mr. Wilson's appropriated one per cent. from the Income Tax, a large portion of which remains unspent; the increasing Traffic Receipts from, and the diminishing Expenditure on, Railways; and the action that has been taken in curtailing advances on account, and consolidating outlying balances. Our Cash Balances are like the French institution of the *pot-au-feu*, into which everything not required for immediate consumption is thrown, with the result that there is always an abundant mess in reserve for the family. It is a characteristic of the Cash Balances that they are constantly ahead of the Estimates made of them, partly because the Estimates are based upon the *status quo*, whereas the balances are continually in process of accretion; and partly because Public Officers generally estimate

for the full amount they can by possibility spend, and there is therefore always a balance left of unexpended credits. Beginning from this year, a surplus of Income over Expenditure will help to swell the balances.

The great item of so called "Debt" must not be confounded with the genuine National Debt. It is an *omnium gatherum* of every possible description of Account Current, Trust, and Local Fund. It has long been the *bête noir* of Indian Finance, and we propose to make a real settlement of it by instructing our Financial Officers to scrutinize all the items of it, in concert with the Officers of the Local Governments, and divide them into two categories.

The first of these will contain all Funds which are properly Local—I mean those in respect to which the Local Governments or Municipalities are entitled to exercise their own discretion—and all trust Funds for which they are responsible. These will be finally placed to the credit of the Local Governments, subject only to an annual Account, to be rendered according to a prescribed form of the Expenditure of these Local Funds, and an Estimate of the manner in which it is proposed to expend them during the ensuing year. This slight supervision seems to be required by the relation in which the Supreme Government stands towards the Local Governments, and it is also necessary for the guidance of the Supreme Government in making Grants from the General Revenue.

The other category will include those Funds which, by whatever name they may be known, are really Public Funds applicable to public purposes. These were very numerous, for almost every Office had one or more private purses of this kind, which it filled with all sorts of odds and ends, and employed in defraying public Expenditure not included in the Budget Estimate. Various receipts have also been appropriated, from time to time, to particular public services according to a mistaken principle of Finance, which has been superseded at Home by the principle of having only one Consolidated Fund, from which all payments are made. All receipts and payments on the Public Account will hereafter be carried to Revenue and charge, and it will then be seen what the Public Income and Expenditure really are.

Thus, by separating one part and incorporating another, we hope to reduce "Debt" to smaller proportions, and to establish a stricter responsibility in the application of the various sums of which it is composed; while, at the same time, a solid foundation will be laid for a self-sustained Municipal action. But, although the Account will be cleared and the administration will be improved by this process, the Cash Balances will not be diminished. The Supreme Government will still be the general purse-holder, and will take care that the surplus of the Cash Balances is invested for the public benefit.

It may be asked in England why no reduction is proposed in the Duty on Piece Goods. The English Merchants in India, who have better means of information than their countrymen at Home, have not applied for any such reduction. They are aware that as the Duty of five per cent. *ad valorem* is charged on a

valuation which was fixed when prices were about half of what they now are, it really amounts only to 2½ per cent. They also know that one argument which has been urged at Home with a show of reason has proved to be without foundation. The so-called protective Duty on the Native manufacture has utterly failed to afford protection. The Native Hand-loom Weavers have been prostrated by the blow which staggered Manchester. Having no capital of their own, nor any charitable friends to help them, they have gone down before the excessive price of the raw material, and the excessive stocks of the manufactured article firmly held by English Houses, and have emigrated, or gone upon the Railways and other Public Works, or have given themselves up entirely to agriculture. The great majority, like our own Hand-loom Weavers, were half agriculturists before; and their recent absorption in the agricultural class has been a benefit both to England and India. Such are the wonderfully productive powers of the soil and climate of India, that agriculture must always be her staple industry. Another long step has been taken in this direction. The insufficient supply of rural labour and the high price of grain and exportable produce have received some mitigation; and when Manchester sets to work again, she will find her rival local manufacturers converted to an unexpected extent into ready-money customers. There has been occasional severe distress, particularly where the manufacture was carried on for general sale at marts: but on the whole, it is a remarkable proof of the healthy, progressive state of India, that the transition has been got through with so little difficulty. The Government has not been called on for any assistance, and the only subscriptions raised have been for Manchester.

It was shown in Colonel Baird Smith's Report, that the stagnation of the Cotton Trade in India must be attributed,—1st, to the lowness of the stocks caused by the commercial difficulties in England in 1857-58; and 2nd, to the large speculative shipments made, in addition to the usual supplies, to take advantage of the high prices arising from the preceding cause. Upon this state of things came the War in America, which, threatening to cut off the supply of cotton, induced the proprietors of goods held in India to instruct their Agents to demand an equivalent advance in price to what had taken place in Europe. Shippers, believing that the native dealers and consumers would be compelled to pay the price asked, also continued to make nearly the average shipments. But the Native dealers, being aware of the large stocks held in Europe, and of the consequences to be expected from the sudden cessation of the Civil War, would not speculate at present prices, and the Native consumers did not like to give 50 or 60 per cent. more for their clothes than they had been accustomed to do. This unusual combination of large stocks with high prices was the cause of the depressed state of the Trade. The 40, 50, and even 60 per cent. advance of price paralyzed the Trade, and not the nominal 5 per cent. Duty, which, for the reason already explained, had become in reality much less.

A further advance of price of about 20 per cent. has lately taken place in consequence of an unexpected demand on the part of the Native dealers. India

will give almost as much help by taking off the manufactured article, and thus enabling Manchester to offer a good price for the raw material, wherever it is to be had, as by furnishing the raw material itself. This great population never had so much money. They have waited a long time for cloth to get cheaper; but seeing that it does not, and that neither they nor their Wives and Daughters can go on longer wearing their old clothes, they have begun again to buy.

All that is possible is being done to increase the supply of raw Cotton. If Government became a producer or a trader in the article, private producers and traders would have to retire from the competition. The power of the Government, therefore, is limited to protecting everybody engaged in the Trade, to enforcing the strict performance of every lawful contract, and to facilitating the conveyance of cotton to the Coast. All this is being done without stint. Funds will, as I have said, be forthcoming for making Cotton Roads to any extent consistent with the possibility of execution on reasonable terms. The difficulty is, not money, but labour and superintendence. The laches of ages cannot be repaired in a single generation; still less in a year or two. We must not repeat in India the mistake made in Ireland, by not distinguishing between the ultimate capabilities of a country after its resources have been developed, and the improvements which are immediately practicable. The soil and labour of India are so largely engaged in producing Indigo, Saltpetre, Opium, Oil Seeds, Fibres, and other exportable commodities, besides this last urgent demand for Cotton, that she can with difficulty meet all the demands upon her. We are too much accustomed to look upon India as an inexhaustible fund to be drawn upon *ad libitum*. She ought rather to be regarded as a Bank, the many pressing claims upon which can be answered in full only by making the most of every available resource.

I have carefully considered whether the plan which has been adopted of late years in England, of confining Customs Duties to a limited number of principal articles of import, might with advantage be extended to India. Whether Duty be levied on many articles or on few, all must undergo the usual examination, partly for statistical purposes, but chiefly because, unless all were verified, it would be impossible to know which were liable. Nothing, therefore, is gained by limiting Duties to a few articles either in saving expense of collection or in exempting the Trade from interference. The Customs Duties in India are collected in a manner which scarcely admits of simplification, and no complaints are heard. India is such a vast and imperfectly developed country, that articles which hardly appear in one part exist in abundance in another, and entirely new staples occasionally spring into life in answer to some unexpected demand or discovery. Under such circumstances, our policy should be to levy a wide-spread but moderate Duty, so as to give free scope to Trade in time of peace, and to cherish the increase of a fund which would be our first Financial reserve in time of war. A consolidated Customs Act has lately been passed which comprehends every regulation relating to the subject except the tariff.

I promised to notice separately the change which has taken place in the Salt Revenue of Bengal. The monopoly which was established by Lord Clive in 1765, for the purpose of substituting sufficient salaries for the presents and other irregular gains which had up to that time been received by the servants of the Company, has, after passing through a modified state of existence, come to an end before it had quite completed a hundred years. A Select Committee of the House of Commons, in 1836, recommended that the import trade of Salt should be thrown open, and that the Government should confine itself to a monopoly of the local manufacture, and should sell its Salt at the cost price, with the addition of a modified fixed Duty, which was to be equally charged upon Government and upon private Salt. This plan was adopted, and the Government soon after permitted Salt to be made subject to an equivalent Excise Duty.

Since that there has been a constant struggle between the Government Manufacture and the Private Trade. The long exclusion of Foreign Salt had given rise to a caste feeling in favour of Bengal Salt, which, however much it might be mixed with earthy particles, was preferred by the Natives to the purest and best Cheshire Salt; and the latter was even adulterated to make it look like Bengal Salt. At last, Cheshire Salt was delivered at a price which overcame the prejudice against it, and it began to sell freely throughout the Lower Provinces of Bengal, in places in which no Salt of the kind had ever been seen and in which its exposure to sale would hardly have been tolerated in former years by the ignorant villagers. Its conquests are not likely to end here. As the whole available carriage on the North-West Frontier has been engaged to meet the pressure of the Cotton Trade, the importation of Salt from that quarter has fallen off, and Liverpool Salt is sent far into the interior, by Rail and River, to supply the void. This is another instance of the unlimited confidence that may be placed in the self-adjusting capacity of Trade if it is really left to itself.

The rapid increase of the sales of private imported Salt and the corresponding decrease of the sale of Government Salt will be seen from a table submitted by me.

As it gradually became apparent that the private Trade might be relied on for the necessary supply of Salt, the Government withdrew from the manufacture. At the beginning of the present Financial year, the Chittagong Agency was closed, and the Tumlook and Hidgelee Agencies were united into one; and in February last, orders were issued entirely to discontinue the manufacture, by closing each Salt Pan as soon as the first advances of the season had been worked off.

The charges of manufacture were diminished last year by £175,000, and this year there has been a further reduction of £237,500. This is not all saving, because the expenditure was of the nature of an advance recoverable by the sale of the Salt. Nevertheless, the Government was permanently deprived of the use of a large average sum of money; and it is better, for many reasons, that the public

Revenue should be collected on delivery of the manufactured article over the side of a ship, than by an elaborate system of advances, manufacture, and sale, absorbing time and money, which can be ill spared from the really necessary purposes o f Government.

The clearing of the Forests and the draining of the swamps at the mouths of the Ganges were seriously interfered with by the Salt manufacture. Large tracts had to be kept in a half-submerged state to promote evaporation, and a portion of the Sunderbans was maintained in a state of nature to grow fire-wood to boil the Salt. As it is not to be expected that private persons will take up a losing business from which the Government is retiring, the accelerated improvement of these important Suburban Districts may be confidently looked for. The Moolunghees, or labourers in the Salt Pans, are, like the Weavers, already half agriculturists, and the demand for their labor, as such, will be increased by the Salt lands being given up for cultivation. The prices of agricultural produce are so high that every resource should be made available to increase production.

The remaining Government stock of Salt consists of 8,018,161 maunds, or 294,545 tons. When the Government undertook to supply Bengal with Salt, it was necessary to keep a large reserve stock in hand; but now private Trade has shown itself perfectly capable of supplying, not only Bengal Proper, but other extensive countries in the interior besides; and the sources of supply are so varied that they cannot be cut off. The importations from Liverpool, however much they may have increased of late years, are backed by still more extensive Home resources. Independently of the Salt range in the Punjab, and the Sambhur and other Salt Lakes in Rajpootana, which have vast areas of supply, an unlimited quantity of cheap Salt can be made in the Chilka Lake, on the Frontier of Bengal and Madras, and on every part of the Coromandel Coast. In the Run of Cutch, ready-made Salt in any quantity can be had for the carting.

Besides the waste of public money caused by the locking up of so large a Capital, by the gradual melting of the Salt, and the heavy cost of ware-houses and establishments, the existence of such a stock is a constant cause of disturbance to the private Trade. As the Government has now entirely and finally abandoned the manufacture of Salt, and only seeks to recover its advances by the sale of its remaining stock, the engagement not to sell at less than cost price may be considered to have terminated with the exceptional state of circumstances which gave occasion to it. According to my view, the Government might, with perfect fairness and consistency, after giving due notice, sell by auction, from time to time, certain limited quantities of Salt till the whole was exhausted. The quantity to be brought forward should have reference to the average sales of the last four or five years of open ware-houses and fixed prices and the upset prices should not be less than the ruling price of Liverpool Salt added to the fixed Duty. All this is for future discussion; for the present, there will be no departure from the practice of selling at cost price.

At the present rate of wages, the highest Salt Duty paid in British India amounts only to an insignificant charge upon the earnings of an ordinary laborer. This Tax is levied in a manner free from inquisition, and with less expense and greater certainty than perhaps any other that could be devised. The Salt Tax, and the Excise upon Spirits and intoxicating drugs, amounting together to about seven and a quarter Millions Sterling, are contributed by 150 millions of the people of India, and these Taxes stand in the place of the 40 Millions Sterling paid by the 30 millions of the British Isles upon their food and tobacco.

Among the other advantages conferred upon the people of India by the introduction of Railways, the reduction and equalization of the price of Salt is not one of the least. At Madras a short branch line runs into the centre of the Depôt; and it is remarkable that, out of 1,229,780 maunds of Salt sold at the Depôt from April 1861 to November 1862, 1,000,887 were sent by Rail into the interior.

It has truly been said that, after a quarter of a century of exhaustive efforts beginning with the Afghan War, and ending with the Mutiny, the want of India *is Repose.* But it should not be the repose of indolence. The change should be rather from the destructive arts of War *to the reproductive arts of Peace.* The present is a golden opportunity which should be improved to the utmost, for we know not how soon the existing tranquillity may be interrupted. War does not consume according to rule and measure. Everything else must yield to the necessity of self-preservation.

As the Financial system is the heart of the Body Politic, upon the healthy state of which the power of meeting the demands both of peace and war depends, our first attention should be directed to it. The foundation of a sound Financial system on the English model has been laid broad and deep by my predecessors. The *organic* changes have been successfully made. What remains is to extend the application of those principles throughout the whole field of Income and Expenditure, so as to remould the entire system into one consistent whole.

With this view arrangements have been made for a thorough revision of all the Public Establishments, on the plan of that which has been in continual progress at Home, since Sir James Graham commenced his reforms at the Admiralty more than thirty years ago. For some of the more critical investigations, two of the ablest Financial Officers of Her Majesty's Government will be united with the best man whom the Indian Department actually under revision can produce. In other cases the remoulding will be effected by carefully selected Indian Officers only. The object will be, not economy in the vulgar sense, but the attainment of the highest degree of efficiency, which is alone consistent with true economy. To get rid of unnecessary processes, to ascertain the number and description of persons really required for the effective transaction of business, and to determine the best classification and scale of remuneration, is the end proposed. Moderate Establishments well worked and well paid are indispensable to a healthy state of the Public Service.

In the present condition of the Public Service in India, a searching revision on these principles must be productive of the happiest results. Although we have been overtaken by a demand for labour which requires that every available man should be restored to production, the practice in most Departments still is to have a multitude of unprofitable, ill-paid, subordinate Native servants who prey upon the public without yielding any adequate service in return. As their wages were fixed when the expenses of living were not half what they now are, they have the same excuse for abuse of power as the English Civilians had before Lord Clive's reforms. Increase of pay must, therefore, go hand in hand with diminution of numbers, and proper securities must be taken for the admission only of well qualified persons into the Public Service. The inadequacy of the pay of the subordinate Judicial Establishments has long been a public scandal, and it is highly to the honour of the respectable class who fill these appointments, that there have not been more instances of malversation. At the same time so many new Judicial and Magisterial arrangements have been made of late years on different principles, that a re-cast of the existing heterogeneous Establishments, especially in Bengal Proper, is indispensable for the purpose of restoring harmonious action, and the result will, by no means, be always an increase of Expenditure.

After the Public Establishments have been thus re-adjusted, the further modifications which the change of circumstances will from time to time require, should be made on a consideration of the Annual Budget Estimates. The value of this periodical Review, in the opportunity it affords of pruning excesses, supplying deficiencies, and adapting the Public Expenditure to the actual exigencies of the Public Service, is incalculable; but the "Budget system," as it is here called, is an instrument of portentous power; and when it is neglected and left in the hands of interested subordinates, it is capable of fearful abuse. Painful symptoms of this have appeared in a few of the Estimates which it has been my duty to review, while in other cases they have been prepared with as much fidelity and exactness as the best of our English Estimates. These inequalities will, no doubt, be corrected as the great importance of the operation by which the Public Expenditure is fixed for the ensuing year becomes better understood. This operation is the foundation of our Financial, and has a very important bearing upon the efficiency of our Administrative, system.

The other great work of Peace, for which this interval of tranquillity should be utilized to the utmost, is the construction of necessary Civil and Military Buildings, and the formation of Roads, Railways, Canals, and other means of assisting the productive powers of the country. In respect to some of these the active agency of the Government is indispensable; but as regards the great bulk of Reproductive Works, it is important for all concerned that our real position should be understood.

The primary business of Government is to protect life and property, and to enable all classes of persons to pursue their respective industries and enterprises

without molestation, and with as little burden of taxation as possible; and the time and strength of the Government and its Officers are severely taxed to perform even this indispensable duty in a tolerably efficient manner.

To conduct all the undertakings which are required to support the industry of a country, forms no part of the functions of the Government. This rather belongs to the Society itself, acting through various modifications of the principle of association. In England, which is far ahead of all the world in this respect, the Government has nothing to do with the matter. In Ireland the practice was to depend upon the "Castle" for everything; and when the system of grants, either avowedly made as such, or disguised under the name of Loans, led to serious abuse, the "Board of Works" was instituted, from the scientific, systematic action of which everything was expected. Then came that terrible teacher, the Famine. Ireland threw herself without reserve upon the Board of Works, which was supported by all the money and all the agency which England could furnish; and, when it all broke down, people began at last to perceive that the task was beyond the strength of any Government, and that nothing short of the united efforts of the whole Society, of which the Government was only the organ and representative, would suffice. Since that, the "Castle" and the "Board of Works" have been allowed to contract within their proper spheres, and, under a system of awakened private industry and enterprise, Ireland has begun to blossom like the rose, and to be a source of strength and credit to England, instead of being her greatest "difficulty."

This is a true illustration of our present position in India. In the absence of all private enterprise, the Government undertook to do what it could; and, although its hands were overburdened, they were not torpid. This first era of Anglo-Indian Public Works has been illustrated by the genius of Arthur Cotton and Proby Cautley, and by the self-denying exertions and well-directed talent of many other Officers less known to fame. Public opinion, however, soon became painfully sensible of the insufficiency of these means to the end proposed; but, being still possessed with the notion of the unlimited nature of Government resources, clamour arose, both in India and England, against the "Department of Public Works," as before in Ireland against the "Board of Public Works." Have we still to learn that to furnish a worthy industrial outfit for such a country as India is beyond the power of any Government? In the prosecution of such undertakings, the Government is limited by the amount that can be annually spared out of the produce of the Taxes after provision has been made for the primary and necessary functions of Government; for the result is the same, whether appropriations are made out of current Income, or loans are raised, the interest of which has to be paid from the same source. The rapid growth of the charge for guaranteed interest for a few Trunk Railways shows that, if this scheme was extended to all the Public Works of the country, the burden could not long be borne. Then the agency which can with advantage be worked by Government is subject to strict limits. It is limited to what can be effectively superintended by a single Chief.

These bounds have been already passed, and hence the numerous imputations, too often well founded, of mismanagement or abuse on the part of the subordinate Local Officers. It is impossible for any Government to exercise an effectual control over Public Works of all kinds, simultaneously going on in almost every part of a great Continent which exceeds the whole of Europe, without Russia, both in area and in population.

According to the English practice, the Capital available for carrying on Public Works in India would be commensurate with the entire Capital stock of the Society at large, and the agency would be extended to the whole of the professional classes, supported and superintended by the classes which, although not professional in this sense, are accustomed to deal in a business-like manner with undertakings of every description. It would be even more than this, for India would be backed by all the Capital and professional skill of England. Such is the wonderful annual accretion of English wealth, drawn from all the four quarters of the world, that if the English people can once be induced to regard India as a field of investment, as South America was once regarded by them in the time of the Speculative Loans, and as North America was for a much longer period, and with much greater practical results, India would rapidly become more to England than any person has yet imagined. The rapidity with which England was covered with Railways shows in how short a time great works may be executed on this principle; and in this case we should profit by the experience of England and avoid her mistakes. Although the Government cannot itself execute all the works that are required by a country like India, it may, with great public advantage, exercise a general supervision by bringing the experience of the whole to bear on every part.

To manage this transition in the manner most for the benefit of Society has been one great object of Lord Elgin's Government. To pass at once in all cases from entire Government support to the entire absence of it, would be overshooting the mark. It does not follow that the Government should give no assistance at all for the future, because it has in some cases given too much heretofore. The Military and Political objects for which the Government guaranteed the Capital to be expended on certain main Trunk Lines of Railway have been accomplished, while the inconveniences of the system have become painfully apparent. For this has been substituted an arrangement under which any help that may be necessary is given without impairing the motives which are the mainspring of private enterprise. A specific grant-in-aid is made, while the entire profit and loss, together with the unrestricted management, are left with the Railway Company. The grant-in-aid is either greater or less according to the special circumstances of each undertaking; and according to the same circumstances it assumes various forms, being sometimes given in the shape of the concession of an existing road upon which the Rails may be laid; sometimes in that of a new earth-work constructed for the purpose; sometimes of a single sum paid, once for all, at so much a mile; and sometimes of the promise of an annual payment for so many years; while in other cases, only the land is given.

As experience increases, it becomes more apparent that the assistance required from the Government for the successful prosecution of Railway enterprise in India has been greatly over-estimated. My own opinion is, that there is no country in the world where, with common prudence and exertion, Railways can be made with greater advantage. The opening of the East Indian Railway to Benares has been followed by a stream of traffic with which the Railway Managers, with their present means, are totally unable to contend; and when the gap between Benares and Allahabad has been filled, the stream will still more overflow its banks. What is wanted is, not Government assistance, but English Capital and skill, *and, above all, experienced and able Railway management.* The circumstance that certain Trunk Lines have been made with the aid of a Government guarantee, has led to a fallacious idea that branch lines cannot be made without it; but numerous lines of Railway may be made between populous Cities and through highly cultivated Districts, which, although branch lines in reference to the guaranteed Trunk Lines, would be themselves Trunk Lines of no mean importance in relation to their own dependent Provinces.

Again, there is a great country in the interior of India occupied by the Native States, where, owing to the absence of Engineering difficulties, Railways may be made at a cheaper rate than the cheapest English agricultural lines; while, owing to the marked difference of natural capabilities, an extensive Trade is carried on between the salt and grain producing regions on one side, and the great Gangetic Valley, with its abundant supplies of tropical produce, on the other. As we go on, we shall get entirely out of the leading strings of Government assistance, and all that will be expected will be that the State through which the Railway passes should provide the land. If the Railway will not yield the ordinary rate of profit without a subsidy from the Government, it can only be made at a loss; and there are so many lines in India which would undoubtedly yield a profit if properly made and managed, that they should at least have a priority of construction. One most important element in the comparison between the relative prospects of the guaranteed Railways and of those which will be made by private enterprise, is the substitution of private thrift and attention to details, for the careless, wasteful management which, constituted as human nature is, must be the consequence of assured profits and dependence upon others.

A similar change is in progress in Marine affairs. The Indian Navy has been dissolved, and the protection of the Coasts of India has been transferred to Her Majesty's Naval Force: arrangements are in progress for disposing of the expensive Sea-going and River Steamers hitherto in use, and employing, under fixed contracts, the Lines of Passage and Freight Steamers which have been established along the Coasts of India. The large Government Dock-Yards at Bombay, Calcutta, and Rangoon have been the chronic cause of a profuse Public Expenditure, which Home as well as Indian experience proves cannot be effectually controlled. These Establishments, with all their Machinery, Buildings, and Stores, will be transferred, on suitable terms, to Private Companies, constituted for the purpose of improving and working them in the interests of the Trade

of the respective places, subject only to the condition that ships belonging to Her Majesty shall have the priority of their use at the rates charged to private persons. The shipping belonging to or frequenting the Ports of Calcutta, Bombay, and Rangoon has so increased of late years, that it stands in need of support and assistance of this kind as much as the shipping of London, Liverpool, or Glasgow, and the Public Finances will gain, not only by saving the expense of the Dock-Yards, but by the encouragement which will be given to Commerce.

Having now performed, to the best of my ability, the responsible duty of explaining the state and prospects of the Finances, and having shown how impossible it is that plans for the public benefit can bear their expected fruit without the hearty co-operation, not only of the Official Body, but also of the independent Mercantile Community, I conclude by expressing a fervent hope that God will enable us to give effect to these good designs, by granting us a continuance of peace, and by putting into the hearts of all a spirit of mutual confidence and good-will.

The Motion was put and agreed to.

The Council adjourned.

CALCUTTA
The 30th April, 1863.

A. G. MACPHERSON,
Offg. Depy. Secy. to the Govt. of India,
Home Department.

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