COUNCIL OF THE GOVERNOR GENERAL OF INDIA

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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 25 and 24 Vic., Cap. 67.

The Council met at Government House on Saturday, the 1st April 1865.

PRESENT:

His Excellency the Viceroy and Governor-General of India, *presiding*.

His Honour the Lieutenant-Governor of Bengal.

The Hon'ble H. B. Harington.

The Hon'ble Sir C. E. Trevelyan, K. C. B.

The Hon'ble W. Grey.

The Hon'ble H. L. Anderson.

The Hon'ble J. N. Bullen.

The Hon'ble Mahárájá Vijayaráma Gajapati Ráj Bahádur of Vizianagram.

The Hon'ble Rájá Sáhib Dyál Bahádur.

The Hon'ble W. Muir.

The Hon'ble R. N. Cust.

The Hon'ble Mahárájá Dhíraj Mahtab Chand Bahádur, Mahárájá of Burdwan.

The Hon'ble D. Cowie.

CUSTOMS DUTIES.

The Hon'ble SIR CHARLES TREVELYAN in moving for leave to introduce a Bill to amend the law relating to the Customs Duties said—

"In the Budget Statement for 1863-64, the surplus of Income over Expenditure was estimated at £480,775, which was afterwards reduced in the Regular Estimate to £31,529. The actual surplus is £78,347.

The Revenue of 1863-64 was £44,613,032, which was only £358,168 less than the Budget Estimate, although "Opium" was deficient in the large sum of £1,168,001. The increase under "Land," "Forest," "Abkaree," "Assessed Taxes," "Customs," and "Stamps," amounted to £1,303,435. The only one of the ordinary sources of Revenue which fell short of the Estimate besides "Opium" was "Salt." The deficiency under this head amounted to £360,704. It chiefly occurred in Bengal, and was caused by the previously over-stocked state of the market.

The Expenditure amounted to £44,534,685, which was £44,260 more than the Budget Estimate. The principal heads of increase were £305,793, Advances for "Opium," arising from the higher rate of payment to the cultivator upon an increased crop; "Indian Navy and Marine," £260,699, caused by unexpected delay in making the reductions which had been determined upon; and £380,423 for additional grants for "Public Works." On the other hand, "Law and Justice" was £127,450, "Police" £120,812, "Interest" £249,958, and "Net Expenditure in England" £569,670 less than the Budget Estimate.

I now proceed to what is called the Regular Estimate of the current year 1864-65, which is founded in general upon the Actual Receipts and Expenditure of eight months, and upon an Estimate of the remaining four.

"Land Revenue" shows a decrease of £170,200 compared with the Budget Estimate, and of £208,623 compared with the Actual Receipts of 1863-64, caused by the deficiency in the fall of rain in the North-West Provinces and Oudh, by the inundation in the Masulipatam District, and by diminished sales of Khás Maháls in Bengal.

In "Forest" there is an increase of £35,980 compared with the Budget Estimate, and of £51,687 compared with the Actual Receipts of 1863-64.

In "Abkaree" there is an increase of £185,270 over the Budget Estimate, and of £212,680 over the Actual Receipts of 1863-64. As it cannot be alleged, in the present state of the Abkaree Administration, that undue encouragement is given to drinking, this large increase furnishes satisfactory evidence of the improved circumstances of the people.

"Salt" and "Stamps" also show satisfactory increase. Salt is £181,740 better than the Budget Estimate, and £588,554 more than the Actual Receipts of 1863-64; while Stamps are £167,870 in excess of the Budget Estimate, and £176,924 above the Actual Receipts of 1863-64.

In "Assessed Taxes" there is an increase of £48,830 compared with the Budget Estimate, and a decrease of £247,132, arising from the reduction of the rate from 4 to 3 per cent., compared with the Actual Receipts of 1863-64.

"Customs" are £55,590 less than the Budget Estimate, and £128,591 less than the Actual Receipts of 1863-64. This can only be accounted for by the continued depression of the Import trade, from which the greater part of the Customs Revenue is derived. Sufficient time has not elapsed to see the full effect of the relief afforded last year by the reduction of the ten per cent. duty upon unenumerated articles to seven and a half per cent.

The state of the "Opium" Revenue and Expenditure requires particular notice. By adhering too long to an insufficient rate of payment to the Ryots, the Opium produced in the Bengal Agencies was reduced in 1859-60 to 21,427 chests, and the sale price was raised to Rs. 1,846 a chest, which must soon have caused an increased production of the drug in China and other countries. The payment to the Ryots was then increased to Rs. 3-8, Rs. 4, and at last, in one step, to Rs. 5 a seer, and the cultivation was extended to districts where an inferior Opium is obtained at an increased cost. The consequences were not fully realized till 1864-65, when this high rate of payment concurring with an unusually favourable season, the crop unexpectedly amounted to 64,269 chests. The effect of this has been injurious in two ways. Extra grants, to the amount of £644,300, have had to be made to complete the settlement with the Ryots for 1863-64, and the price at the Calcutta sales has been reduced below what it has been for many years, whereby the export of Opium from Malwa and Guzerat has been also checked.

Taking charges and receipts together, the net Opium Revenue of the two years 1863-64 and 1864-65 is less than that of the two preceding years by £1,777,217; the charges having increased by £1,708,590, and the receipts having fallen off by £68,627. The figures are as follows, viz. :—

	1861-62.	1862-63.	First two years.	1863-64.	1864-65.	Last two years.
Revenue ...	£6,359,270	£8,055,476	£14,414,746	£6,831,999	£7,514,120	£14,346,119
Charges ...	£1,449,465	£1,856,278	£3,305,743	£2,306,493	£2,707,840	£5,014,333
Net Revenue ...	£4,909,805	£6,199,108	£11,109,003	£4,525,506	£4,806,280	£9,331,786

		First two years.			Last two years.	Worse in last two years.
Revenue ...	...	... £14,414,746	...	...	... £14,346,119	£68,627
Charges ...	...	... £3,305,743	...	...	... £5,014,333	£1,708,590
	Result	... £11,109,003	...		... £9,331,786	£1,777,217

The Budget Estimate anticipated under "Opium," from Bengal £5,200,000, and from Bombay £3,000,000, together £8,200,000. Owing to the large increase of the quantity for sale, the Bengal Estimate will probably be realized, but in consequence of the prevailing low prices, passes have not been taken out at Indore and Ahmedabad to the extent expected, and the general result is an estimated deficiency of £685,880.

The receipts under the remaining heads accrue under no fixed rules, but vary with the circumstances of the year. They show an increase of £412,216 compared with the Budget Estimate, and of £543,454 compared with the Actual Receipts of 1863-64. The decrease under "Post Office" is attributable to the abolition of the Bullock Train, against which there is a reduction in the charges. The increase under "Law and Justice and Police" of £55,730 is due to a transfer from "Tributes and Contributions" to "Police," and to increased collections of Fees. The decrease under "Marine" is caused by an over-estimate made in the absence of any detailed Estimate. The increase in "Public Works" is due to the large sum received from the sale of building sites at Bombay. The increase of £117,776 under "Miscellaneous Civil" arises from the transfer of the balance of the Bhonsla Fund to Revenue, after deducting £30,849, invested with a view to disconnect the Government from certain permanent religious endowments. The pensions chargeable on this Fund much exceeded the annual proceeds, and the excess was paid out of Revenue. The whole of the pensions have now been charged against Revenue, and the Fund has ceased to exist. The increase under "Interest" is caused by increased investments of the Currency Department, and the dividends upon additional shares in the Banks of Madras and Bombay.

The Revenues and Receipts of the year, including "Opium," are £120,236 more than the Budget Estimate, and £1,671,074 more than the Actual Receipts of 1863-64. Excluding "Opium," there is an increase in Revenues and Receipts, compared with the Budget Estimate, of £806,116, and of £988,953 compared with the Actual Receipts of 1863-64.

To proceed to the Estimated Expenditure of the current year 1864-65: the increase of £15,597 under "Customs" arises from recent revisions of establishments at Calcutta and Bombay, whereby the collection of the revenue at those Ports has been placed on a more efficient footing.

The increase under "Salt," £30,943, is caused by higher rates for the purchase and transport of Salt for Malabar, and by increased manufacture in consequence of the large quantity of Salt destroyed in the Krishna District by the late inundation.

The increase under "Opium," £453,679, is for the additional advances, amounting to £644,300, already referred to as having been made on account of the preceding year 1863-64, less a saving of £190,621 upon the ordinary expenditure of 1864-65. Compared with the Actual Expenditure of 1863-64, the increase is £401,347.

The decrease of £97,825 under "Mint" arises from a more correct method of exhibiting the Copper received for minting purposes from England. Copper for coinage is now treated in a similar manner to bullion, the Mint profit only being carried to the credit of Revenue, and the Copper itself while uncoined remaining as a part of the Cash Balance at its intrinsic value.

The saving of £76,185 under "Post Office" is caused by the abolition of the Government Bullock Train; and the increase of £39,022 under "Electric Telegraph" is owing to a payment to the East Indian Railway Company for the construction of a line from Burdwan to Patna in 1856, and to arrear charges of 1863-64 paid during the current year, for which no provision was made in the Budget Estimate.

The principal causes of the large increase in Army Expenditure, estimated at £674,571, are as follows:—

	£
For increased price of Europeans' rations, compensation to Native Troops for dearness of provisions, and increased cost of feeding horses and keeping and hiring Transport Animals	272,500
Substitution of full for half batta, increased pay to Medical Officers, and compensation for extra clothing to European Troops ...	100,000
Purchase and repair of Barrack furniture: gas fittings for extra lighting, and increased cost of bedding	57,500
Additional bounty and kit money to men re-engaging, compensation for losses of property, appointments, messes, &c.	30,000
Increased consumption of Beer consequent on the diminution of the ration of Rum	35,000
Additional Sea Transport Charges for sending Home two extra Regiments of Infantry and two Batteries and Head Quarters of a Brigade of Horse Artillery, and an additional number of time-expired men	85,000
Retention of Regiments after they were expected to be disbanded or to return Home	50,000
Additional Charges connected with the Bhután War	160,000

On the other hand, there is a saving of £16,000 for reduced expenditure on rum and arrack, and reduction of Pay Offices at Madras, besides further savings from short establishments and minor reductions.

Compared with 1863-64, the increase in the Military Expenditure is £680,691.

The aggregate grant for "Public Works," including £204,330 charged on the Rampart Removal Fund at Bombay, £250,000 appropriated from the Income Tax, and £566,400 for State expenditure for Railways, amounted to £5,358,730. The actual expenditure is now estimated at £5,685,817, being an increase of £327,087. This increase arises from additional grants, of which the following are the principal:—

	£
Arrear of compensation at Madras for lands taken for public purposes...	25,312
Improvement of the Jails in Bengal and the Central Provinces, and works at the Convict Settlement at Port Blair	51,860
Roads in connection with Railways in Bengal and the Hyderabad Assigned Districts	63,630
Repair of damages caused by the Cyclone	80,000
Completion of the new Opium Godown at Calcutta	15,000
Additional grants to Bombay for the completion of works in progress ...	100,000
Additional grant for works charged on the Rampart Removal Fund ...	27,227

The cost of stores from England is now estimated to be in excess of the original Estimate by	46,890
On the other hand, there is a saving under the heads of Railway supervision and cost of land of	6,700
And Railway loss by exchange	77,874

the last of which arises from diminished Capital expenditure and increased Traffic receipts.

Compared with the actual expenditure of 1863-64, the increase in the Public Works charges is £310,294.

"Salaries and Expenses of Public Departments," "Law and Justice," and "Police," show an aggregate saving of £74,766.

The increase of £24,605 under "Education, Science, and Art" chiefly arises at Bombay. Compared with the actual expenditure of 1863-64, there is an increase on the total expenditure for education of £143,924.

The increase of £165,966 under "Superannuation and Retired Allowances and Gratuities for charitable and other purposes," in the Regular Estimate of 1864-65, arises from the omission in the Bombay Budget Estimate of the donations to the Service Funds for the year 1863-64.

The increase of £88,031 under "Miscellaneous and Civil Contingencies" is caused by expenditure arising out of the late calamity at Masulipatam, increased charges on remittance of treasure, loss on the withdrawal from circulation of clipped coin in the Punjab, and loss on the sale to the Currency Department of a portion of the Government. Promissory Notes purchased out of the surplus Cash Balances in 1863. The interest saved by the purchase of this portion of the securities was larger than the apparent loss of capital by £6,420. Compared with the actual expenditure of 1863-64, there is a diminished charge of £42,930.

The saving of £83,229 in "Interest" arises from too small a deduction having been made in respect of unclaimed dividends.

"Guaranteed interest on Railway Capital, less net Traffic Receipts," shows a saving of £234,500, arising from an increase of £246,583 in the net Traffic Receipts of the current year beyond the sum assumed in the Budget Estimate. Compared with the actual expenditure of 1863-64, the saving is £280,867. Considering the great extent of Railway which has lately been opened, and the rapid growth of the traffic, there is reason to believe that this charge reached its maximum last year, and that it will henceforth steadily diminish. There is a further considerable reduction in the Budget Estimate.

According to the Regular Estimate, the net increase of Expenditure compared with the Budget Estimate amounts to £1,287,667. Somewhat less than half this excess in additional Military expenditure caused by the increase of prices, the Bhután War, and improvements of various kinds which have been made in favour of Officers and men, and the remainder may be said to have been invested in Opium and Public Works.

The Budget Estimate for 1864-65 assumed a surplus of Income over Expenditure of £823,288. According to the Regular Estimate, there will be a deficit of £344,143, being a difference against the Budget Estimate of £1,167,431, which is composed, as already explained, of—

Increase of Revenues and Receipts	...	*better*	£ 120,236
Increase of Expenditure	... ...	*worse*	£1,287,667
Difference	...	*worse*	£1,167,431

According to the Estimate of Cash Balances attached to the Budget Estimate of 1864-65, the amount in the Indian Treasuries on the 30th of April 1865 should have been £13,819,697. According to the corresponding Statement attached to the Regular Estimate, it will be £10,979,859, or £2,839,838 less. This large difference arises from the following causes :—

1st.—From the Cash Balance at the commencement of the financial year 1864-65 having been taken on 22nd March 1865, £1,901,822 below the amount at which it had been estimated on the 7th April 1864. Of this difference of £1,901,822, only £87,784 was caused by variations in the Revenues and Charges.

2nd.—From variations between the Receipts and Disbursements in the cash transactions of the Indian Treasuries, as stated on the 7th April 1864, and on the 22nd March 1865, viz. :—

	£
Receipts increased from £60,264,097 to £61,070,842, increase	806,745
Disbursements increased from £60,978,234 to £62,722,995, increase	1,744,761
Difference ...	£938,016

£1,901,822 + £938,016 = £2,839,838.

The only investments which have been made out of the Cash Balances in 1864-65 are £174,000 for the Government share of the increased capital of the Banks of Bengal and Bombay, and £80,000 for paying off Treasury Notes belonging to the Suitors' Funds of the Recorder's Courts in the Straits Settlements.

On the other hand, the balances have been strengthened by the transfer to the Currency Department of a portion of the Government Securities which were purchased in the beginning of 1863 by the disbursement of a million Sterling out of the Cash Balances, when they amounted to upwards of £19,000,000. The amount so obtained at the date the Regular Estimate was closed, was £535,000, and the proceeds of the remainder, £405,660, will be paid into the Treasury in 1864-65. This increases the balance on the 30th April to that extent. As the interest is credited to the Government, and the remaining deposits are more than sufficient to meet every possible demand of the Currency Department, this is practically a permanent loan without interest.

The revision of the Cash Balances alluded to in my last Financial Statement has been completed, and it has become apparent that, by properly limiting the sums to be retained in the District Treasuries, the public expenditure may be carried on with a smaller aggregate balance than has heretofore been considered necessary. This result is due in a great degree to the progress of Railways, and as Gold and Paper take the place of Silver in the Currency, it will be more fully attained. Besides diminishing the stock of specie in circulation and depriving the public of the use of a portion of its assets, high cash balances have a tendency to relax the motives to economy on the part of public servants, and to encourage others to depend upon theG overnment for assistance when they ought to help themselves. The English practice of confining the cash balances to what is really necessary to work the expenditure, and, if more money is wanted, of raising it by taxation or loan, is preferable to the old Indian practice, copied from the Native States, of keeping indefinite hoards under the name of cash balances.

I shall now proceed to the Estimate of the expenditure for 1865-66.

The reduction of £44,680 under "Allowances, Refunds, and Drawbacks," is chiefly due to the expiration of the Income Tax, the refunds connected with which are always large.

The expenditure under "Land Revenue, Forest, and Abkaree" has been constantly on the increase since 1861-62, when it amounted only to £2,030,489. Last year a Circular was issued, calling attention to the necessity for keeping this expenditure under strict control, but there is, nevertheless, a further increase of £129,290 compared with the Budget Estimate for 1864-65. This is caused by the growth of the temporary Establishments required for the active prosecution of the Land Revenue Settlement, and by the increased allowances consequent upon the rise of wages and prices. There has also been a further increase of expenditure for the organization of the Forest Establishments.

The increase of £15,907 under "Customs" is caused, as already explained, by the revision of the Establishments at Calcutta and Bombay.

Under "Salt" there is an increased expenditure of £42,555 compared with 1863-64, and of £16,823 compared with the Budget Estimate, while there is a decrease of £14,120 compared with the Regular Estimate of 1864-65. It will be remembered that in the Regular Estimate for the current year, some extraordinary expenditure was provided for under this head which is not likely to recur.

The large reduction in the Opium expenditure, amounting to £351,693 compared with 1863-64, and £753,040 compared with the Regular Estimate of 1864-65, is caused by a diminution both in the quantity of Opium to be provided, and in the rate of payment for it, which will be more fully explained under Revenue.

The decrease of £28,702 under "Mint" compared with 1863-64, and of £102,685 compared with the Budget Estimate of 1864-65, is caused by the more correct mode of exhibiting the Copper received for coinage from England, which has been explained in connection with the Regular Estimate.

Under "Post Office" the decrease of £71,181 compared with 1863-64, and of £61,005 as compared with the Budget Estimate of 1864-65, is caused by the abolition of the Bullock Train. The increase of £15,180 compared with the Regular Estimate arises partly from numerous revisions of Establishment to improve the efficiency of the Post Office service, and partly from the necessity which has arisen for increasing rates of pay and contract allowances owing to dearness of provisions. The Post Office Establishments were, from their nature, more immediately affected by these changes, and the re-adjustment has been made with a careful attention to economy.

The increase of £56,150 under "Electric Telegraph" is caused by the additional expenditure connected with the Indo-European line.

Under "Allowances and Assignments under Treaties and Engagements," the reduction of £38,435 compared with 1863-64, and of £21,232 compared with the Budget Estimate of 1864-65, chiefly arises from the lapse of the pension of £15,000 a year received by the late Nawáb of Tonk, and from commutations and lapses of pensions in Tanjore and the Carnatic.

Under "Allowances to District and Village Officers," there is a reduction of £41,229 compared with 1863-64, and of £44,821 compared with the Budget Estimate of 1864-65, arising from the commutation of allowances in Bombay, and the separate provision which has been made by legislation for Village Officers at Madras.

There is an increase under "Miscellaneous" of £72,634 compared with 1863-64, and of £53,666 compared with the Budget Estimate of 1864-65, arising chiefly from the re-organization of the District Post Establishments and their transfer to this head from "Land Revenue, Forest, and Abkaree." Land purchased for revenue buildings has also been ordered to be charged under this head.

I stated that there was an increase of Military expenditure in the Regular Estimate over the Budget Estimate of 1864-65 of £674,571. In the Budget Estimate of 1865-66, there is a further increase of £426,800, making the increase upon the Budget of last year £1,101,371. The increase compared with the actual expenditure of 1863-64 is £1,057,491. The greater part of the expense of the Bhután War is included under the several heads of the ordinary grant, and another £100,000 has been added for extraordinaries.

Since the beginning of last year, the following reductions of Military Force have been made:—

The East India Regiment.

Four Regiments of Madras Native Infantry.

Two Regiments of British Infantry transferred to the Home Establishment.

Reductions of Artillery equal to seven European and three Native Batteries.

Five Troops of the Mahratta Horse.

At any previous time such a reduction of Military Force as this would have had a sensible effect in decreasing the expenditure of the Army; but such has been the increase of prices and wages, that the entire result has disappeared in the great increase which has taken place in the cost of the remainder of the Force. A comparative statement of the Military Budget Estimates for 1864-65 and 1865-66 will be found in the Appendix, together with an explanation of the causes of increase. These are substantially the same as those contained in my remarks on the Regular Estimate.

As the expenditure of the Indian Army defrayed in England for 1865-66 is estimated at £2,883,872, the total cost of the Army in the same year will be £16,638,432. The incidental receipts are estimated at £850,000, and the net cost will, therefore, be £15,788,432.

The estimate for the cost of the British Army for 1864-65 was £14,844,888; the estimated incidental receipts, £1,324,442; and the net cost, £13,520,446.

The settlement of the grant for Public Works has engaged the anxious attention of the Government. Excluding the State expenditure for guaranteed enterprise, the grants for Public Works since 1859-60 have amounted to about £27,012,000. To this has to be added £1,046,016 from the twenty per cent. appropriated from the Income Tax in aid of Local Funds, and the additional sums annually expended from the independent income of those Funds, which may be estimated at £760,000 a year. The total amount transferred from circulating to fixed capital in these six years, and invested in administrative buildings, roads, irrigation, and other works intended to promote the productiveness and good government of the country, cannot, therefore, be much less than £33,000,000.

Of these £33,000,000, about £11,907,995 has been expended in the two years 1863-64 and 1864-65, *i. e.*,

	£
Original and additional grants from public revenue	9,175,000
From Local Funds	2,135,615
From the one per cent. appropriated from the Income Tax in aid of Local Funds	597,380
Total ...	£11,907,995

The whole amount which has been appropriated in aid of Local Works from the Income Tax during the five years of its incidence is £1,500,000, or at the rate of £300,000 a year. This will now cease, and Local Funds will have to meet the demands upon them without further assistance from the public revenue.

The Civil expenditure for Public Works for 1865-66 has been fixed as follows on the basis of the original appropriation of last year, excluding the extra grants made in the course of the year :—

	£
Civil Buildings	650,000
Works of Public Improvement	2,000,000
Establishments	800,000
Total ...	£3,450,000

Divided among all the Local Governments and Administrations, this sum will barely suffice, at the present prices of labour and materials, to provide for the most urgent wants of this great Continent. The proportion available for works of irrigation may be estimated, at the outside, at £500,000, but half of this is required for the maintenance of the existing works in every part of British India upon which the due realization of the Land Revenue depends. The annual sum remaining available for new works of irrigation is, therefore, only £250,000, which is not sufficient even to complete, within a reasonable period, the great works which have been already commenced.

This grant has been carefully allotted among the different Local Governments, and is to be regarded as final. The practice of making additional grants in the course of the year is to be discontinued, except under circumstances of a really extraordinary nature; and all urgent wants not provided for in the Budget Estimate will, therefore, have to be met by re-appropriation from other works which can be postponed. The sums assigned for Civil Buildings, Works of Public Improvement, and Establishments, are liable to variation at the discretion of the Local Governments, provided the total amount allotted to each Government is not exceeded.

The paramount necessity of providing the Barracks required for the health of the European Troops and the works of defence upon which the public security in some degree depends, has long been admitted, but the preliminary arrangements have only lately been completed. The total outlay will, probably, not be much less than £10,000,000, including the cost of Establishments; and the work is obviously one which ought to be carried on as fast as the requisite preparations can be made. The expenditure on this account for 1865-66 is estimated at £1,000,000, after which it will proceed at an increased rate until the object has been accomplished.

The other sums required for the service of the year 1865-66 under the head of Public Works are:—

	£
For the ordinary repairs of Military Buildings ...	250,000
Public Works at Bombay charged on the proceeds of the sales of land at that place	700,000
Twenty per cent. appropriated from the Income Tax	110,000
Railway supervision and cost of land	207,425
Loss by Railway exchange	171,215

The total amount required under every head of Public Works for 1865-66 is therefore £5,888,640, which is £529,910 more than the Budget for 1864-65, and £202,823 more than the Regular Estimate. The increase is caused by the addition of £400,000 for new Military Works, including the due proportion of Establishments, of £495,670 for Public Works at Bombay charged on the local sales of land, of £70,000 for Civil Buildings, and £10,000 for Establishments. On the other hand, Railway supervision is less by £102,075; the sum appropriated from the Income Tax, by £140,000; loss by Railway exchange, by £85,685; and Works of Public Improvement, by £118,000.

Whatever may be the general objections to providing for any portion of the public expenditure by means of loans, it is evident that the large sums which will be required for some years to come for Military Works cannot be furnished from the revenue of the year, in addition to all the other demands upon it, without an increase of taxation, which would interfere with the prosperity of the country, and that it would not therefore be right to impose on the existing generation the entire charge for works which are intended for the public service for all time to come. This principle has been acted upon in the parallel case of the Dockyard fortifications in England. The argument applies with increased force to new works for irrigation, which, properly managed, include their own sinking fund; and in reference to these it has been determined by Her Majesty's Government, that "when the surplus revenues and available balances prove insufficient to supply the requirements of the country, funds by means of loans shall be raised." It will be proposed to the Secretary of State that relief should be afforded to the revenue of 1865-66 to the extent of £1,200,000, which will be raised by loan in England, and the drafts upon India will be *pro tanto* diminished. The portion of the grant for public works to be provided for from the revenue of the year 1865-66 will therefore be £4,688,640, which will be £670,090 less than the Budget Estimate, and £997,177 less than the Regular Estimate of 1864-65.

"Salaries and Expenses of Public Departments" show an increase of £74,109 compared with 1863-64, and of £44,295 compared with the Budget Estimate of 1864-65. The chief causes of increase are the creation of seven new Currency Circles, the revival of the Office of Financial Commissioner in Oudh, the appointment of a new Deputy Auditor and Accountant General for British Burmah, the additional cost incurred on the revision of the Secretariats in the Military and Public Works Departments, and the increased charges for the Legislative Members of Council.

Under "Law and Justice" there is an increase of £379,424 compared with 1863-64, and of £145,749 compared with the Budget Estimate of 1864-65. Of this large increase, £140,740 arises from the increased cost of clothing and provisioning prisoners in Jails, and the additions which have been made to the salaries of the Establishments. The difference is due to the new establishments employed under the recent Act for the Registration of Assurances.

There is an increase under "Police" of £142,108 compared with 1863-64, and of £95,350 compared with the Regular Estimate of 1864-65, of which £50,000 occurs in Bengal, £40,000 in Madras, £16,000 in the Berars, and £7,000 in the Central Provinces, while there is a decrease of £5,700 on account of the abolition of the Office of Inspector General of Police.

The grant for Education is £622,210, which is £180,354 more than the Actual Expenditure of 1863-64, and £61,035 more than the Budget Estimate of 1864-65. It will be seen from the progressive increase of this grant from £342,593 in 1861-62 to £622,210 in 1865-66, that the means of promoting national education have not been stinted. The public grants for this purpose are also largely supplemented by local funds derived from School fees and subscriptions, and, in some Provinces, from percentages on the Land Revenue. I cannot help rejoicing when I contrast this liberal support of education with the single annual lakh of Rupees, or £10,000, which it was once my privilege to administer in concert with Lord Macaulay, Sir Edward Ryan, and other early friends of Native Education.

The Estimate for "Superannuation and Retired Allowances" is £119,752 more than the Actual Expenditure of 1863-64, and £150,760 less than the Regular Estimate of 1864-65. These variations mainly arise from the assimilation of the mode of adjusting the Service Donations to that in use as regards the other portions of the debt. While the charge on this account for 1863-64 was carried forward to 1864-65, the arrears, which amounted to nearly an equal sum, were shown against the revenue of 1863-64. The larger sum in the Regular Estimate of 1864-65 arises from the fact that the amount transferred included the triennial adjustment. The Estimate for 1865-66 includes the normal charge on this account.

Under "Miscellaneous and Civil Contingencies" there is a decrease, compared with 1863-64, of £139,850, which is caused by the accounts of 1863-64 having included £75,000 for the investment made in favour of Madho Rao, by a diminution in the expenditure for the Governor General's tour, and loss by exchange. The reduction of £96,920 compared with the Regular Estimate for 1864-65 chiefly arises from the latter having been swollen by the expenditure caused by the calamity at Masulipatam.

There is an increased charge under "Interest" of £108,570 compared with 1863-64, and of £71,320 compared with the Regular Estimate of 1864-65. This is the result of a calculation embracing a great variety of items. The chief causes of increase are larger balances of the Service and other Funds, and the charge for Interest on the Promissory Notes transferred to the Currency Department.

The "net expenditure in England" amounts to £5,483,390, which is £705,760 more than 1863-64, £553,466 more than the Budget Estimate of 1864-65, and £593,354 more than the Regular Estimate of the same year. This large increase of expenditure is caused by a new charge of £750,000 for the construction of vessels for the transport of Troops to India.

"Guaranteed Interest on Railway Capital, less net Traffic Receipts," is estimated £1,234,000 against £1,388,416 in 1864-65, or £154,416, less. The guaranteed interest payable in England has increased by only £154,000, while the net traffic receipts in India are expected to increase by £276,333.

The total estimated expenditure for 1865-66 is £47,186,930, which shows the following increases:—

Compared with the actual expenditure of 1863-64	...	...	£2,652,245
,, ,, Budget Estimate of 1864-65	...	...	£1,846,348
,, ,, Regular Estimate	...	... ...	£558,681

I will now make such remarks as may be necessary on the estimate of the revenue of 1865-66.

It is proposed to take the estimate of "Land Revenue" at £20,208,190. This is £95,233 less than was actually received in 1863-64, which included £280,000 from the sale of Khás Maháls in Bengal against an estimated receipt of £80,000 in 1865-66. On the other hand, it is £113,390 more than the estimated receipts of 1864-65; but these last were diminished by the inundation at Madras and the partial failure of the rains in the North-West Provinces.

The estimated receipts from "Forest" are £383,000, being £78,557 more than the receipts in 1863-64. This is a smaller increase than may be expected from the arrangements which have been made for the more perfect organization of the Forest Department.

"Abkaree" is estimated at £2,335,320, which is only £62,370 more than is expected to be received in the current year. The rate of increase in previous years has been much larger.

Under "Assessed Taxes" the estimate is taken for the last quarter of the Income Tax, which expires by law on the 31st of July next. The sum expected to be received is £551,140, which includes a considerable amount of arrears.

The estimate for the "Customs" Revenue shows a decrease of £102,781 compared with 1863-64, and of £64,190 compared with the Regular Estimate of 1864-65. This allows for a loss of £40,000 in consequence of the deduction of the duty upon Saltpetre from two Rupees to one Rupee a maund, and assumes the continuance of the depressed state of the Import trade. It may be hoped that the result will not justify this expectation.

The "Salt" Revenue is estimated at £5,782,880, which is £747,184 more than the receipts of 1863-64, and £158,030 more than the amount expected to be received in the current year. This estimate is fully justified by the previous growth of this branch of revenue, by the additional facilities for the conveyance of Salt into the interior, by the improved preventive arrangements in several Provinces, and by an estimated increase of £70,000 expected to be realized by an additional duty of four annas a maund in the Bombay Presidency.

In estimating the "Opium" Revenue for the current year, the point of immediate importance is the quantity of Opium likely to be brought to sale at

Calcutta. This is expected to be 59,513 chests, *i. e.*, two-thirds of the last crop, which amounted to 64,269 chests, and one-third of the crop of the current year, which is estimated at 50,000 chests.

But the means which have been taken to regulate the future production of Opium in Bengal must not be left out of sight. It has been determined that the price to be paid to the Ryots shall be reduced from Rs. 5 to Rs. 4-8 a seer; that the cultivation in the Benares Agency shall be diminished until the average yield bears the same proportion to that of the Patna Agency as it bore in 1859-60, when the selling prices of the two kinds of Opium were nearly equal; and that 45,000 chests shall be the standard provision from the two Agencies in future years. Taken in connection with the constantly increasing demand in China, and the check which has been given to the growth of Native Opium there, by the increased importations of the superior Indian produce, these arrangements to limit the quantity in Bengal cannot fail to exercise a favourable influence upon the sales towards the close of the next financial year, and it may be hoped that in the following years they will secure as near an approach to a maximum net receipt as can be expected from so variable a branch of revenue.

The average price at the last three sales has been Rs. 841 per chest, and after giving due weight to the preceding considerations, it has been determined to take the Estimate for Bengal Opium at Rs. 850 per chest. Adding to this £165,000 for Miscellaneous and Abkaree Revenue, the Estimate for Bengal will amount to £5,223,600.

Malwa Opium has a separate field of consumption in China, and its price is only partially influenced by the price of Bengal Opium. After a full consideration of all the circumstances, it has not been considered advisable to reduce the Pass Duty upon Malwa Opium. The Estimate for 1865-66 has been taken at £2,500,000, which assumes that Passes will be taken out for 41,666 chests.

The entire Opium Estimate will, therefore, be £7,723,600, which is £476,400 less than the last Budget Estimate, and £209,480 more than the Regular Estimate.

The increase in the Stamp Revenue of 1863-64 over that of 1862-63 is £245,578. The estimated increase in the present year over 1863-64 is £176,924. It is proposed to take the Stamp Revenue for 1865-66 at £2,058,500, which is an estimated increase of £146,360 over the present year.

"Mint," "Post Office," and "Electric Telegraph" are estimated each at a moderate increase over the Regular Estimate of the current year.

The receipts under "Law, Justice, and Police" are estimated at £132,320 more than is expected to be realized in the current year. This increase arises from the anticipated receipts under the new Registration Act, additional contributions from Municipal funds for Police, and from a general increase in the receipts from Judicial Fees.

The Estimate for Public Works Receipts has been taken at £1,000,000, which is £16,650 less than is expected to be received according to the Regular Estimate of the current year. It is supposed that the increased Water rates in Northern India will yield an additional £50,000. Great uncertainty prevails as to the amount likely to be realized from land sales at Bombay within the year 1865-66. According to the best information that can be obtained, it has been estimated at £498,350, which falls short of the corresponding receipts in the Regular Estimate of 1864-65 by £66,650.

The increase of £150,000 under "Miscellaneous, Military," is the result of the measures which have been taken to dispose of useless Ordnance stores.

The increased receipts under "Interest" arise from a larger sum having been invested in the Currency Department and from dividends on a larger number of Bank Shares.

The total estimated revenue is £46,488,760, which exceeds the actual receipts of 1863-64 by £1,875,732, the Budget Estimate of 1864-65 by £324,890, and the Regular Estimate of the same year by £204,654. To the sum of £46,488,760, the estimated income of the year, has to be added the £1,200,000, which it has been determined to borrow for Military and Irrigation works in aid of the ways and means of the year, making the total receipts £47,688,760.

As the estimated expenditure is £47,186,930, there will be a surplus of £501,830.

The Estimate of expenditure for next year has been taken on a liberal scale even according to the increased rates of prices and wages; and if the Bhútan War soon comes to a close, there ought, with proper economy, to be a considerable saving in the large army grant.

The Estimate of receipts only assumes the normal increase of the ordinary branches of revenue, whereas something more than this has begun to appear. The vast expenditure of late years upon railways, roads, and other works auxiliary to production has begun to bear fruit, especially in reference to the remarkable increase of bulky exportable produce. Even in a strictly financial view, the guaranteed Railway system is showing decided symptoms of improvement. The Opium revenue has also passed its crisis, and may be more relied upon than heretofore. Every item which could be open to question has been excluded from the Estimate. For instance, in order to simplify and clear the accounts, the Government has determined that the ordinary deposits in the Treasuries shall, after a certain period, be carried to the public credit, subject to their being repaid out of revenue whenever a claim is established to them. Under this head I was entitled to the benefit of large sums which must sooner or later be passed through the Budget Balance Sheet, which is the great Profit and Loss Account of the Empire; but as it might have been objected that, although properly credited to revenue, this action upon the Deposits will not bring a Rupee into the Treasuries which is not already there, the change has been postponed to a time when it will not be opened to misconstruction. Neither has the more substantial resource of the purchase money of the 24-Pergunnahs and Jessore Sunderbuns been taken credit for.

It is true that the ways and means of the year are, to the extent of £1,200,000, composed of borrowed money. But this loan has nothing in common with the shifts and expedients of insolvent or embarrassed States. It is the result of a discriminating policy which confines taxation to its just objects, and provides by loan for reproductive works and for works of every kind which are on such a scale as would too severely strain the resources of a single generation. The best employment of money is that which the industrial classes make of their annual savings for their own sake, and it is no real advantage to the community to interfere seriously with this natural process and to cause general harassment and discontent in order to accelerate the execution of Public Works. Even if the condition of the finances were all that could be desired, it would still be expedient to limit taxation to the proper business of Government, and to provide for reproductive works by means of specially appropriated funds.

One item of receipt will not recur. The remaining quarter's Income Tax, including arrears and deducting the charge of collection and the twenty per cent. appropriated to Local Funds, amounts to £421,750. If this were struck out of the Budget of 1865-66, there would still be a small surplus. If things remain the same, there will still be this surplus in 1866-67.

It is proposed to make a moderate addition to the estimated surplus of £501,830 by having recourse to a class of taxes which, when they have been imposed with proper reserve, have always proved a valuable resource of Indian finance.

The old policy of the East India Company was to levy low rates of duty both upon exports and imports. However contrary this practice may have been to some received maxims of political economy, it was suited to the circumstances of the country, for, owing partly to the abundance and richness of the productions of India, and partly to the simple habits of the people, the exports of merchandize have always greatly exceeded the imports, and our Indian exports have in general such a hold upon foreign markets that they can bear some duty without being seriously checked.

This policy has of late years been departed from to a certain extent. Under the financial pressure caused by the mutiny, the five per cent. import duties were raised to ten per cent., and in some cases to twenty per cent., but they were last year reduced to $7\frac{1}{2}$ per cent., while the year before the duty upon iron was rendered nominal. On the other hand, the duty upon several staples of the export trade was entirely remitted in 1860, with the exception of the duty upon Saltpetre, which was raised to a rate inconsistent with the prosperity of the trade, and it has lately been reduced by one-half.

So far as India possesses the monopoly of the foreign market, or a decided superiority over all other countries taken together, an export duty must be paid by the consumer. So far as exported articles are met by an effective competition in the foreign market, the duty must be paid by the producer. But there never was a time when Indian producers were so well able to bear a moderate charge. While the assessment of the Land Revenue has been diminished, the price of agricultural produce has risen, and persons of every class connected with the cultivation of the land enjoy unusual prosperity. It must also be borne in mind that the heaviest expenditure in public works is for the construction of roads to facilitate the conveyance of exportable commodities to the coast. The Tea and Coffee districts have, besides, to be provided with almost everything which constitutes the outfit of a civilised administration.

Jute, Wool, Tea, and Coffee were placed on the free list in 1860, previously to which they were subjected to the normal duty of three per cent. charged on unenumerated articles. The increase which has taken place in their production, and the high prices which they have commanded for exportation during the last few years, show that any reduction of price which might be caused by a moderate duty would in no way discourage the cultivation. Jute when manufactured into Gunny Bags and other articles is charged anexport duty of three per cent., and the manufacture of the country is, thereby, placed at a disadvantage in any market where it may be brought into competition with similar articles manufactured in England.

The annual value of the exports of these four articles has increased since 1860-61 as follows:—

	1860-61.	1861-62.	1862-63.	1863-64.
	£	£	£	£
Jute	409,283	571,736	811,108	1,598,064
Wool	473,544	862,672	1,477,214	1,511,644
Tea	101,693	131,314	179,618	222,035
Coffee	249,095	402,994	426,489	518,768

It is proposed to extend to these articles the normal export duty of three per cent., which may be expected to yield £130,000 a year.

Hides, Sugar, and Silk have not increased in the same proportion, but they would, nevertheless, bear a low rate of duty without any discouragement to the trade. It is proposed to subject them to a duty of two per cent., which will yield about £60,000 a year.

The export duty on grain was increased in 1860 from half an anna to two annas a maund. Much the most important article under this head is Rice. Although India has no monopoly of its production, she provides the largest portion of the supply for foreign markets; and the climate and soil of large tracts are so congenial to its cultivation, that it is grown under great advantages, and would easily bear another anna a maund. The value of the exports has increased in each of the last five years as follows:—

	£
1859-60	2,265,656
1860-61	2,938,876
1861-62	3,285,894
1862-63	3,320,923
1863-64	3,936,709

It is proposed to raise the export duty on rice and other grains from two annas to three annas a maund, which is expected to give an additional £140,000.

The total estimated increase of revenue from these duties is £330,000, whereby the estimated surplus will be raised to £831,830.

On the other hand, it is proposed to reduce the import duty upon hops from 7½ to one per cent. This is necessary in order to place the produce of the Indian Breweries on an equal footing with the beer imported from England, which is liable only to the nominal duty of one anna a gallon. The loss of revenue will be about £1,000.

The Income Tax, which, to use Mr. Wilson's words, "was passed for a limited period with a view to the present emergency," will expire on the day appointed by law—the 31st of July next. As a potent but imperfect fiscal machine it should be regarded as the great financial reserve of the country; and it will now be laid on the shelf complete in all its gear, ready to be reimposed in case of any new emergency.

The Income Tax was passed for five years from July 31st 1860 at the rate of two per cent. upon Incomes between Rs. 200 and Rs. 500 a year, and of four per cent. upon Incomes above Rs. 500; and, of this last mentioned four per cent., one per cent. was appropriated to Roads, Canals, or other reproductive works. The assessment was to be an annual one; but, before the first year had expired, an Act was passed, authorizing the Governor General in Council to continue the original assessments for another year. In May 1862 this power was extended to the remaining three years, and the limit of exemption was raised from Rs. 200 to Rs. 500. From the 31st of July 1863 the rate of four per cent. was reduced to three. The original assessment has become obsolete in every sense. Persons deriving their income from salaries and the Funds pay the full three per cent., but the assessments made five years ago, which were originally insufficient and unequal, have become much more so by the great increase of wealth and by the change in the circumstances of individuals during the interval.

The gross amount that will be realized from the Income Tax in five years will be £8,008,127, and the cost of the Establishments employed in collecting it will be £366,160, or at the average rate of about 4½ per cent., leaving £7,641,967 as the net proceeds of the Tax. The sum appropriated to local works will be £1,500,000, so that the benefit to the general Revenue from the Income Tax will be about £6,141,967. Debt to a much larger amount than this has been paid off at home and in India within the last three years. I have followed the usual course in taking the cost of the Tax at the expense of the machinery actually employed in collecting it; but in order to estimate the real cost, the work it caused to the different Governments, Secretariats, Army, and Police, the printing, translating, telegraphing, stationery, and all the other incidents of the tax, should be included.

Holding the position I do, it will, of course, be expected that I should express my opinion on our present financial position.

India is prospering beyond all former precedent. The Ryot has become emancipated from the money-lender, and has something to spare for the indulgence of his tastes and the improvement of his cultivation. Wages are rising throughout India, while, at some of the Ports, they have attained almost to European rates. Mercantile gains, especially in the west of India, have been as large as they are liberally spent in charitable, ornamental, and reproductive works. The great and decisive change has also begun to appear, that the Natives, from the Parsee and Marwaree Millionaires down to the Ryots and small Traders, bring forward their savings for investment instead of hoarding them. India has entered upon a course of industrial activity, and there has been for some time a remarkable absence even of the disquieting rumours which used to fill up the intervals of actual hostilities.

We stand at the commencement of an economical and social revolution which is pregnant with the most important results. In its bearing upon the people, the benefit seems to be almost without qualification; but in reference to the Government, the matter has a double aspect. The increase of prices has passed like a wave over the whole of India, and has penetrated its remotest recesses. It has become necessary to give compensation to the Military Force in most parts of India, extending, in many cases, even to fire-wood for the men and forage for the horses. The compensation for a single Native Cavalry Regiment at Dharwar was at the rate of upwards of £10,000 a year until the Regiment was ordered to be disbanded. A rateable increase of pay is given for the same reason to the Police, Postal, and ordinary Civil Subordinate Establishments in the Bombay Presidency and Central India, and, as regards most of them, also in the Madras Presidency. In spite of every precaution, this influence is already sensibly felt throughout the great Bengal Presidency in raising the standard of the public expenditure. In every part of India much higher prices have to be paid for Commissariat supplies, and labour and materials of every description for every Civil and Military Department.

The purchasing power of money has diminished. It is the same thing as if the public revenue had been positively reduced by a considerable amount. If the balance were restored by a *pro ratâ* increase on the whole of the existing taxation, there would be no real addition to the burdens of the people, because their means have increased in a still greater proportion. The settlement of the Land Tax, however, which is nearly half the ordinary revenue, is proceeding for the most part at the reduced rates based upon former low prices. The profits have been left to the Agriculturist, and the fruits are reaped by the Government only in a steadily rising value of land and in a general increase of prosperity and contentment.

Concurrently with this, a demand which may be controlled, but cannot and ought not to be resisted, has arisen for improved administration. In Police, in Jails, in the judicial administration, in all that relates to the accommodation and treatment of the soldier, public feeling is no longer content with the former less perfect arrangements. But nothing is dearer than good government. Every plan of improvement resolves itself into a question of additional expenditure. A striking instance of the combined effect of increased prices and administrative reform will be seen in the comparative Statement, in the Appendix, of the cost of Jails in 1863-64 and 1865-66.

Nevertheless, I am of opinion that, provided proper economy is exercised, the existing sources of revenue, with only such ordinary improvements as time and circumstances require, will suffice. One of the greatest objections to the Income Tax is, that it is felt to be such a powerful instrument of taxation as to induce a relaxation of the habit of economy. The disposition will always be to spend up to an Income Tax. In order to prevent, I will not say profuseness, but a feeling of indifference about the spending of public money, there must be a sense that we are dealing with limited funds. The resources still to be derived from a judicious frugality are extremely important.* Although the crop was reaped in 1860-61, valuable gleanings have since been obtained in the shape of further reductions in the Military Force, in the Marine Establishments, and in those formerly connected with the abolished Government manufacture of Salt in Bengal; and arrangements are in progress for transferring the cost of the Police of Towns to the inhabitants.

The social revolution in progress also has its own compensations. The prosperity for the wants of which we have to provide, is itself highly conducive to the increase of the revenue. India cannot be fully occupied with the arts of peace and the arts of war at the same time. Populations which were formerly of a highly warlike character have become entirely industrial. In the south of India, the people have lost the habit of wearing or using arms, and this change is gradually extending to our provinces in the north. The Railways have also greatly increased the efficacy of any given Military Force, and the Native troops are so sensible of this, that they say in the Punjab that they might now mount guard at Calcutta. The increased Military expenditure ought, therefore, to be met by a reduction of numbers.

Again, the Subordinate Civil Establishments are unnecessarily large, because, having been cheap, there was a feeling of indifference about their number, and having been ill-paid, they were inferior in point of qualification, and lax in their application to work. The Government of India has not refused to increase the salaries of the Subordinate Civil Establishments. It is only desired that the increase should be made after a careful scrutiny, both of the number really wanted, and of the work which really has to be performed; for one of the consequences of the former lax system is that there is a great deal of surplus waste work. The admirable manner in which reduction and re-arrangement have been combined with increase of salaries in the Post Office Department in every part of India, shows that if proper precautions are taken, the revision of the Public Establishments with reference to the increased cost of living may be made without any serious increase of expense. The same process has been successfully applied to all the Revenue Establishments of the Madras Presidency. Lastly, although we are working up to an advanced European standard, we should remember that, with immense capabilities, India is still in a backward, undeveloped state, and we ought not to attempt to arrive *per saltum* at a complete administrative machinery, in advance both of our resources and of the condition of sound progress.

If additional revenue should hereafter be required, a sure, and, in my opinion, perfectly unobjectionable resource will be found in a moderate increase of

* NOTE.—A large sum might be saved in Government printing alone, which in almost every part of India is carried to an excess, wasteful alike of money, mind, and time. At home, with much less necessity for reform, the public printing has been brought under strict regulation.

the Salt Tax. The body of the people of India are the countless Peasant Proprietors, and the much smaller number of persons who live by wages in town and country. The annual incidence of the highest existing rate of duty upon Salt, calculated upon the consumption of a single individual, is less than one shilling, and the profits of agriculture and the rates of wages have so increased of late, that this bears an inappreciable proportion to the income even of the most ordinary labourer. Owing to the greatly increased importations from Liverpool, the average price of Salt in Bengal, exclusive of duty, is not half what it was, while in the south and west of India the price has been greatly diminished by the reduction in the cost of carriage, arising from the opening of the Railroads to various points in the interior. Half the revenue of England is levied upon consumable articles which from habit have become necessaries, but taxes of this class are represented in India only by the Salt Tax and the excise upon Spirits and Drugs, amounting to about one-seventh of the revenue. No Tax can be collected more cheaply or with less annoyance to the people than the Salt Tax. In India, where the interference of subordinate fiscal Agents is more than usually disliked, this is one of the greatest recommendations of a tax. An addition even of two annas a maund, or *3d.* on 80 lbs. of Salt, would yield £250,000, and it would be collected net without any addition to the existing machinery.

The only really productive Taxes are those which are paid by the body of the people. Clearly they ought to pay their fair share, for they profit even more than the rich by the advantages of good government. A rich man can generally protect himself, but if the interests of the poor man are not cared for by the State, he is ground down by the rich and is rarely able to rise in the social scale. The increased prices and wages from which the bulk of the payers of this Tax are enjoying such great advantages, are distinctly the result of strong and just government, and they are also the main cause of the increased expenditure for which we have to provide.

The first sales by auction of the remaining stock of Government Salt in Bengal will take place this year. Owing to the low rates at which Liverpool Salt has been delivered, the sales of Government Salt, actual and estimated, in the current year, at the fixed rates, are only 9,34,252 maunds compared with 11,78,335 maunds in 1863-64, and 19,13,978 maunds in 1862-63, besides which 2,14,681 maunds have been destroyed by the Cyclone. After deducting 55,102 tons to be sold by auction, and making a reasonable allowance for further sales at the fixed rate, the stock remaining on hand at the end of 1865-66 may be estimated at 151,893 tons. Meanwhile, the area of consumption of Liverpool Salt in the interior is continually extending, and it may be expected that, after the opening of the Railway Bridge at Allahabad, it will compete with the Rájputána Salt on its own ground at Agra and Delhi.

This year has been distinguished for a remarkable development of the principle of municipal administration and private enterprise. It has become apparent that the demands of India for the improvements which belong to a higher state of civilization, cannot be fully met either by the revenue received by the Government, or by the agency at its disposal. Finding that the Government was not prepared to advance money for the improvement of Calcutta, the Municipality advertised for a loan and obtained the requisite amount on moderate terms. In like manner, the Government expressed its opinion that the formation of an auxiliary Port on the River Mutla belonged rather to private than to public enterprise, and a Company was formed with a capital of £1,200,000 for the construction of the necessary works. The extensive plans of reclamation in progress in connection with Bombay and Calcutta, and the numerous Companies for Tea and Coffee cultivation, Coal Mines, conveyance of passengers and goods by land and water, and other objects, show that the future growth of India will not be limited by the standard of the means and action of the Government. The small beginnings of many of these undertakings were fostered by the Government, but as private enterprise has advanced, the Government has receded, and the relative position is annually approximating to the state of things in England.

In the Punjab, the North-West and Central Provinces, and British Burmah, the towns have, with rare exceptions, been organized into Municipalities which are charged with the payment of the Police, and with every necessary work of conservancy and general improvement. In August last, a Resolution of the Government of India was promulgated, the object of which was to extend this system to the rest of India, with the understanding that the inhabitants should raise the necessary funds in whatever manner they might think proper, subject to the approval of the Local Governments. Such institutions are necessarily of slow growth, but the principle is fully admitted that the Town populations are chargeable with their local expenditure, including the cost of their Police, and the public revenue will be relieved and habits of self-government will be formed as effect is given to it. A germ everywhere exists for the extension of the municipal system to the country districts, and there is urgent need for its more perfect development there. Every road that is made only establishes the necessity for making others in connection with it, and the charge for repairs alone is becoming an excessive burden on the Central Exchequer.

An abstract will be found in the Appendix of the actual expenditure of Local Funds in 1863-64, together with Estimates for 1864-65 and 1865-66. It will be seen that there is an increase in the receipts from £1,904,296 in 1864-65 to £2,153,649 in 1865-66, and an increase in the expenditure from £2,038,251 to £2,327,017, while there is an estimated decrease in the balance on hand from £1,774,679 to £1,601,311.

Besides the temporary grant of one per cent. from the Income Tax, and the permanent transfers from general to local revenue mentioned in my former Statements, further steps have since been taken in the same direction. The revenue derived from Fisheries in the Madras Presidency, amounting to Rs. 60,000 a year, (excepting, of course, the Pearl and Chank Fisheries,) has been transferred to Local Funds as had previously been done in Bengal. Ten per cent. of the proceeds of escheated lands in Malabar has been similarly appropriated. In the Central Provinces, the Land Revenue assessment is so moderate that the Road and Educational cesses have been raised from one to two per cent. each upon the Land Revenue without imposing any undue burden upon the people. Buildings belonging to the Government in Provincial Towns which are not required for Government purposes, are likely to be turned to better account by local administration for objects in which the inhabitants are interested, than if they were under Government management, as belonging to the imperial revenue. The arrangements which had long existed for giving effect to this principle in the Bengal Presidency under the name of "Nazúl" or Escheats, were extended in September last to the Presidencies of Madras and Bombay.

The English Commissioners have completed their investigations into the accounts of the several Departments of the Government to which their attention was directed, and have laid their Reports before the Government.

Many of their recommendations have received the sanction of Government, and others are still under consideration.

Mr. Foster remains in India for a limited period in order to superintend the introduction of the changes which are to be carried into effect, and considerable progress has already been made. The whole of the recommendations regarding the accounts of Kidderpore Dockyard have been brought into practical operation, and in the Civil and Military Departments extensive changes are being gradually and safely introduced, which will greatly simplify the accounts, add security against fraud by providing a rapid post-audit in substitution of the former system of double audit, and, by diminishing the amount of labour, lead the way to the reduction and ultimate entire removal of the state of arrear from which the public accounts are now suffering.

These changes, when carried into effect, will necessitate an entire re-organization of the Offices of Account with a view to obtaining a larger amount of efficiency at a less cost. This end must be attained by an improvement of salaries combined with a large reduction of numbers.

The Government Paper Currency has been in a state of healthy progressive increase throughout the year without any violent fluctuations. New Currency

Circles have been established at Allahabad, Nagpore, and Lahore in the Bengal Presidency, at Kurrachee in the Bombay, and at Vizagapatam, Trichinopoly, and Calicut in the Madras Presidency. The Note circulation has risen from £5,350,000 in April 1864 to £7,348,585, while the investment of the deposits of specie has been increased from £3,000,000 to nearly £4,000,000, the maximum amount permitted by law.

Believing that the time had arrived for the adoption of a Gold Currency in India, and that, although the Sovereign would be somewhat undervalued at ten Rupees with reference to the greater part of India, it would, nevertheless, owing to its superior convenience, obtain an increasing circulation at that rate without any possibility of injury to the creditor, the Government of India recommended to the Secretary of State in July last that the Sovereign and Half-Sovereign should be declared legal tender at the respective rates of ten and five Rupees. Upon this, the Secretary of State determined upon the experimental measure of receiving the Sovereign and Half-Sovereign in all the Treasuries of India at those rates, and of paying them out again at the same rates to such persons as might be willing to take them, and also of receiving them in the Currency Offices to an extent not exceeding one-fourth of the total amount of issues represented by Coin and Bullion, as authorized by law. The result of this experiment has been highly interesting and important. The Sovereign has been received in all the Currency Offices of the Bengal Presidency, and in many of the Treasuries, and it is daily coming into increasing use, both for the ordinary transactions of private of life, and for the purpose of remittance. Up to the 9th of March, the total receipts at the Bank of Bengal in British and Australian Sovereigns amounted to £370,000; and although payments had likewise been made to a considerable amount, Sovereigns accumulated to an inconvenient extent in the hands of the Bank, and 200,000 were therefore transferred to the Calcutta Currency Office in exchange for Rupees. Further arrivals of Sovereigns were expected from Australia, and it became apparent that, in order that the balances of the Bank and of the Government might not be composed, to an inconvenient extent, of a coin which could not be relied upon as a circulating medium, owing to its not being a legal tender, it was necessary either to go forward to convert the experimental measure of making the Sovereign receivable in the Treasuries and Currency Offices at ten Rupees into the substantive one of making it a legal tender at that rate, or to take the retrograde step of withdrawing the Notification, or modifying it by making the Sovereign receivable at a lower rate. The Government did not hesitate between these alternatives, and it has been again recommended to the Secretary of State that Sovereigns and Half-Sovereigns, according to the British and Australian Standard, coined at any properly authorized Mint in England, Australia, or India, should be made legal tender thoughout the British dominions in India at the rate of one Sovereign for ten Rupees.

I stated that the surplus, which was originally £501,830, would, with the additions consequent upon the increased export duties, £330,000, amount to £831,830.

To this must be added £60,000, the anticipated receipts from the Indo-European Line of Telegraph, making a sum of £891,830.

It has been found necessary to comply with a requisition which has just been received from the Government of Bombay for an addition of £17,520 to the expenditure under the head "Law and Justice."

The surplus therefore stands at £874,310.

These recent changes have been noted at the foot of the Statement of the Revenue and Charges. Their effect with reference to the one item of Receipt, (Income Tax), which will not recur, will be to leave a surplus in 1866-67 of £452,560, even assuming that every other item remains unchanged."

The Motion was put and agreed to.

The Hon'ble Sir Charles Trevelyan having applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Hon'ble Sir Charles Trevelyan then introduced the Bill and moved that it be taken into consideration.

The Hon'ble Mr. Cowie—"I must be allowed to express the high satisfaction with which I have listened to that portion of the Hon'ble gentleman's statement which announced that the Income Tax would finally cease on the 31st of July.

I believe the opinion has been pretty generally held that the Government were absolutely pledged to remove this tax, but I never understood that pledge in any other sense than coupled with the proviso that the revenue could spare it, and if the Imperial balance sheet, now placed before us, had proved the necessity of its continuance, I for one would cheerfully have submitted to the re-imposition of the tax for another twelve-month. But it is far better that it should be removed at once, for it is no exaggeration to say that, financially, it has been a failure to the Government, and morally an evil to the country.

I do not apprehend that those interested in our export trade will take exception to the moderate export duties by which it is proposed in part to make up for the removal of the Income Tax, though I am of opinion that they would have preferred seeing the amount obtained by a further small addition to the duty on Salt.

The plan of borrowing in England at moderate interest a portion of the money urgently called for Military and Irrigation Public Works, is, I think, an improvement on the system which took the whole out of the year's income. The public will only be disposed to regret that it was not adopted earlier, for if it had been, we might have seen, not only the Income Tax, but also these additional duties dispensed with.

I congratulate the Hon'ble gentleman, and I hope that all who hear me will be disposed to join in the congratulation, that at the close of a year which has undoubtedly been been one of financial difficulty, and at the close of his public career in India, he has been able to leave behind him a Budget for the coming year of so hopeful and promising a character as that to which we have just listened."

The Hon'ble MR. BULLEN—" Sir, I add my felicitations to those of my Hon'ble friend opposite, that the state of the finances has been found to be such that it is considered the Income Tax can safely be dispensed with. Viewed financially, there can be no doubt that the Income Tax has proved a failure, that is, that it has failed to reach, anything like the real income of the country which under its provisions is taxable: for it is absurd to suppose that a gross assessment of little over a million sterling represents, at three per cent., the taxable incomes of all India over Rs. 500. The incidence of the tax has indeed notoriously been most unequal, owing to the causes alluded to by the Hon'ble gentleman, and had it been necessary to continue the tax, there must, in justice to those who pay their full three per cent., have been fresh assessments. But, Sir, I am heartily glad to find that there is no necessity for the continuance of the tax at all beyond the present Income Tax year, and that the Government is enabled to carry out the assurances it has on several occasions given, in language more or less precise, that the tax would not be extended beyond the term for which it was originally imposed. Sir, my felicitations would have been more hearty if, in getting rid of the Income Tax, the Government had not thought it necessary to impose fresh burdens on commerce. Some of the articles on which it is now proposed to levy export duties may be able to bear them without injury to the trade, as, for instance, the article of Jute. The enormous increase which has taken place in the production of this article, proves conclusively that its cultivation must be most remunerative, and therefore, even if the whole duty fell on the producer, the profit on the cultivation would still be so large that the growth would scarcely be discouraged. But in reality, Jute is very much an article by itself; there is no other fibre, applicable to the purposes for which Jute is used, which can be supplied at the same price, and the probability consequently is, that this duty will eventually fall on the consumer, and not on the producer. Rice also is no doubt grown under such advantages of soil and climate on the vast plains of Bengal and Arracan, that it may bear another anna per maund of duty, and still hold its own in the markets of consumption, though, especially on Arracan rice, aduty of three annas per maund is an extremely heavy percentage on its first cost. But there are other articles on which I am sorry to hear that, reversing the legislation of former years, the Government now proposes to levy duties, as, for instance, on Wool and Raw Silk, and Tea and Coffee. Now, about Wool I do not know much, as it is exported almost exclusively from Bombay, but I believe it is brought down principally from Beloochistan by long tedious land journeys. This is a trade which, for obvious reasons, it appears desirable to encourage, and, exposed as Wool is to such keen competition in the European markets, with the produce of Australia and the Cape, not to speak of the home growth, I am sorry to see a duty, however small, put upon it. Then as regards Silk: this is an article which is also exposed in Europe to keen competition with the produce of China and Japan, as well as of the European production. The duty in this case must fall on the producer, and when the incidence of the tax is on the producer, export duties are condemned by all sound writers on political economy. Tea and Coffee, again, are young industries in India. They are also of the few industries in India which attract European settlers and European capital into the interior, and I well recollect hearing the late Mr. Wilson remark that, on this ground if on no other, these were industries which were deserving of every encouragement at the hands of the Government.

Then, Sir, as regards Sugar, I confess I am quite at a loss to understand the grounds on which Government proposes to levy an export duty on this article. More than twenty-five years ago, the export duty was taken off, because, even then, Sugar from India weighted with any duty could not withstand the competition of other producing countries. Well, Sir, have circumstances since changed in favour of India? The very contrary is the case, as is well known to every commercial man. Year by year, owing to the increasing production of beet-root Sugar, prices rule lower and lower in the European Markets. Year by year, if we except last year, when there was a spasmodic revival of the exports owing to a short-lived speculation in England, (which exports, it may parenthetically be remarked, have resulted in heavy losses), the trade has been growing smaller and smaller, and in fact, instead of increasing her exports, India is actually importing Sugar from Mauritius; and after all, what revenue does the Hon'ble gentleman calculate on from these duties? So far as I was able to follow him, not more than £300,000. Is it worth while, for so small a sum, to sacrifice fundamental principles of sound political economy? If, Sir, it were necessary to fortify the financial position at all, the preferable course I conceive would have been to have made some small additions to the Salt duties. An increase of a thirteenth only of the present duty would have given about £400,000, or more than the amount which will be produced by these export duties, and would, I humbly submit, have been less objectionable in principle. And I am the more surprised that the Hon'ble gentleman did not adopt this alternative, considering the opinion regarding an increase of the Salt duties which he has himself expressed. No doubt the duty on Salt is already very high in proportion to its cost, but the individual consumption is so small that practically the duty is not felt, and when it is considered that it is almost the only tax which the masses of the people pay on articles of consumption, whilst the labouring classes in England pay on their sugar, their tea, their tobacco, and their malt, it seems to be a tax peculiarly adapted to the circumstances of the country.

Sir, there is only one article on which, with reference to duties, I will trouble the Council with any remarks,—it is the article of Saltpetre Sir, about a month ago the Executive Government, of its own motion, and without reference to this Council, reduced the duty, which was fixed by law at two rupees, to one rupee per maund. Sir, I have myself consistently advocated a reduction of this duty, considering the tradeto be in great jeopardy, if the duty was maintained, and therefore I have not a word to say against the reduction itself. My complaint is as to the manner of the reduction. The duty on Saltpetre is a specific duty fixed by the Schedule of Act XXIII of 1864, and the Governor General in Council appears to have no more lawful authority to reduce that duty by an order in Council than to increase the rate of duty on piece-goods or other imports. My object in making these remarks is to elicit some information from the Government as to the remaining Rupee of duty which for the present is to be kept on. What I wish to know is, whether we are to understand that this is a settlement of the question until next April. It is important that this question should, if possible, receive an answer; otherwise the trade, both here and in England, will be kept in a state of suspense. I would much rather that the duty had been taken off altogether; but if it is to be kept on, it is better, even in the interests of the producer in this country, that it should be known that no reduction is to be made until next April; otherwise the market in England will continue depressed by the expectation that at any moment the duty may be taken off, and the merchant here, to guard himself against that contingency, must buy at a larger price than, but for the uncertainty, he would be disposed to pay. I therefore ask for a declaration from the Government, of its intentions regarding this duty.

As regards the course which the Government have followed in proposing to the Secretary of State to borrow in England a portion of the amount which has this year to be provided for public works, I think that course a very proper one, for I have never thought it reasonable that the whole burden of expensive public works, of which future generations, more than the present generation, will reap the benefit, should be borne by revenue.

In conclusion, Sir, I desire to add my congratulations to those of my Hon'ble friend opposite, that the Hon'ble gentleman, on laying down his Office, leaves the finances of the country in such a substantially prosperous condition."

His Honour the LIEUTENANT-GOVERNOR said that there was no doubt that every one throughout the length and breadth of India would congratulate the Government that the state of the public finances, and the flourishing condition of the Revenues, were such as to enable it to dispense with the Income Tax. His only regret was that the abolition of that tax would deprive Bengal, in common with other Provinces, of a certain proportion allotted for Public Works, and entail the necessity of finding means to meet the consequent deficiency. As to Bengal this would receive early attention from the local Legislature. He felt, however, obliged to say that, while he congratulated Sir Charles Trevelyan on his Budget, he agreed with the Hon'ble Messrs. Bullen and Cowie in their objections to the imposition of new export duties, and in thinking that, if further taxation were considered necessary at all, a small additional duty might be imposed on Salt throughout India, instead of the proposed increase in this respect being confined to Bombay. He was of course not aware of the considerations which had led the Government to give the preference to increased export duties, or to conclude that the imposition of such duties was necessary to make up the requisite surplus. It appeared to him, however, that no such necessity really existed. The average price which Sir Charles Trevelyan took as likely to be realized from the Opium sales of 1865-66, was Rs. 850 per chest. That was the price ruling at the two last sales. It was a minimum price, and its lowness was solely owing to the very large amount of the drug (62,000 chests) which had been produced in 1863-64. Now, it was well known that the rain which fell in February and March had seriously damaged the present crop of Opium. The extent of cultivation had also been considerably contracted. It was assumed that the out-turn would be 50,000 chests. In his opinion, is was likely—nay, it was almost certain—to be less. But, even if the out-turn were as large as 50,000 chests, and if the whole of this provision were brought to sale in 1866, it was quite contrary to past experience to assume that the average selling price during the financial year would not exceed Rs. 850. It was much more likely to be Rs. 1,000: but even supposing that it would be no more than Rs. 900, which was the lowest reasonable estimate he could form, the difference of Rs. 50 would give more than all that was expected to be raised by the new export duties. He would therefore suggest to Sir Charles Trevelyan whether, in consideration of the more probable productiveness of the Opium Revenue, the proposal to levy additional export duties might not safely be given up.

THE HON'BLE SIR CHARLES TREVELYAN.—"There is one omission in my statement which I take the opportunity of supplying. I mentioned that something of the nature of a settlement of the Opium Revenue had been made. We are mainly indebted for this to His Honour the Lieutenant Governor, who, some weeks ago, applied his mind closely and earnestly to the subject, and recorded a minute which is one of the ablest papers of the kind I have ever read. The result is that the Opium Revenue has been placed on as secure and permanent a footing as it can be.

The appeal which the Lieutenant Governor has made to me in reference to the proposed export duties, has placed me in a very painful dilemma. It is extremely probable that, even without these export duties, there would be a surplus. The growth of the revenue is likely to increase, and I think there will be a stricter control over the expenditure. We shall also be better for the non-recurrence of two large home-items—the cost of the transports and of the new India Office; and there is more of the same sort that I might mention. But the most remarkable feature of Indian finance is its variableness. The results have to be collected from so many Governments and Administrations, in reference to such a variety of departments and subjects, that Indian finance is a series of surprises and disappointments; and the evil is much aggravated by the imperfect nature of the accounts. At home the Chancellor of the Exchequer sees from week to week the progress of the income and expenditure. Here, till I have the annual estimates before me, I cannot say how I stand within a million or a million and a half. When I took charge of this office, I found I was under a pledge inherited from my predecessor to publish quarterly accounts. But the Officers of the Department warned me to take care what I was about; and on further experience, I found that the accounts are so overloaded with what they call "adjustment items" that the "monthlies" are always stultified by the "quarterlies," while the "quarterlies" are extinguished by the "annuals;" and even the annual statements, which are the basis of the accounts laid before Parliament, are corrected by the "general books," which are the final account, and are in most parts of India four or five years in arrear. The root of the evil is the extraordinary variety of irrelevant matter with which the public accounts are overloaded, connected with private remittances and other practices inherited from the paternal rule of the East India Company. If we had the same means as in England of ascertaining our position, we could work with a much narrower margin. Owing to this state of things, I think that the estimated half a million must be fortified by the additional export duties.

I acknowledge with gratitude the favourable general view which has been expressed by the President of the Chamber of Commerce.

Coming from a gentleman in his position, this is of public importance as well as of private interest to me. He admits that, as regards jute and rice and hides, I am in the right, and that they will bear a moderate export duty. But he entertains doubts as to the expediency of taxing wool, tea, and coffee. The condition of a large continual annual increase is applicable to all these articles. Beginning from 1860-61, the annual increase of the exports of jute has been £409,000, 571,000, 811,000, 1,598,000 ; of wool, £473,000, 862,000, 1,477,000, 1,511,000 ; of tea, £101,000, 131,000, 180,000, 222,000 ; and of coffee, £249,000, 403,000, 426,000, 519,000. In the dearth of cotton, the European demand for jute cannot easily be supplied. Owing to the improving circumstances of the European populations, there is an unlimited demand for tea and for coffee, which holds the same place on the Continent as tea does in England. There is a great gulf opened in Europe for the absorption of any amount of Indian produce, and the demand is constantly increasing. My belief is that the three per cent. duty will make no perceptible difference. I was at Madras when the three per cent. duty on coffee was removed. The planters expressed their surprise at the unexpected boon, and said that they would gladly continue to pay the duty if they could have roads made to the coast, for the conveyance of their coffee to Calicut cost them more than the whole freight to England. An export duty on coffee of one shilling per cwt., or from two to two and a half per cent., is levied in Ceylon, which is applied to the construction of roads. [The Hon'ble the Lieutenant Governor of Bengal, " hear, hear."] Mr. Bullen gives as a reason for not imposing a duty upon tea and coffee that they are the result of European industry. I cannot too strongly express my sense of the importance of the settlement of Europeans in this country. It gives increased strength and stability to the Government ; promotes civilisation ; introduces a higher morality ; and in course of time will lead to a purer religion. But there is one way in which European colonization ought not to be encouraged, which is by acting partially and unjustly in favour of the colonists. This would not be good even for the Europeans themselves.

The proportion of the new duties which will be paid by Europeans is very small. Jute, which is entirely a Native industry, was exported in 1863-64 to the amount of ℔s. 1,600,000, and this year it is much larger. My total estimate of £330,000 from the new export duties is very low. Wool was exported to the value of £1,512,000, and rice to the value of £3,937,009, while tea and coffee together are only £741,000. With what justice could we impose three per cent. upon jute and an additional anna on rice while we exempt tea and coffee? As jute and rice have increased in value, so have tea and coffee. With some discrepancies (for all plantations cannot be equally profitable), the success of tea and coffee-planting has been very remarkable. With what face, in the presence of God and man, could we exempt tea and coffee from what we are imposing on much larger and less profitable Native industries? The Hon'ble Mr. Bullen says that the tea and coffee planting ought to be nursed. But it has got quite beyond that stage. I am the only surviving member in India of the Tea Committee appointed by a Governor General whom few here can remember. It is interesting and encouraging to see what a wide and strong grasp tea-cultivation has got of the great eastern frontier of Bengal. The Committee, at our first meeting, prepared a circular which was sent to all parts of India—not asking whether tea did or could grow—but whether any plants could be found of cognate genus or species which would afford promise of success in growing tea. I shall never forget our astonishment when we heard, in reply from the Commissioner in Assam, General Jenkins, who is still alive, and from Mr. Bruce, who is also alive, that not only did cognate plants grow, but that the tea-tree itself existed, that there were whole forests of it, and almost timber-trees. Dr. Wallich and the scientific members of the Committee were beside themselves: and a deputation of them was sent to Assam to verify the astounding fact, and Mr. Gordon was sent to China to procure skilled labourers. The consequence of this was the Government Gardens, which formed the nucleus of the Assam Company's flourishing establishment. *That* was the infant stage; and now the industry is in so flourishing a state that large profits are made by the sale of the seeds alone. As to coffee plantations, I have seen those in the South of India; and a more hopeful illustration of British commercial enterprise is nowhere to be found. The planters would, I am persuaded, repudiate being nursed, and still more, being placed in a position of unjust, unequal privilege with reference to their Native fellow-subjects.

In saying that sugar has been free from Export Duty for a long series of years, the President of the Chamber of Commerce no doubt alludes to the Free Labour Sugar Committee of 1840. Indian sugar *exported to the United Kingdom and the British possessions in British bottoms* was then exempted from duty. But the exportation to all foreign countries was only declared free in 1859.

Then, although hides, sugar, and silk have not increased like tea and coffee, they have, nevertheless, made considerable progress. In 1859-60 sugar was exported to the value of £961,424, in 1860-61 to the value of £997,904, in 1861-62 to the value of £1,233,676. In 1862-63 there was a temporary drop to £987,521, which was more than recovered in 1863-64, when it rose to £1,442,219. The great exportation, however, is to Bombay, which is becoming like England. The local agricultural resources no longer suffice, and the imports of sugar and rice from Bengal and Burmah are very large. Those are all free under Lord Auckland's admirable measure for the enfranchisement of the coasting or interportal trade, which has been lately extended to all the Native States in the Madras and Bombay Presidencies. Bombay will indirectly profit by this slight duty upon the foreign trade, which will act as a bounty upon the free trade to Bombay. I do not see why increased importations of food for man and horse at Bombay should be cited as a sign of distress. It is merely a consequence of the country increasing in wealth.

Silk has gone up in the same way from £799,251 in 1859-60 to £1,080,471 in 1863-64.

Wool is entirely a Bombay export. It comes from the Punjab, Scinde, and Afghanistan. In the present dearth of cotton, Leeds and Bradford will take at high prices any quantity that can be sent. This three per cent. duty will do the native merchants no harm, for such is the progressive increase of price from the growing demand, that they are never likely to perceive the influence of the duty. I have always been interested in the Afghans, and been anxious for their civilisation; but this ought not to be promoted at the expense of our own subjects. The Afghan traders benefit by our roads, police, judicial establishments, &c., and why should they not pay their share?

The Hon'ble Mr. Bullen remarks that the sum which can be obtained from tea and coffee will be small; but finance is an aggregate of smaller particles: crores are made of lakhs, lakhs of thousands, thousands of tens, and tens of units. It has been painful to me to observe, that people in some parts of India talk almost entirely in lakhs, though sometimes they condescend to a lakh and a half. If you venture to suggest an economical reform, you are constantly met by the reply, "what signifies a lakh more or less?"—It is precisely the same in respect to revenue, which is made up of a multitude of small receipts. It is only when all pay their share, small or great, that we shall have a prosperous revenue.

Mr. Bullen said that the Government had unsettled the Saltpetre trade by reducing the duty before the Budget. If the matter had not been so pressing, the alteration would have been deferred until the Budget was introduced. One of the incidental advantages of the Budget system is, that it settles the mercantile world for a year. For all that time merchants carry on their affairs with perfect confidence that they will not be broken in upon by any sudden change, and then they are all on the *qui vive* to know what the Budget will bring forth. An exception was made in this instance because the high duty was starving our famous old Saltpetre staple, and as it was known that the Secretary of State had called the attention of the Government of India to the subject, the exportations were suspended. Under these circumstances, the Government determined to depart from their usual practice. But I hope they will never do so again, except under equally urgent circumstances.

The Hon'ble the Mahárájá of Vizianagram said that, having learnt from the Budget that throughout the Madras Presidency the duty on Salt was one rupee and fourteen annas per maund, while it was three rupees and four annas throughout the Presidency of Bengal, he saw no reason why the duties should not be equalized by the Madras duty being raised to the level of that of Bengal.

His Honour the LIEUTENANT-GOVERNOR said that nothing could be further from his intention than to embarrass Sir Charles Trevelyan or the Government, or to object to increased taxation if it were necessary. He quite agreed that it was desirable to have a small addition to the surplus anticipated from existing sources of revenue, and he certainly would not have suggested that the additional export duties should not be imposed, if he had not been prepared to show that they really were not required, and that the sum which they were intended to produce would flow from another source. He would not discuss the grounds upon which these export duties were defended, and was quite willing to admit, for the sake of argument, that they were in themselves unobjectionable. The simple issue he wished to submit to the Council was whether the average price of Opium at the sales of 1865-66 would not in all probability be so high that the amount required to make up the estimated surplus, or even more, would be realized without having recourse to new taxes. If this question were, as he thought it must be, answered in the affirmative, it would obviously be unnecessary, and therefore impolitic, to impose additional export duties. He had lately had occasion to give much attention to the subject of the Opium Revenue, and he could state that the price varied inversely, with almost mathematical certainty, as the produce of the season immediately preceding. If that produce were more than usual, the price was less than usual, and *vice versâ*. While a crop of 50,000 chests brought only Rs. 1,000 per chest, a crop of 45,000 chests would bring in about Rs. 1,200. He felt confident that, considering what the crop of the present season was likely to be, the price at the sales of 1865-66 would certainly be at least Rs. 900, and if so, a larger additional sum would be raised, without weighing upon the mercantile classes or interfering with growing industries, than would accrue from the taxes proposed by Sir Charles Trevelyan. He would propose as an amendment "that so much of the Bill as provided for the imposition of export duties should be omitted."

His Excellency THE PRESIDENT said that, before the amendment of the Hon'ble the Lieutenant-Governor was put to the Council, he should like to say that, it having been considered expedient, for various reasons, to give up the Income Tax, he thought the Government had exercised a wise discretion in proposing to supplement its ways and means by a moderate amount of export duty. He quite entered into the feelings of the Hon'ble Mr. Bullen in deprecating this taxation, and every other taxation, as a great evil. At the same time it struck him (His Excellency) that, after taking into consideration all we hoped to gain in the way of income, and all we hoped to save in the way of expenditure, there would still be required such a margin as the Financial Member had stated.

His Excellency felt the whole force of Mr. Bullen's objection as to taxing such articles as raw hides, sugar, &c. But he thought that jute, tea, coffee, and even wool, could well bear this duty. Perhaps wool could least bear a duty, but he believed that during the last ten or twelve years, wool had risen in Upper India to double—he might say more than double—its old price, and moreover, nearly the whole of that increase had gone to the producer. Such being the case, he thought there was no fear that wool could not fairly bear the extra tax.

As regarded the other articles, he concurred with much that Mr. Bullen had said. But at the same time he (the President) did not think that we could hit on any articles more eligible for taxation than those selected by Sir Charles Trevelyan. The Lieutenant-Governor of Bengal assumed that we should get at least Rupees fifty per chest of Opium more than was estimated. He (the President) should be very glad if this were so, but even should it be that we had more, we had ample means of spending it. The demands on Government were daily—almost hourly—increasing; and it was with very great difficulty that we were able to meet our steadily increasing expenditure. Every class of the community was in favour of expenditure; and he might also say that almost every class was opposed to taxation. If, by chance, we should have a very considerable margin in the shape of Opium, a large portion of that would be absorbed in inevitable extra expenditure. If not, he thought that they could not do better than allow the extra duty to be treated as a set-off against the additional expenditure on account of Barrack accommodation, &c.

The Hon'ble Mr. Cowie had said that it was unfair to tax the present generation, and that it was wise and right to impose considerable burthens on posterity; but, with all deference to that gentleman, he (the President) begged to differ. His opinion was that the only true economy was to live within one's income. When a Government, like a man, once became a prodigal, not only did its sense of economy become relaxed, but habits of extravagance became its second nature, accompanied, as was always the case, by feelings of anxiety and constraint. Now, if there was any country in the world in which the Government should be light and free, and be like a strong man, unshackled and ready for the race set before it, it was here in India. Here we were a few governing many: we did not know what a day or an hour might bring forth. Without any fault of ours, we were unable to foresee what might next happen. Surely in such a case it was of the utmost importance that we should not incur debt, so that when the time came we should have greater ease in borrowing money, and less discomfort in bearing the amount of an additional debt. But, even admitting that there was force in the argument that we should make future generations bear the burthen of some portion of the expenditure necessary on Military works, ought we not to remember to what extent we had already involved our successors by what had happened during the last seven or eight years? The Indian debt was little more than sixty millions when the mutiny broke out; now it was little short of ninety millions. Here we had added upwards of thirty millions to our burden. Surely that was enough for future generations. Then it must be borne in mind that, in incurring this expenditure for Military works, you could not recoupe yourself; nay, it involved a constant future expenditure of at least eight per cent. on the Capital sunk to provide for wear and tear. Having very little money to spend in that way, we must arrange for an annual expenditure of £ 100,000 for the maintenance and repair of the works in question. This alone would add largely to the annual burdens. When the Government of India decided that the Secretary of State should be asked to borrow a large sum for these works, it was then understood that our deficit would be very much larger than it has now proved. It was admitted that it was absolutely essential to have those Military works, while it was equally certain we had not the means to pay for them. We then made up our mind to incur a debt. But in doing so we made a proviso that we would only borrow a certain portion of the sum required, and meet the balance out of Revenue. Now, as he had said before, he did not think that we could do better than give any surplus which might arise from Opium to diminish the sum borrowed for for the Military works.

There was one alternative which the Lieutenant-Governor of Bengal had suggested in place of the export duties, but which he (the President) must say was abhorrent to his feelings—namely, to increase the duty on Salt. While he (the President) admitted that a moderate Salt tax was desirable, when it became heavy it was always found to press with undue weight on the poorer classes. He then admitted there had been a great improvement in the people of India, and that the agriculturists were now in comparatively affluent circumstances. But two things must not be forgotten. First, that they were not so exceedingly well off as that, relatively to the other classes, they were able to bear any further additional taxation. The class that corresponded with the English yeomanry in former days lived no better than coolies, from hand to mouth, and on an amount of subsistence barely enough to support life. Then, throughout India there was an enormous class below the peasant proprietors, who had only partially benefitted by the improved wages of labour which had been more than set-off by the high prices of articles. He thought, himself, that a thorough enquiry would show that, while wages had generally increased, the *large* increase was confined to places near towns, along Railways, or where these and other great public works were going on, and within fifty or a hundred miles of those works. Only the other day a gentleman who lived in Behar, one of the most intelligent and able of the non-officials in India, had told him (the President) that the wages of labour there could not be more than two Rupees eight annas, or five shillings a month. In the North-West Provinces he (the President) had made enquiries in

April last, and he found that at a distance from the Trunk Road the wages had not risen much higher. So at Mussoorie and Simla. And he believed that wherever wages had risen considerably for a time, when the works had been completed in that particular locality, there had been a tendency for wages to come down again to something like the old rates. The result of his enquiries had been a conviction that it would be a great evil to raise the Salt tax. It was not many years ago that the Salt tax was two Rupees four annas in Bengal; it is now three Rupees eight annas. Formerly, it was as low as eight annas in Madras and Bombay; now it has been raised to one Rupee eight annas. His Hon'ble friend Mr. Anderson would bear him out as to the impolicy of raising the duty in the Bombay Presidency.

The Hon'ble Mr. Anderson said there had been a riot in Bombay in consequence of the attempt to raise the Salt tax.

His Excellency the President continued.—Take the North-West Provinces; not many years ago the duty on the excise on Salt from Rajputana was two Rupees a maund, it was now three Rupees a maund. In those days the extent of smuggling in that line was enormous, and affrays between the smugglers and the Revenue Officers were of constant occurrence. He spoke of these things from his own knowledge, having been a Magistrate there at that time; and it was with great difficulty that smuggling could be put down. And we all knew that the higher you raised the duty, the greater the inducement to smuggle.

In the Punjab, where the Salt duty was one Rupee eight annas a maund at the date of the annexation, we made it two Rupees; now we had raised it to three Rupees. The Salt tax in that Province produced a singular anomaly, which came home to every inhabitant. There the Salt was in mountain ranges, (it was, he might remark in passing, the finest rock Salt in the world) fifty, sixty, or seventy miles long. These were bisected by the Indus. On the Cis-Indus side the people paid a tax of three Rupees on their Salt: on the Trans-Indus side one of only two or three annas. We did not raise the latter tax simply because it was not worth while to do so. If we had raised it, we should have had a convulsion among those wild mountain tribes under our rule, the cost of putting down which would have swallowed up the proceeds of the increased tax for years. Those tribes, too, would have contrasted their condition of having Salt so dear that they could not afford to give it to their cattle, with that of the neighbouring free tribes who got their Salt almost free of duty.

If you raised the tax in Bengal, you rendered it oppressive, and, on the whole, he (the President) would rather see the Salt tax reduced than increased.

The Hon'ble Mr. Cowie said that, with reference to one remark which fell from His Excellency, he would record his humble opinion, that a nation with an income of forty-eight millions and a debt of ninety millions was very lightly indebted. He congratulated the Government that it was so.

The Hon'ble Mr. Bullen said that he should support the amendment of the Hon'ble the Lieutenant-Governor. He had been willing to agree to a duty on jute and grain, on the supposition that some additional revenue must be raised; but from the explanation which the Lieutenant-Governor had given regarding Opium, it seemed certain that the revenue of the current year would be ample, without any addition to the export duties, and he should therefore oppose them all. With regard to what had fallen from the Hon'ble Sir Charles Trevelyan in answer to his (Mr. Bullen's) remarks about the tea and coffee duties, it would appear that the Hon'ble gentleman had misunderstood him. He had not argued that these articles ought to be free of duty, because they were produced by Europeans. Indeed it was well known that the cultivation of these articles was not confined to Europeans. Not long ago he had read a report of the progress of tea-cultivation in the Kangra District, wherein it was stated that the cultivation by the Natives was rapidly increasing, and as the Hon'ble gentleman himself well knew, coffee was also largely cultivated by Natives in Mysore and Coorg. He mentioned as only a collateral advantage which these industries had, that they attracted into the interior English settlers and English capital. His fundamental objection to duties on these articles and on silk and wool was, that they would fall on the producer, and as such, they were opposed to sound political economy. To the argument that wool ought to pay an export duty, because the producers of it, in conveying it to our ports, had the advantages of our roads and of the security afforded by our police, he would reply that the true policy was to encourage our exports, and to look to the duties on imports for contributions to these objects. The more profitable the export trade, the more money would be expended on imports and the greater the revenue which would be derived from them.

The amendment being put to the Council was negatived.

The original Motion was then put and agreed to.

The Hon'ble Sir Charles Trevelyan then moved that the Bill be passed.

The Motion was put and agreed to.

The Council then adjourned.

WHITLEY STOKES,
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Calcutta,
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