ABSTRACT OF THE PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWS AND REGULATIONS.

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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.

1877.

WITH INDEX.

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1878.

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

The Council met at Government House on Thursday, the 15th March 1877.

PRESENT:

His Excellency the Viceroy and Governor General of India, G.M.S.I. *presiding.*
His Honour the Lieutenant Governor of Bengal.
Major-General the Hon'ble Sir H. W. Norman, K.C.B.
The Hon'ble Sir Arthur Hobhouse, Q.C., K.C.S.I.
The Hon'ble Sir E. C. Bayley, K.C.S.I.
The Hon'ble Sir A. J. Arbuthnot, K.C.S.I.
Colonel the Hon'ble Sir Andrew Clarke, R.E., K.C.M.G., C.B.
The Hon'ble Sir J. Strachey, K.C.S.I.
The Hon'ble T. C. Hope, C.S.I.
The Hon'ble D. Cowie.
The Hon'ble Mahárájá Narendra Krishna.
The Hon'ble J. R. Bullen Smith, C.S.I.
The Hon'ble F. R. Cockerell.
The Hon'ble B. W. Colvin.
The Hon'ble R. E. Egerton, C.S.I.
The Hon'ble Mahárájá Jotíndra Mohan Tagore.

NORTH-WESTERN PROVINCES LOCAL RATES ACT, 1871, AMENDMENT BILL.

The Hon'ble SIR J. STRACHEY moved for leave to introduce a Bill to amend the law relating to assignments from the general Provincial Fund established under the North-Western Provinces Local Rates Act, 1871. He said—

FINANCIAL STATEMENT.

"MY LORD; For the first time since 1872, a Statement regarding the Finances of British India is made before the public, and in this Council. During the last five years, no legislation has been proposed in connection with the Budget, and, under those circumstances, no Statement could have been made in the Legislative Council, without infringing the provisions of the Act of Parliament by which the Council was constituted: the Government is glad, on the present occasion, to be able to return to the practice which formerly prevailed.

"I do not, however, propose to submit to the Council the whole of the details which explain the accounts of the Revenue and Expenditure and Receipts and Disbursements of 1875-76, and the Regular Estimates for 1876-77. They are more than usually voluminous; and it seemed desirable to keep them separate from my present Statement. The first year for which your Excellency as Viceroy is financially responsible, is now about to commence, and this is the first opportunity which I have myself had, since I assumed my present office, of stating the opinions which I have formed: the time is especially fitting for making the examination of our existing financial position, and of the operations of the past and the present year, as complete as possible: but I could not do this without entering into a mass of details, which, however valuable and interesting they may be, would be out of place, and sometimes hardly intelligible, in a statement made orally to this Council. I have, therefore, thrown them into a separate Minute: it has been published to-day, and it is now in the hands of the Members of the Council: in it I have endeavoured to give the fullest information in my power regarding the Accounts and Estimates of the two years which are now about to close. I propose to give to the Council a brief summary only of some of the main results which that Minute shows, and to confine myself now for the most part to an explanation of the Estimates of the coming year; to a statement of the facts necessary for a clear understanding of our present position; to noticing some of the more important principles by which the Government of your Excellency proposes to direct its future financial policy; and to describing the measures by which we hope to improve the existing condition of affairs: some of those measures will require the sanction of this Council.

"I must, before going further, quote from my Minute an explanation which is there given at greater length. 'The Abstract Statements of the Accounts of the Revenue and Expenditure of 1875-76 and the Estimates of 1876-77 and 1877-78 differ in form from the Statements prepared during the last seven years.

"'From the 1st April 1871, the Government of Lord Mayo entrusted to the management of the Local Governments and Administrations certain important services, with Consolidated Allotments from the Imperial Revenues for their support, and the revenues connected with these services were, at the same time, surrendered for provincial uses. It was thought inexpedient to retain in the Imperial Accounts and Estimates the details of the revenue and expenditure thus made over to the Local Governments: accordingly, since 1871-72, these transferred Heads of Revenue and Expenditure have been excluded from the General Estimates and Accounts, the whole transactions respecting them being represented there by a single net entry under the head ***Allotments for Provincial Services.*** The details thus omitted have been published in subsidiary Statements, and each Local Government has given due publicity to its own Provincial Estimates and Accounts.

"'The Government of India now sees reason to regret the method then employed, because, by this method, figures of interest and importance are relegated to subordinate Statements; the General Accounts and Estimates become incomplete; and the character of the arrangements between the Imperial and the Local Governments is not truly represented, nor their operation sufficiently illustrated. The Government of India has, therefore, resolved to re-introduce into the Imperial Accounts and Estimates all the details omitted therefrom since 1871-72. Thus, henceforth, any one desiring to ascertain the gross revenue and expenditure of British India, under the several recognised Heads of Account, will be able to do so from the General Accounts and Estimates. It seems to me that this will be an advantage, and that the re-combination of the Accounts of the Imperial and Provincial Governments into one Imperial Account, will make the whole more intelligible, and enable both the Government of India to control the Revenue and Expenditure, and the public to criticise the Accounts, more effectually than heretofore.'

"I have one more preliminary remark to make. I ask the attention of the Council to the observations made in my Minute, regarding the use of Pounds Sterling in our Accounts and Estimates: for the reasons there given, I came to the conclusion that it was better to state all the figures in Rupees; and I have done this in my detailed review of the Accounts of 1875-76 and of the Regular Estimates of 1876-77. In spite of the apparent inconsistency, I shall to-day usually speak to the Council of Pounds sterling, on the old assumption that the English pound is equal to ten rupees, because I shall thus make myself more readily intelligible to my audience; and, as the figures which I shall have to give will, for the most part, represent estimates only, exact accuracy is less important: it must, however, always be borne in mind that, when I speak of Pounds sterling, I am really using a conventional term of account, and that the Pound sterling of my Statement means ten rupees, a very different thing from the English pound.

"The Accounts of 1875-76 show a surplus on the ordinary account of £1,668,882. If the extraordinary expenditure on Public Works be included, this surplus becomes a deficit of £2,601,740.

"In 1876-77 a deficit is expected on the ordinary account of £2,278,300. Including the extraordinary expenditure, the deficit is £6,078,300. The result on the ordinary account is worse than the original estimate by £2,422,300. This is due to the famine in Madras and Bombay, which is now expected to cost in loss of revenue and in direct expenditure £5,250,000. Of this sum, £3,100,000 belong to 1876-77, and £2,150,000 to 1877-78. If there had been no famine, there would be a surplus on the ordinary account of £624,800 which exceeds the original estimate by £480,800.

"I come now to the Estimates of *Revenue and Expenditure* in 1877-78, and the *Ways and Means* whereby it is proposed to make provision for the service of the year.

"We estimate that the Revenues of 1877-78 will amount to £52,192,700, and the Expenditure to £56,442,400. Thus we expect a Deficit in 1877-78 of £4,249,700, of which, however, £3,628,000 has been granted for the construction of Extraordinary Public Works. Excluding this outlay, we expect a Deficit on the Ordinary Account of £621,700. We estimate the cost of the Famine in 1877-78 at £2,150,000.

"Thus it appears, *primá facie*, that, but for the Famine, our Estimates would show a Surplus of £1,528,300. I am obliged, however, at once to dispel the flattering impression that might be gathered from this statement, by the observation that one of the indirect consequences of the Famine is the reduction of the entry under the adjusting Head *Loss by Exchange* by an amount which I cannot estimate at less than £700,000: there would, however, be a set-off to this, if there were no Famine, in a lower charge for interest by perhaps £100,000: thus I am led to think that, but for the Famine, our Estimates, as they stand, would have shown a surplus of £928,300. But this really represents the facts in too favorable a light, because the Expenditure on Extraordinary Public Works includes a sum of £1,206,300 to be spent on works which will not be remunerative, and which, as I shall explain further on, ought, therefore, in my opinion, to be looked on as ordinary: if these charges had been so treated, the estimated Surplus of £928,300 would have been converted into a Deficit of £278,028. It will also be seen, immediately, that I am estimating Opium at net £250,000 more than it was estimated for the current year; and also that the causes of apprehension in regard to the value of silver are, unhappily, by no means removed.

"Still, making all allowances, these general results are decidedly encouraging: the expenditure on unremunerative public works has never been hitherto treated as an Ordinary Charge; and it is highly satisfactory that the Estimates of the year should give us reason to believe that our income will not only cover the whole of the charges which have always been classed as Ordinary, but will go far towards paying for those great public works which, although required for the service of the Empire, are not expected to be directly profitable.

"The Famine is, altogether, so serious a disturbing cause, that it seems hardly worth while to make general comparisons; however, I place together the Revenue and Expenditure of the three years as follows:—

	Revenues.	Expenditure.	Deficit.	Excluding Public Works Extraordinary.		Excluding Public Works Extraordinary and Famine.
	£	£	£		£	£ Surplus.
1875-76	52,516,789	55,117,536	2,601,747	Surplus	1,668,882	2,177,437
1876-77, Regular Estimate	51,206,700	57,285,000	6,078,300	Deficit	2,278,300	624,800
1877-78, First Estimate...	52,192,700	56,442,400	4,249,700	Deficit	621,700	928,300

"*I. Land Revenue*, shows an improvement, compared with the Regular Estimates, of £934,500, but is still below the Original Estimates of 1876-77 by £441,400. Elsewhere than in *Madras* and *Bombay*, there is a small improvement of £3,300 compared with last year's Estimates: the loss, therefore, is entirely caused by the Famine, which is expected by the Local Governments to affect their Land Revenue adversely, in 1877-78, by £495,100.

"*II. Tributes.*—Compared with the present year's Original Estimates, the decrease is only £2,100, which is owing to the postponement of the Nawanagar Tribute in Bombay on account of the Famine.

"*III. Forest*, shows a decrease of Revenue, compared with the Regular Estimates, of £32,800, and a decrease of charge amounting to £20,600: the decrease of Net Revenue is thus £12,200. It occurs in *Burmah*, where we cannot depend upon a continuance of the high Revenue of the present year.

"*IV. Excise.*—The increase of Revenue (£74,200) is due partly to the arrangements made with Local Governments, which I shall presently describe, whereby an increase of £15,000 is guaranteed to the Imperial Treasury in *Bengal*, the *North-Western Provinces*, and *Oudh;* but chiefly to the expectation that the *Excise* Revenue will not suffer in 1877-78 from the Famine so much as it is expected to suffer in 1876-77: the increase compared with the Original Estimates of 1876-77 is only £36,700; which is not nearly equal to a full year's normal growth of the revenue under this Head.

"*VI. Customs.*—The small increase of £17,700 is in *Burmah*, where the Revenue is, this year, unusually low, owing to the export of rice being late.

"*VII. Salt.*—Following the usual custom, I do not propose to estimate any increase of *Salt* Revenue.

"*VIII. Opium.*—The recent Estimates under this important Head have been for net round sums, as follows:—

	Millions.
1874-75	5½
1875-76	5¾
1876 77	6

"The details of the Estimates have, in fact, been adjusted to the total Net Estimate, instead of the Estimate being based upon the details. The actual Net Revenue obtained in past years seems to me to justify the expectation that we shall receive at least (net) £6,250,000 in 1877-78; and I have entered this sum. I am aware that it is important to those engaged in the trade to know the number of chests of Bengal Opium that the Government intends to sell in future; and that, at the present moment, a peculiar interest attaches to the intentions of the Government, owing to the large reserve of 35,315* chests which it already possesses, with the prospect of another good crop this year.

"This reserve has been accumulated in the pursuit of a policy long ago deliberately adopted, the object of which was to enable the Government to make the supply of Bengal Opium to the market as far as possible steady, and independent of calamities of season. The great crop of 1876 has placed the Government in a position to obtain this object earlier than there was any reason to expect; and we have been, for some time past, engaged upon an enquiry what number of chests we can, hereafter, offer to the market without risk of failure and without objection in other ways. It has been, once again, satisfactorily ascertained by the independent testimony of the Revenue Officers, that the cultivation of the poppy is a source of prosperity to the agricultural population in Behar and the North-Western Provinces, and is popular with them, and that it does not tend to any objectionable consumption of the drug by them. But the enquiries necessary to enable the Government of India to determine its permanent policy are not quite completed; and I regret that I can say, at present, nothing more definite than that, in the calendar year 1878, the Government will certainly not sell less

	Chests.
* Behar	18,087
Benares	17,228
TOTAL ...	35,315

than 50,000, or more than 54,000 chests of Bengal opium. We shall not leave the market in uncertainty as to our intentions for a day longer than is absolutely necessary.

"*IX. Stamps.*—It is usual to estimate no increase under this Head, although a normal increase is to be expected: the increase of £32,400 which I enter to-day, is the consequence of the engagements with the Local Governments of *Bengal*, the *North-Western Provinces*, and *Oudh*, which I shall presently describe, and is guaranteed to the Imperial Treasury by these Governments.

"*X. Mint.*—The net revenue from the Mints is estimated to be about the same as this year, the decreased receipts being counterbalanced by decreased charges.

"*XI. Post Office* shows an increase of Revenue, £22,100, and a rather larger increase of charge, £30,600: this occurs in England, and is chiefly for the manufacture of the half-anna envelopes, the popularity of which is so great that we have been unable to supply the demand for them: the Government of India was aware that the concession of a labelled envelope for the price of the label only was a substantial reduction of the rate of postage: we may be well satisfied with the complete success of this measure, which will, I doubt not, eventually affect the revenue favorably.

"*XII. Telegraph.*—The provision for this Service is £180,000 net: the Telegraph Department would have been very glad of a larger grant; but we could not, under the circumstances of the year, supply it: it has been arranged, however, that if the Revenue should, as is not improbable, grow during the year, the excess may be added to the grant for expenditure; in other words, we have made a quasi-contract with the Department for a net grant of £180,000 for the year.

"*XIX. Gain by Exchange.*—The decrease of £74,800 follows the decrease in the Revenue from the *Guaranteed Railways*, which I shall presently explain.

"*XX. Miscellaneous.*—The Regular Estimate contains an item of £49,500 for premium on Government shares sold to the Bank of Bengal: this will not be repeated; sundry exceptional receipts in England also are not expected to recur: hence the decrease of £97,900 under this Head.

"*Public Works Ordinary Receipts.*—Of the increase (£65,400) £18,000 is in consequence of a contract to supply the Great Indian Peninsula Railway with 36,000 tons of coal from the Warora Colliery at Rs. 5 a ton. The rest is in Bombay, the Government of which Presidency has resumed for Provincial purposes certain tolls on roads estimated to yield £53,348, which have hitherto been recorded under Local Funds.

"*Irrigation.*—The improvement of £50,900 under *Irrigation* is the ordinary growth of this source of Revenue.

"*Provincial Contributions* are expected to produce £415,100: of this, the sum of £374,700 is contributions from the Governments of Bengal (£274,700) and the North-Western Provinces (£100,000) in discharge of the responsibility which, as I shall presently explain, the Government of India is about to impose upon them for the interest on the capital expended on Extraordinary Public Works: the Balance (£40,400) is the estimated draft upon separate provincial Resources in support of the Services administered by the Local Governments.

"Including a further grant of £25,000 to Burmah, *the Balances of the Local Governments* are expected to increase by the net sum of £69,100.

"On the Expenditure Side, the sum of £101,700 has been retrenched, as will presently be explained, from the Grants to be made over to the Governments of *Bengal*, the *North-Western Provinces*, and *Oudh*, for the additional Services to be entrusted to them. This retrenchment has been *pro formâ* thus shown in the Estimates; but the Local Government may redistribute it at their discretion—

	Bengal.	N. W. Provinces.	Oudh.	Total.
	£	£	£	£
Land Revenue	...	5,000	...	5,000
Law and Justice ...	10,000	5,000	...	15,000
Police	20,000	...	...	20,000
Education	4,000	...	...	4,000
Stationery and Printing ...	5,000	...	...	5,000
Public Works ...	20,000	9,400	...	29,400
Balances Decreased ...	...	16,000	7,300	23,300
Total ...	59,000	35,400	7,300	101,700

"*Interest* shows an increase of £235,800, which will be explained by the proposed loan operations of the year.

"The satisfactory decrease of £26,500 under *Interest on other Accounts*, is owing to the relief obtained by the Treasury from the charge for interest upon the Guaranteed Railway Revenue Balances; the Government of India had never admitted the right of the Companies to this interest: Her Majesty's Government have acknowledged the force of the arguments used by the Government of India; and the Railway Companies have acquiesced in the withdrawal of the privilege. The charge was only real when the Companies earned surplus Revenue; in other cases, it went to swell the Net Traffic Earnings made over to the Government of India towards meeting the *Guaranteed Interest*, and so diminished the net charge upon the Revenues for that item; therefore, in its bearing upon the Estimates of the year, this saving must be taken in connection with the estimated charge for *Guaranteed Interest, less Net Traffic Receipts*, which must show some corresponding increase. The measure is, however, calculated to save at least £6,000 a year.

"3. *Refunds and Drawbacks.*—The Imperial portion of this Grant is always fixed at £300,000; the increase of £15,000 is the amount necessary to make up this sum.

"4. *Land Revenue.*—The decrease of £20,600 is owing to the completion of settlements, and the retrenchment of £5,000 in the North-Western Provinces.

"8. *Salt.*—The increase of £32,200 is nominal, the decrease in 1876-77 having been casual: it occurs chiefly in *Madras*, to provide for petty construction and repairs omitted this year.

"14. *Administration.*—The decrease of £36,000 is estimated in the hope that the expenditure in 1876-77 may prove to have been abnormally high: the amalgamation of Oudh and the North-West Provinces has caused some saving under this Head.

"15. *Minor Departments.*—The excess of £9,500 is for Chinchona operations in Darjeeling.

"16. *Law and Justice.*—The excess of £37,300 would have been £52,300, but for the retrenchments in Bengal and the North-Western Provinces: the excess is to some extent balanced by excess receipts (£34,400): the remainder is for a large increase to the establishment of Law Officers in Bengal, the result of the recommendations of an influential Committee under the presidency of our colleague Sir Arthur Hobhouse, which recommendations have been approved by the Secretary of State for India.

"17. *Police.*—The decrease of £22,400 under *Police* is owing to the *pro formâ* exhibition under this Head of part of the retrenchment from the Government of Bengal: that Government may, possibly, effect the retrenchment in some other way.

"18. *Marine.*—There is a decrease of £21,700, which is partly counterbalanced by a decrease of £6,700 under Receipts.

"19. *Education.*—Including the grant for *Education* from Local Funds (net £274,000) the net expenditure on education is estimated at £913,400.

"20. *Ecclesiastical.*—Adding the Grant under this Head in the *Army* Estimates, the total Grant for *Ecclesiastical Services* is £196,600.

"21. *Medical.*—The increase of £6,500 is almost entirely in the Provincial portion of this Grant, and does not, therefore, require explanation: adding the Grants for *Medical Services* in the *Army*, net £324,300, and from Local Funds, net £93,500, the total estimated expenditure under this Head in 1877-78 is £1,016,400.

"22. *Stationery and Printing.*—The excess of £49,000, notwithstanding the retrenchment of £5,000, is in the Provincial portion of the Grant; it is evident that the expenditure in 1876-77 has been unusually low.

"23. *Political Agencies.*—The expenditure connected with the assumption of the Imperial Title in 1876-77 explains the decrease of £137,100 in 1877-78. In the review of the Regular Estimates for the current year, in my separate Minute, I have shown that the total charges incurred throughout the whole of India on this account, under all heads, will probably not exceed £100,000: the exact net cost of the Delhi Assemblage cannot now be stated, but, according to an estimate lately made, it will be about £50,000: considering the great political importance of the event, I think that this expenditure was very moderate.

"26. *Superannuations.*—The excess of £12,200 is for the most part in England, where the payments on account of the Military Funds and of the annuities of Covenanted Civil Servants are still increasing.

"27. *Loss by Exchange.*—I have already said that the large diminution under this Head is connected with the loan operations of the year. The estimate here is that the Secretary of State will raise 12¼ millions Sterling by Bills for Rs. 13,85,00,000: any one can, of course, calculate that these figures involve an estimate that our Bills will yield 1*s*. 9·23*d*. the rupee; but it is uncertain how much will really be drawn; and the estimate is not intended to indicate that the Government expects that its remittances will be effected at any particular rate. Either by bills, or by borrowing, the Secretary of State must get £16,000,000 for the Home Treasury in 1877-78; and I cannot say, with certainty, how much he will raise by bills and how much by borrowing.

"The rate for the adjustment of transactions with the Imperial Government and of furlough allowances and family remittances during the year is fixed at 1*s*. 9½*d*.

"28. *Miscellaneous.*—The expenditure on account of the visit of His Royal Highness the Prince of Wales, which is recorded in the Accounts of 1876-77, will be absent in 1877-78: this is the chief item of the decrease of £40,100 under this Head: the remainder is in the provincial portion of the Estimates.

"*Famine Relief*—Is expected to cost £486,000 less in 1877-78 than in 1876-77. I have given in my review of the Regular Estimates for 1876-77, in the Minute now before the Council, details showing the estimated charges for the famine in the current and in the coming year. The gross estimated cost is £3,735,400 in Madras and £1,809,700 in Bombay, making a total of £5,545,100, of which £2,209,100 is loss of revenue and excess cost of army supplies, and £3,336,000 is direct expenditure on measures of relief. Deducting the estimated addition to the earnings of the railways, consequent on the famine, the total estimated net cost of the famine is £5,250,000, of which £3,100,000 will fall on this year, and £2,150,000 on 1877-78.

"*The Army* shows no improvement in 1877-78 as compared with 1876-77; but, on the contrary, an increase of net charge amounting to £49,500. The other items in the Statement which I have explained in the review of the Regular Estimates for 1876-77, in the Minute now before the Council, are, however, more favorable; and the true net cost of the Army, according to that Statement, will be £145,907 less in 1877-78 than in 1876-77. I have entered at some length in that Minute into the question of Army expenditure, and have shown how extremely serious the question is.

"*Public Works Ordinary.*—The decrease of £70,000, as will be apparent upon reference to the Table given in the review of the Regular Estimates, is partly nominal, and partly in the *Irrigation* Grant.

"The entire Grants for expenditure on Public Works in India during 1877-78 aggregate £11,489,774, as follows:—

	At Home.	In India.	Total, converting Pounds into Rupees at the average rate of exchange for the year.
	£	Rs.	Rs.
Public Works Ordinary ...	102,700	3,86,69,000	3,98,30,139
Less Receipts	18,100	18,14,000	20,18,641
Net	84,600	3,68,55,000	3,78,11,498
Net grant from Local Funds ...	...	1,37,57,000	1,37,57,000
Public Works Extraordinary ...	734,500	2,89,35,000	3,72,39,347
Guaranteed Railways; Current Account; as calculated in my separate Minute	...	1,39,24,964	1,39,24,964
Ditto Capital Expenditure ...	747,200	—12,83,000	71,64,934
Loans to Public Bodies... ...	...	50,00,000	50,00,000
Total			11,48,97,743

"*State Railways* show a net improvement of £87,600, the Net Revenue of the year being estimated at £191,800, a satisfactory improvement: as I have shown in reviewing the Regular Estimates for 1876-77, the growth of the revenue from these lines is highly encouraging.

"*Land and Supervision.*—Decrease, £13,200: this item must now diminish as the Guaranteed Railways approach completion: but the charge for Supervision alone is upwards of £50,000.

"The *Guaranteed Interest* payable by the Government is expected to increase by £580,700, and the Gain by Exchange to diminish by £74,300; altogether the Estimate for 1877-78 shows a burden of £610,700 in excess of that of 1876-77. The true burden is, as I have shown in my remarks upon the Regular Estimates, £1,392,496, and the true excess, owing to a more favorable estimate of exchange, only £443,260. Some portion of the decrease of the Net Traffic Earnings is nominal: the half-yearly Accounts of the Railway Companies are made up on the 30th June and 31st December, when any surplus found due to the Companies is paid to them: but the Finance and Revenue Accounts of the Government of India do not, in this respect, follow the contracts, but record the transactions of the financial year: thus the Estimates which I have presented for 1876-77 include all the earnings of the Railways to the 31st March 1877. Moreover, it takes some time to complete and audit the Accounts of the Railway Companies and to send them to England; and the surplus due to the Companies is not paid until they have been examined and accepted there. Thus it happens that the large surplus of £400,000 due to the Railway Companies in respect to the period embraced in our Regular Estimates will not be paid till next year, when it will appear in reduction of the Net Traffic Receipts recorded in the Finance Accounts of that year. The surplus payments recorded in the Finance Accounts in 1876-77 are estimated at £299,400, so that the Estimates of 1877-78 are adversely affected by this item to the extent of £100,600.

"I beg to call the special attention of the Council and of the public to the facts and figures regarding these railways which are given in the review of the Regular Estimates for 1876-77 in my separate Minute; I will not repeat them here; but they possess the highest importance and interest; the increase in the traffic, the decrease in the working expenses, and the diminution of the burden imposed on the Revenues of the Empire, are most satisfactory; and I look upon the progress of these Railways as one of the most hopeful and important facts connected with the future of our finances.

"The Delhi Assemblage is estimated to have added a sum of £90,000 to the Net Traffic Earnings of 1876-77, and lastly, the chief part of the Famine Traffic will, it is believed, fall into 1876-77.

"*Public Works Extraordinary.*—The Grant is £3,628,000, of which £128,000 is to cover a payment at Home postponed from 1876-77 to 1877-78: the effective Grant is thus only $3\frac{1}{2}$ millions, of which £2,500,000 is for Railways, and £900,000 for Canals. We are most anxious not to check the progress of these beneficial works, and we shall be glad to grant a little more money in the course of the year, if we find ourselves in a position to do so. Of the present Grant of £3,628,000, £1,206,300 is for expenditure on the *Punjab Northern* and *Indus Valley* State Railways. There will still remain the sum of £1,487,800 to be spent before these Railways, which are not reproductive works (although we hope to reap a small revenue from them) are completed. The programme of State Railway construction operations during the year is as follows:—

	£		£
Rajputana line ...	150,000	Northern Bengal ...	290,300
Western Rajputana ...	100,000	Tirhoot	95,600
Neemuch	196,000	Rangoon	158,500
Holkar	100,000	Punjab Northern ...	272,500
Warda Valley ...	22,700	Indus Valley... ...	933,800
Sindhia	205,400		

I am very glad that the Government is at last able to commence the important work of connecting the lines from Northern India and Rajputana with those of the Bombay Presidency, by Ahmedabad and Neemuch; and I trust that it may be found possible to push the work forward rapidly to completion.

"The total grant for Irrigation Works in 1877-78 is as follows:—

	Grant, 1877-78.
	£
Ordinary	900,600
Extraordinary	900,000
TOTAL ...	1,800,600

Of the Ordinary grant £143,808 is to be spent on Works, £401,579 on Repairs, £342,292 on Maintenance, Conservancy Establishment, and Establishment for collection of revenue, and the balance on tools and plant and State expenditure on guaranteed Irrigation Works. The Extraordinary expenditure (£900,000) is to be incurred principally on the following projects:—

	£		£
Sirhind Canal ...	140,900	Sone	101,000
Western Jumna ...	74,900	Orissa	63,400
Baree Doab ...	24,800	Midnapore ...	20,500
Swat River ...	30,500	Godavery Deltas ...	28,600
Ganges	80,000	Kistna Deltas ...	14,800
Agra	10,000	Moota Canal ...	31,900
Lower Ganges ...	170,000		

"I have now to explain the *Ways* and *Means* whereby it is proposed to make provision for the service of the year 1877-78: in doing so, I must invite attention to the Abstract Tables in the right-hand corner at foot of Statements IV, V, and VI, which contain the figures of which I have now to speak.

"I have stated that the Expenditure of the year is expected to exceed the Revenue by the sum of £4,249,700; £283,300 must be provided from the remaining Balances of the Military Funds to supply the difference between the subscriptions to the Funds recorded under XVIII, *Receipts in aid of Superannuation Allowances,* and the payments to the beneficiaries of the extinct Funds for which the State is now liable: £500,000 is required for *Loans to Native States and Public Bodies,* such as Municipal Corporations, Port Trusts, and the like: the *Guaranteed Railway Companies* will draw upon us for £618,900.

"It is expected that the Balances of these Companies in our Treasuries on the 31st March will be only £421,000: it is satisfactory to observe that we now owe the Companies little; and that, in the course of a few months, we shall owe them nothing.

"The *Deposit and Remittance Accounts* are estimated to result in the net withdrawal of £470,900 from the Public Treasury.

"Lastly, we want the sum of £823,400 in order to raise our Balances to the lowest amount necessary for carrying on the service of the year. The Government of India is not responsible for the management of the Home Treasury by the Secretary of State in Council; but I remark that the transactions of that Treasury during the year are expected to end in a reduction of the Secretary of State's Balances by £136,900, leaving them at only £1,011,200. With reference to the large transactions of the Home Treasury (aggregating £34,000,000 a year), and to past experience, this amount cannot but be considered moderate.

"The amount of the working balance that the Government of India ought to have at its credit or in its treasuries in India at the beginning of the financial year, has been the subject of frequent discussion: like the balances which any private individual keeps ready at his command, the amount which the Government of India requires must obviously depend upon the sum of its transactions and upon their geographical distribution, and upon various other considerations: if transactions are concentrated in one or two treasuries, a much smaller aggregate working balance will suffice than if they are spread over a multitude of treasuries scattered over vast distances.

"The following Statement of the public Receipts and Disbursements since 1869-70 will be useful in an investigation of the proper amount of the working balance of the Government of India:—

Receipts and Disbursements at the Treasuries of the Government of India at Home and in India.

	Receipts.			Disbursements.			Balances at close of the year.		
	England.	India.	Total, assuming £1=Rs. 10.	England.	India.	Total, assuming £1 = Rs. 10.	England.	India.	Total, assuming £1 =Rs. 10.
	£	Rs.	Rs.	£	Rs.	Rs.	£	Rs.	Rs.
1869-70 ...	17,021,822	90,30,02,700	107,92,80,920	17,755,320	86,54,10,230	104,29,09,430	2,392,483	13,04,04,510	16,83,20,340
1870-71 ...	19,473,577	99,69,89,080	119,10,25,450	19,000,068	96,91,06,700	115,97,07,640	3,305,972	16,81,67,430	20,12,47,150
1871-72 ...	15,710,330	118,45,72,750	134,19,76,140	16,225,220	113,27,83,030	129,50,35,230	2,821,091	21,09,77,150	24,81,88,000
1872-73 ...	15,712,072	107,36,39,160	123,07,05,860	15,535,310	110,57,39,350	126,10,92,670	2,093,411	18,78,70,030	21,78,61,870
1873-74 ...	16,121,000	105,08,05,300	121,20,76,200	17,105,896	109,84,07,810	126,94,60,770	2,013,638	14,03,34,420	16,04,70,800
1874-75 ...	17,101,897	106,35,17,120	123,54,06,090	16,412,165	105,20,73,100	121,61,95,050	2,790,370	15,17,78,140	17,97,41,840
1875-76 ...	15,693,311	103,05,46,292	118,74,79,702	17,609,812	101,27,99,195	118,84,97,615	919,809	16,95,24,940	17,87,23,030
1876-77 ...	19,160,300	99,50,32,000	119,66,95,000	18,939,100	104,91,60,000	123,85,41,000	1,149,100	11,59,97,000	12,03,78,000
1877-78 ...	16,851,100	101,33,59,000	118,18,69,000	16,093,000	100,37,65,000	117,30,35,000	1,011,200	12,50,00,000	13,51,12,000

"There are in India 233 treasuries, besides 1,048 revenue sub-divisions of districts, at many of which there is some kind of a treasury, and besides outlying treasure-chests.

"A preponderating share of the land revenue is received in India in the spring; but the expenditure and the bills of the Home Government go on, more or less evenly, all the year round: the result of this peculiarity is that the balances of the Government in India, if not recruited by loans, or sustained by interruptions of the Secretary of State's drafts, subside rapidly from about June, till they reach their lowest point about the end of October, the balances at the end of which month may be expected to fall at least £3,000,000 below the balances at the end of March.

"Having regard to the magnitude of the transactions at our Public Treasuries, (aggregating upwards of £200,000,000 a year), the vast extent of the territories administered by the Government of India, the numerous separate receptacles of public money scattered over the country, and the unequal distribution of the revenues over the year; remembering also the liability of the Government of India to sudden demands upon its treasury for war, famine, or other public necessities, and the scanty resources of the Indian money market, Lord Northbrook's Government determined, a year ago, that it was only prudent to provide for balances at the end of the year aggregating £13,500,000 for ordinary purposes, besides a reserve which Lord Northbrook thought should be substantial: but, under the present financial pressure, we must put up with the inconvenience of a smaller balance, and I propose, therefore, to provide for a closing balance of only £12,500,000. Enquiries are now in progress as to the smallest working balance necessary in each Province: when these investigations are completed, and further experience is gained of the working of the Reserve Treasury, the Government of India will be in a position once more to consider what is the proper amount of balance, altogether, to provide at the beginning of each financial year.

"Before leaving the subject of the balances of the Government of India, I wish to make a few remarks upon some of the misapprehensions that often prevail concerning them. Some people seem to suppose that the Government of India can spend money from the public balances without entering the transactions in the Public Accounts, and that these balances are a mysterious hoard from which we can help ourselves without the inconvenience of justifying or explaining our proceedings: others have gone the length of gravely proposing that the Government of India should credit its balances, or a slice of them, as revenue.

"But there is really no mystery at all about these balances, which do not differ in character from the balances at credit of any private individual: not a rupee of public money can be spent, or is spent, which does not come from the public balances; and not a rupee can be taken from these balances without the fact being recorded and brought to account. The plain truth is, that the Accounts and Estimates which it is my duty to review and explain to-day, exist only for the purpose of recording what money has passed, or is expected to pass, into and out of these balances, and to explain and justify every addition to, and every reduction of, these balances: if the disbursements recorded in the Accounts of the year exceed the receipts, the balances are reduced; if the receipts exceed the disbursements, the balances are increased. Thus, by submitting to a reduction of the public balances, the Government of Lord Northbrook was able to pay some part of the cost of the Bengal famine, without borrowing; but this did not enable the Government to keep a single item of the expenditure out of the Public Accounts: it seems almost absurd that I should gravely say this; but the strange misconceptions that often appear seemed to demand some such explanation.

"Our liabilities in excess of the produce of our revenues aggregate £6,946,200.

"Of this sum we expect to receive £81,000 from the *Civil Service Funds*, £50,000 from *Savings Bank Deposits*, £139,700 *Surplus of Local Revenues*, and £175,500 from certain other deposits called *Sundry Obligations*, which include the Nizámat Stipend Fund, the Bahu Begam's Stipend Fund, and certain Guaranteed Railway Funds.

"The balance is £6,500,000, and this is the net sum which I now estimate that we may have to borrow in the course of the year. I do not forget that the ten year debentures of 1867, the outstanding balance of which amounts to £458,100, are due and payable on the 1st June 1877; but I am not yet prepared to make any special announcement regarding them.

"Of the net sum of £6,500,000 which the Government thusestimates that it may have to borrow in the course of the year, £250,000 is expected from His Highness the Mahárájá Sindhiá for the Gwalior Railway: our present hypothesis is that of the residue, 3¾ millions sterling will be borrowed by the Secretary of State in England and 2½ millions in India.

"But I must here give an important warning: upon the face of the Statements Nos. IV, V, and VI will be found, for the first time, the following note—

'The estimates in this Statement of the amounts to be borrowed, and to be supplied to the Home Treasury by bills in 1877-78, are the best that can now be made; but they are subject to modification as the year goes on; the Government must not be understood to pledge itself that the Secretary of State in Council will raise by bills the exact amount stated; or that the exact amount stated will be borrowed during the year; or that it will be borrowed in India or in England, as the case may be.

This note is added under instructions from the Secretary of State. In order to make these *Estimates of Ways and Means* for the Service of the coming year, it is necessary to set down the amount that it is proposed to borrow, and to frame a hypothesis whether the money will be borrowed in India or in England: but the Government of India is not authorised to commit the Secretary of State to borrow or not to borrow any particular sum during the year: and it is not usually possible to communicate the prospects of the year to the Secretary of State with sufficient fullness to enable him to decide, finally, upon the proposals of the Government of India.

"These important Statements must, therefore, be understood henceforth to be, so far as prospective loan operations are involved, only provisional forecasts; and must not be held in any way to commit the Government of India or the Secretary of State to borrow for the service of the year, either the particular sum set down, or in particular proportions in India and England.

"Moreover, the Secretary of State for India can borrow no money in London without first obtaining authority from Parliament: and at the present moment he has no such authority, having exhausted the statutory powers granted to him on the occasion of the Bengal Famine. It is obviously quite impossible for the Government of India to say that Parliament will authorise the Secretary of State to borrow more money in London; and the Government of India is not even at liberty to pledge the Secretary of State to make application to Parliament for fresh powers to borrow. What I have said, therefore, must be distinctly understood as expressing only the views and intentions of the Government of India, and must not be construed as implicating the Secretary of State, or pledging him to any course of action. I am afraid that this will not be considered altogether satisfactory; but the Government of India is not now in a position to state more definitely how provision will be made for the service of the year.

"The Government of India is fully alive to the importance of satisfying its requirements in India without resorting to the London market more than is absolutely necessary; and if, in the course of the year, circumstances should favor such an arrangement, and the Government of India is in a position to act upon its own judgment, a larger share of the whole amount than £2,500,000 may be offered to the market in India. On the other hand, the Governor General in Council will not, so far as the decision rests with him, submit to any unreasonable terms; and, if the conditions acceptable to the money market in India should appear too unfavorable, he will not hesitate to recommend to the Secretary of State to endeavour to obtain power to borrow in England as much more than 3¾ millions sterling as is found to be really wanted.

"Supposing that the Secretary of State borrows 3¾ millions sterling in England, it will be necessary for him to raise by bills upon India 12¼ millions sterling. To effect this, it is calculated that he must sell bills for about 26½ lakhs of rupees a week throughout the year: the Government of India is accordingly authorised to announce that bills for 26½ lakhs of rupees will, according to present intentions, be offered for sale, weekly, during April and May.

"I will begin what I have now to say to the Council with a brief review of the results of the financial administration of the last seven years, ending with 1875-76, the last year for which the Accounts are completed. I think that this will be useful in enabling us to form a correct judgment of our present position; and the period which I have taken is a convenient one, because, while it was one of general peace and prosperity, a serious famine occurred in it, and a large expenditure took place on unremunerative public works: the results of the seven years may be fairly assumed to contain few elements of a specially abnormal character. In saying this I do not forget the great expenditure on the Bengal famine; but, on the other hand, it must be remarked that, since this period of seven years closed, we have already to meet another famine which will not cost much less; nor have we any right to assume that we shall escape more easily in future.

"The gross revenues during the seven years ending with 1875-76 aggregated £357,573,100, and the total expenditure amounted to £370,555,000. Thus the expenditure exceeded the revenues by £12,981,900.

"During the seven years the sum of £19,654,000 was spent upon works classified as extraordinary, and £6,500,000 was spent from the imperial revenues, on the relief of the famine in Bengal.

"Out of the sum spent on Extraordinary Public Works, £4,771,000 was expended on the construction of the Punjab Northern and Indus Valley State Railways. These railways belong to a class of works of which I shall again speak; they were not undertaken as reproductive works; and, although it is anticipated that they may yield a net return of 2 per cent. on their capital cost, I shall, in a review which I wish to be severe, exclude their cost from the extraordinary head of account, and treat it, as I think strictly speaking it ought to have been treated from the first, as ordinary expenditure. This correction will leave the sum of £14,883,700 as fairly representing extraordinary expenditure on reproductive public works; and, if there had been no famine, we should have been able to pay for the whole of these unremunerative works, and there would have been a surplus in the seven years, according to the Accounts as they are now constructed, of £8,401,700.

"But, in order to obtain a true conception of the financial results of the seven years, some further adjustments are necessary; included in the Gross Revenues is the sum of £2,443,300 transferred from the Book Capital of the extinct Military Funds: great doubts are felt whether it is right to reckon these transfers as Revenue at all, unless, indeed, interest be charged *per contra* as if the Funds were still in existence; and, for my present purpose, I prefer to exclude them. I will also exclude the sum of £986,900 by which the financial results of the seven years are estimated to appear better than they really are, owing to the peculiar mode in which the sterling transactions of the Home Treasury are combined with the rupee transactions of the Indian Treasuries.

"If these two disturbing causes be eliminated, the true financial result of the seven years, including the cost of unremunerative public works, and excluding the cost of famine relief, would be a surplus of £4,971,500. But it has to be remembered that during the same period, the income tax, which has ceased to be one of our sources of revenue, yielded, net, £4,364,900: if, therefore, there had been no income tax, there would have been a surplus of £606,500, after meeting the charges for unremunerative public works, but excluding the charges for famine.

"Another consideration favourable to the finance of these seven years deserves mention: we accumulated a reserve stock of 35,315 chests of Bengal opium, the cost of which will be recovered in future years, with the profit or revenue yielded at auction: the cost of these 35,315 chests may be reckoned at £1,412,600, of which about £850,000 is included in the recorded expenditure of 1869 to 1876.

"On the other hand, a substantial benefit accrued to the revenues upon the redemption, on the 30th April 1874, of the capital stock of the East India Company. The Sinking Fund created by Act 3 and 4, William IV, Cap. 85, Sec. 12, amounted, on that date, to £7,876,439, and its appropriation towards the redemption of the stock relieved the Revenues from the payment of about £315,000 a year.

"Upon the whole, it may be said that this retrospect is satisfactory. From the 1st April 1869 to the 31st March 1876, not only was no addition made to the debt of the country, except for reproductive works, but a substantial portion of the money invested for these works was really provided from current revenue.

"If we look at details, we shall find further encouragement: the growth of the Net Revenue under its main Heads was as follows :—

	1869-70.	1875-76.	Improvement.
	£	£	£
Land Revenue ...	19,603,000	20,142,800	539,800
Excise ..	1,997,100	2,407,000	409,900
Customs ...	2,167,200	2,470.000	302,800
Salt ...	5,463,000	5,702,200	239,200
Stamps ...	2,224,900	2,692,400	467,500
Opium ...	6,130,900	6,252,000	121,100
Total ...	37,586,100	39,666,400	2,080,300

"The Net Yearly Imperial Expenditure during the same period was as follows:—

	Civil, except Famine Relief.	Famine Relief.	Military.	Grand Total.	Total, excluding Famine Relief.	Total, excluding *Loss by Exchange.*
	£	£	£	£	£	£
1869-70	...23,242,400	...	15,250,800	38,493,200	38,493,200	38,314,000
1870-71	...23,246,200	...	15,119,400	38,365,600	38,365,600	37,797,800
1871-72	...22,178,000	...	14,733,700	36,911,700	36,911,700	36,515,700
1872-73	...23,797,000	...	14,596,800	38,393,800	38,393,800	37,628,700
1873-74	...22,494,100	3,864,700	14,217,400	40,576,200	36,711,500	35,725,000
1874-75	...22,258,800	2,237,900	14,386,400	38,883,100	36,645,200	35,747,300
1875-76	...23,226,400	508,500	14,262,900	37,997,800	37,489,300	36,059,600

"Thus the net revenue increased during the seven years by more than £2,000,000, or at the average rate of nearly £300,000 a year, while the net expenditure, excluding famine relief, showed no tendency to increase at all, and was actually less in 1875-76 than in 1869-70. Excluding also *Loss by Exchange*, an element which may be said to be practically altogether beyond our control, the net expenditure in 1875-76 was less than the net expenditure in 1869-70, by £2,254,400, of which about £1,000,000 was in the Army, and the rest in the Civil Department: I wish to call special attention to this fact, for it is very important and very encouraging, and reflects great credit on the past administration of our finances.

"Notwithstanding the large amount borrowed during this period, the net charge for *Interest* rose only from Rs. 4,60,67,220 in 1869-70, to Rs. 4,61,69,190 in 1875-76. This favourable result is due to the redemption of the East India Company's Stock already explained; to various successful operations for the reduction of the rate of interest on our Loans; and to the progress of the investment of the Reserve of the Paper Currency Department.

"I think that the facts and figures which I have given for these seven years* show that the finances were administered during this period with great care, economy, and success: I look upon them as highly honourable to the Governments of Lord Mayo and Lord Northbrook, and to my predecessors Sir Richard Temple and Sir William Muir: nor must I omit to give due credit to Mr. Chapman, who, during the whole of this period, was Financial Secretary, and who, fortunately for the Government and for me, still holds that post. It is not now my object to enter into a detailed review of the Financial Administration of past years; but if I were to do so, I might say much more to show the extreme care with which it has been directed. It must be remembered, also, that during this period considerable reductions in taxation were effected; besides the abolition of the Income Tax, which for my own part I regret, the Customs Tariff was revised, and some of its most objectionable features removed: a great portion of the duties on exports have been swept away; the general rate of import duty has been reduced from 7½ to 5 per cent.; and the whole of the tariff valuations have been carefully corrected.

"It is no doubt very encouraging to find that since 1869-70 we should have paid our way so well: we must not, however, deceive ourselves into supposing that the facts which I have stated prove that the Finances are in a condition which leaves nothing to be desired: it ought clearly to be understood that, if such charges as those for famine and for unremunerative public works cannot be provided out of the ordinary revenues, the state of our finances must be unsound.

"These questions are so serious that I wish to refer to them before going further; for, unless we have clear conceptions regarding them, it will be impossible to understand what our financial position really is.

* The following abstract shows how Ways and Means were provided for the Public Service during these seven years. It will be seen that besides the *Deficit of Imperial Revenue*, Rs. 12,98,20,550, we had to find Rs. 1,52,03,280 for the several *Service Funds*, Rs. 5,20,04,100 for *Loans to Native States and Public Bodies* (including Rs. 2,01,27,802 for the purchase from the Bombay Port Trust of the Elphinstone Company's Property), and Rs. 1,66,20,930 for the *Guaranteed Railways*. Moreover, we raised the *Balances in our Treasuries at Home* and in *India* from Rs. 13,20,17,840 by Rs. 4,67,06,090 to Rs. 17,87,23,930. Thus altogether our obligations in excess of our Revenues amounted to Rs. 26,03,54,950. Of this amount, the *Surplus of Provincial and Local Revenues* yielded Rs. 51,96,530. *Savings Bank Deposits* supplied Rs. 88,28,280; the net result of the *Deposit* and *Remittance* transactions was in our favour by Rs. 1,79,07,790 (chiefly repayments by Her Majesty's Government of advances made in India for the Abyssinian Expedition), and we borrowed Rs. 22,84,22,350.

Abstract of Ways and Means Account, 1869—76.

	Rs.		Rs.
Surplus of Provincial and Local Revenues ...	51,96,530	*Deficit of Imperial Revenues* ...	12,98,20,550
Savings Banks Deposits	88,28,280	*Balance of transactions with Service Funds*	1,52,03,280
Balance of Deposit and Remittance Accounts	1,79,07,790	*Loans to Native States and Public Bodies*	5,20,04,100
Borrowed	22,84,22,350	*Guaranteed Railway Capital withdrawn*...	1,66,20,930
		Balances in Treasuries increased ...	4,67,06,090
	26,03,54,950		26,03,54,950

"It cannot be too distinctly stated that charges for the relief of famine must be looked upon as ordinary charges; they are so shown in the Accounts of the present year, and in the Estimates now before the Council; and they were shown in the same way for the Bengal famine by the Government of Lord Northbrook. In the Financial Statement for 1874-75, Lord Northbrook showed very clearly that, whatever means we may take to obviate or mitigate these calamities, famines cannot, under present circumstances, be looked upon as occurrences of an extraordinary character; he said that, in the ten years which had elapsed before 1874, there had been three serious famines in India—the Orissa famine in 1866, the famine in Northern India in 1869, and the famine in Behar in 1874. We have now, unhappily, to add a fourth to the list, that from which a vast tract of country is now suffering, and which will, I fear, prove a not less serious calamity than those which preceded it. Such being the facts with which we have to deal, we cannot, as Lord Northbrook stated, safely depend upon loans for meeting the charges on account of famine. 'It is necessary,' he said, 'that, besides a fair surplus of income over ordinary expenditure, such a margin should be provided, in addition, in ordinary times, as shall constitute a reasonable provision for meeting occasional expenditure upon famines:' if this condition, he said, were fulfilled, and a sufficient surplus secured in years of prosperity, deficit might be endured with less objection in occasional years of adversity. The Government of India, it was stated, had, therefore, resolved to use its best endeavours to maintain for the future a considerable surplus of income over ordinary expenditure, and thus to make provision beforehand for any calls which were likely to arise on account of famines. This resolution on the part of the Government was undoubtedly wise; but, since the charges for unremunerative public works cannot rightly be excluded, the conditions laid down in 1875 have not, in my judgment, been fulfilled: and considering that we have lost the income tax, it is impossible to anticipate that they will be fulfilled in future, unless we take some further steps for ensuring a larger surplus of income over ordinary expenditure.

"I must now mention the other great Head of expenditure regarding which, if we wish to form a correct idea of our real financial position, it is essential that there should be no misunderstanding: I refer to those great public works undertaken to meet the political and military necessities of the empire, but which are not expected to be directly remunerative.

"As an illustration of the kind of works to which I now refer, I will take the railways already mentioned, which are under construction in the Punjab and on the Sindh Frontier: these works will doubtless be very beneficial to the country through which they pass; but they are not undertaken on such grounds as this, but because they are considered, for political and military reasons, to be essential to the service of the Empire; there is no profession that they will be directly remunerative; and, if we have borrowed money for them, we have done so simply because it was held impossible to construct them in any other way; such works cannot properly be called Extraordinary in the technical sense in which we now use that term. They differ only in magnitude, and not in kind, from the works which we pay for out of the ordinary revenues, such as barracks, or fortifications, or other works which involve a heavy outlay and give no direct return. I am afraid that it can hardly be denied that the system which has hitherto been followed, under which these necessary, but not directly remunerative works have been mixed up with works which we expect to be directly profitable, has tended to make us less chary in spending money, than we should have been if the expenditure had been shown, as the famine expenditure is shown, among the ordinary charges of the year: our public Accounts ought to give a complete statement of the actual facts of our financial position, with no reservations or evasions, however unpleasant the appearance of the facts may be.

"I wish it had now been practicable to remove altogether from the Extraordinary head of account all the works of the class which I have been describing: it has, however, been decided that we cannot now do this, and that we had better not attempt to correct past errors of classification: for the future, it has been resolved, in communication with the Secretary of State, that no work shall, under any circumstances, be classed as Extraordinary, unless we are satisfied that it will yield a net income sufficient to cover the interest upon its capital cost: it has also been decided, in respect to future works, that, if a work has been classed as Extraordinary, and it be ascertained, subsequently, that the estimates of profit were fallacious, any further expenditure upon it shall not be treated as Extraordinary, but entered among the ordinary charges. I think, for my own part, that there is very much to be said in favour of the view that we might, with propriety, go much further, and do away with all distinction between Ordinary and Extraordinary expenditure: this would involve no change in our policy; we should still borrow money for useful works; and, although our Budget Statements might usually close with the announcement of a deficit instead of a surplus, and would have a less agreeable appearance, the deficits would have no more real or serious existence than they have now: this, however, is a matter which I need not now discuss: the decision which I have now stated, and on which the

Government is resolved to act, will, at any rate, place matters on a sounder basis in future.

"The figures which I have given show that, during the past seven years, we should have just managed, after meeting all charges for unremunerative Public Works, to bring our expenditure within our income, if there had been no income-tax and no famine: but we cannot omit famine from our calculations; and we have now no income-tax: it therefore follows, judging by the experience of these seven years, that our ordinary revenues are just sufficient to meet all ordinary charges excepting those for the relief of famine, for which we may consider that no provision is now made: I think that the estimates of the current and coming years tend to confirm this general conclusion.

"What, therefore, we now have to do, is to establish a sufficient margin of annual income over ordinary expenditure, to enable us to meet with certainty not only the charges for famine relief, according to the principle laid down by Lord Northbrook, and charges for unremunerative public works, but for other demands which cannot be foreseen, but which will inevitably occur: this is the more important because, in India, we have, under present circumstances, almost no means, such as those which can always be applied in England for temporarily increasing the public income to meet a temporary necessity.

"Our financial position also requires improvement to enable us to carry out measures necessary for the regular progress and better administration of the country: there are administrative improvements which are very necessary; and, above all, there are urgent fiscal reforms, closely affecting the economical and commercial interests of India, which, for want of means, have hitherto been hardly touched. It is easy to give illustrations of my meaning: there are the duties on cotton goods, of which I shall have to speak again; and, independently of them, I do not think that any one will maintain that our Customs Tariff is in a satisfactory condition. Then, there are the Inland Sugar duties, to which also I shall refer again presently: six years ago I heard them called, in this Council, the most discreditable relic of the dark ages of taxation that exists in India: every one agrees in this judgment; but the Sugar duties still exist. Take, again, the system under which we levy our Salt revenue in Northern India: no one denies that it is a positive disgrace to a civilized Government; but it remains unaltered. The time is perhaps hardly come for talking of the repayment of debt as a practical object to be aimed at, or for hoping that we may be able to dispense with borrowing even for reproductive public works: for works which are not reproductive we ought not, except under the pressure of extreme necessity, to borrow a sixpence: the increase of debt is so serious an evil, that we must strive to reduce our borrowing to a minimum even for remunerative works, and provide as much money as possible for them from ordinary revenues; so always that we do not allow this determination to check the progress of necessary great works of public improvement, or to interfere with the execution of great fiscal reforms such as those which I have mentioned.

"There is another matter which obviously has a most important bearing on this subject—the question of the future value of silver: I am afraid that we cannot, with any confidence, expect to avoid serious loss hereafter from disturbances in the relative values of the precious metals; and no one can now measure the future deranging effect upon our finances of these disturbances. In connection with this subject, I must mention the great importance of sparing no efforts to prevent the increase of the sum which we have to pay annually in England in gold. I have referred to this subject in my separate Minute, and have said that, although I do not now wish to give opinions in regard to the measures, if any, which ought to be adopted, the subject is receiving, and will continue to receive, all the attention which the Government can give it.

"In asserting that our financial position must be improved, I by no means desire to see the improvement pushed to an extreme: I wish for no such surplus of income over expenditure as would involve the necessity of imposing heavy burdens on the country or might tempt the Government to launch out into extravagancies: I ask, only, for such a reasonable margin on the right side of the account, as will enable us to pay our way honestly, to avoid increasing the burden of debt, and to carry out, at a reasonable and moderate rate, necessary measures of administrative and economical progress.

"Now it is certain that we cannot bring about in the comingyear any such improvement as I desire: with famine in a large part of India it is obvious that no time could be so inopportune as the present, not only for imposing fresh burdens on the people who are suffering, but even for measures involving serious administrative changes: we could not, at such a time as this, ask the Governments of Madras or Bombay even to undertake the examination of new financial schemes: all that we can now attempt is to lay down, as fully as we can, the principles by which the Government of India intends to be guided, and to take such steps as may be practicable for carrying out our programme in those provinces which are in a prosperous condition.

"The only means by which the necessary improvement in our financial position can be gained are fresh taxation, or reduction of expenditure, or increased productiveness of existing sources of revenue, or a combination of these means.

"It will be understood, from what I have already said, that I have no measures to propose at present for the imposition of any general taxation: it may be a cause of special relief to some of my audience to learn that the rumours which we have heard from time to time about the re-imposition of an income-tax have no foundation. As to the income-tax, I freely confess that I regretted its disappearance; but there has been no thought of restoring it. The Government is obliged to propose some other taxation, of which I shall speak further on.

"In regard to reduction of expenditure, the only head under which there has, lately, been any serious increase of charge is the Army; I have mentioned this in the Minute now before the Council as a cause of grave anxiety, over which the Government of India has comparatively little control: in regard to the possibility of future reductions of Military Expenditure, all I can say is that the Government of India will do everything that it properly can do to effect them. It is only in the great Imperial Services that we can now hope to see much done in this direction; for there is comparatively little room for saving on the ordinary charges of the Civil Administration carried on, for the most part, by the Local Governments: we have, however, every reason to believe that, under the system of provincial assignments established in 1871, and which we are now further developing, these charges will bring no fresh burdens in future on the Imperial Treasury; and the actual reductions of Imperial Expenditure, for which we are able to take credit in our Estimates for the coming year, in consequence of the extension of that system, are, as I shall presently show, not unimportant.

"I believe that much may be done to increase the productiveness of existing sources of income, and I will explain the measures by which the Government hopes that this may be effected.

"We all remember the schemes which a great Englishman put forth, some twenty years ago, for the better government of India. He told us, with an eloquence which he alone possesses, of the folly of supposing that so vast a country, with its twenty different nations and its twenty languages, could ever be bound up into a single State. 'What you want,' he said, 'is to decentralize your Government: what would be thought if the whole of Europe were under one Governor who knew only the language of the Feejee Islands?' Now, much as I respect Mr. Bright—and no one has a sincerer respect for him than I have—I am not going to defend the projects by which he would have abolished the Governor-General-in-Council and would have established half a dozen separate Governments in India, having no connection with each other, and each of them directly subordinate to the Secretary of State at home: I believe that, sooner or later, the result of such a plan, if it were put in operation, would be the destruction of our Indian Empire; and I am not one of those people, who unfortunately are not wanting now-a-days, who can look with complacency on such a prospect; nor will I accept it as even a possible contingency.

"If there be one thing more essential than another in India, it is, in my opinion, a strong Central Government; and I utterly disbelieve that we can ever get such a Government out of India itself. Nevertheless, there was a basis of truth and wisdom in Mr. Bright's proposals: it is, in many respects, quite true that what we want is to decentralize our Government; although I dislike the term decentralize, because it conveys to many people the false notion that we desire to diminish the central authority of the Supreme Government: on the contrary, we desire to see that authority increased, and made the strongest possible reality; and I am convinced that we can only maintain true imperial control by refusing to meddle with details which the local authorities can alone understand, and with which they alone can intelligently deal: no Government, whether it be Imperial or Provincial, can ever really deserve to be called strong, unless it be conducted on these principles.

"As Your Excellency told us the other day, on a very different occasion from this, we have been far too much disposed to disregard the fact that India is no homogeneous country, but a continent containing many nations, the differences between which are at least as great as those which exist between the nations of Europe: it is farther from Lahore to Calcutta than from London to Naples; and, wide as the difference is between England and Italy, there is probably far less difference between those two countries in all their physical conditions, and far less difference between their inhabitants, than there is between the Punjab and Bengal. Nor is it at all true that our existing Indian Provinces are merely artificial divisions: there are, no doubt, varieties of race and language and customs to be found within a single Province; but Bengal, Madras, Bombay, the North-Western Provinces, and the Punjab have, nevertheless, each of them, a fairly well-defined and distinct character.

"I believe that the views which I have now been stating, and which Your Excellency has, on more than one occasion, publicly declared, are especially true in regard to measures of taxation and finance; we should think it very unreasonable to suppose that the same plans of taxation and financial administration are applicable to all the countries of Europe; and it is just as unreasonable to suppose that the same plans are applicable throughout India; a system which may be excellent in one Province may be as bad as possible in another.

"Now, the Government is not so foolish as to imagine that there is any essential distinction between provincial and imperial taxation, or between provincial and imperial expenditure: when we talk of throwing upon the Local Governments new responsibilities for increasing the public revenues; or of relieving our finances by making provincial certain obligations which have hitherto been imperial; we are not so ostrich-like, or so dishonest, as to imagine or to profess, that, by any juggle of names, we can alter the nature of new taxation and make it less burdensome to the people; or that the actual expenditure of the Empire is diminished, when we say that charges for certain classes of works, which have hitherto been imperial, shall henceforth be provincial; indeed, in the Accounts as now remodelled, no distinction whatever is made between imperial and provincial revenue and expenditure. I have, nevertheless, a strong conviction that decentralization, leading, as I believe it, infallibly, will do, to improved administration, will bring about a great increase in the productiveness of existing sources of revenue, great diminution of the evils of fresh taxation if fresh taxation becomes necessary, and great economy in expenditure.

"In regard to expenditure, an important step was taken by Lord Mayo six years ago. I will ask Your Excellency, although I am afraid I have no better object than that of saving myself a little additional trouble which would be entailed by explaining my views over again to the Council, to allow me to read a passage from an old paper of my own, in which I endeavoured to describe the reasons for the measures taken by the Government of India in 1870: a clear conception of those reasons is essential to the proper understanding of the plans which are now proposed.

"Under the system which Lord Mayo found in force when he became Viceroy, the Local Governments, which practically carry on the whole administration of the country, had almost no powers of financial control over the affairs of their respective provinces, and no financial responsibility: everything was rigorously centralized in the Supreme Government, which took upon itself in detail the provision of funds for every branch of the public service throughout India. The business of supervising in a central office all the details of the receipts and expenditure of the empire had become so enormous, that its proper performance was impossible: 'I do not think,' wrote Sir Henry Maine in 1867, 'that anybody can have observed the recent workings of our system of financial control, without coming to the conclusion that, if it be not on the point of an inevitable collapse, it is, at all events, in great danger of going to pieces unless the strain be lightened somewhere.'

"For many years before Lord Mayo became Viceroy, the ordinary financial condition of India had been one of chronic deficit; and one of the main causes of this state of affairs was the impossibility of resisting the constantly increasing demands of the Local Governments for the means of providing every kind of improvement in the administration of their respective Provinces: their demands were practically unlimited, because there was almost no limit to their legitimate wants: the Local Governments had no means of knowing the measure by which their annual demands upon the Government of India ought to be regulated: they had a purse to draw upon of unlimited, because unknown, depth; they saw, on every side, the necessity for improvements; and their constant and justifiable desire was to obtain for their own Provinces and people as large a share as they could persuade the Government of India to give them out of the general revenues of the empire; they found by experience that the less economy they practised, and the more importunate their demands, the more likely they were to persuade the Government of India of the urgency of their requirements: in representing those requirements, they felt that they did what was right; and they left to the Government of India, which had taken the task upon itself, the responsibility of refusing to provide the necessary means.

"The Government of India had totally failed to check the constant demands for increased expenditure: there was only one remedy—to prevent the demands being made; and this could only be done by imposing on the Local Governments a real and effectual responsibility for maintaining equilibrium in their local finances: there could be no standard of economy until apparent requirements were made absolutely dependent upon known available means: it was impossible for either the Supreme or Local Governments to say what portion of the Provincial revenues was properly applicable to local wants: the revenues of the whole of India went into a common Fund, and to determine how much of this Fund ought fairly to be given to one Province and how much to another, was impracticable. 'The distribution of the public income,' General Strachey wrote, 'degenerates into something like a scramble, in which the most violent has the advantage, with very little attention to reason: as local economy leads to no local advantage, the stimulus to avoid waste is reduced to a minimum: so, as no local growth of the income leads to an increase of the local means of improvement, the interest in developing the public revenues is also brought down to the lowest level.'

"The unsatisfactory condition of the financial relations between the Supreme and the Local Governments led to still more serious evils: constant differences of opinion about petty details of expenditure, and constant interference of the Government of India in matters of trivial importance, brought with them, as a necessary consequence, frequent conflicts with the Local Governments regarding questions of provincial administration, of which they were the best judges, and of which the Government of India could know little: the relations between the Supreme and Local Governments were altogether inharmonious; and every attempt to make financial control more stringent, increased an antagonism, the mischief of which was felt throughout the public service.

"To Lord Mayo belongs the honour of applying the only effectual remedy for these serious evils: he resolved to give to the Local Governments the economical standard which they required; to make over to them a certain income by which they must regulate their local expenditure; and to leave to them, subject to certain general rules and conditions, the responsibility of managing their own local affairs.

"From the commencement of the official year 1871-72 the financial control of the following services was transferred to the Local Governments: Jails, Police, Education, Registration, Medical Services, Printing, Roads, and Civil Buildings.

"The views of Lord Mayo were stated by himself in the Legislative Council on the 18th March 1871, as follows:—'Under these eight heads it is proposed to entrust the administration, under a few general conditions, to the Provincial Governments, and a fixed contribution will be made from Imperial Revenue every year. * * It is impossible to prophesy or say, at present, what can be done in the far future; but I should be misleading the Local Governments if I were not to say that it is our opinion that these sums are now fixed at an amount which cannot be exceeded for at least a number of years: I think it desirable that this should be perfectly understood; because one of our objects is the attainment of as great an amount of financial certainty as is possible. * * But, in addition to the increased power of administration which it is proposed to give to the Local Governments, an administrative change will take place, which I think they will be able to exercise with advantage: they will have a large sum to devote to local objects; the power of allotment will be left absolutely to them; and they will be able to vary their grants for roads, civil buildings, education, and other heads, from year to year, as they may think most desirable; in some Provinces it may be desirable in one year to spend a larger sum on roads; in others it may be desirable to fill up some shortcomings with regard to education or other objects. The Local Governments will thus be able to exercise that power of allotment with much greater satisfaction to themselves and to the public, than they did under the old system, when they were obliged to consult the Supreme Government, not only as to the allotments that were made in the beginning of the year, but also with regard to any appropriations that were thought desirable within the year, provided that those appropriations exceeded a certain amount * * I have heard it stated that, by the proposals which we make, there may arise a separation of interests between the Supreme and Local Governments: I fail to perceive any strength whatever in this assertion: I believe that, so far from there being a separation of interests, the increased feeling of responsibility and the feeling of confidence which is reposed in them will unite and bind together the Supreme and Local Governments to a greater extent than before. * * I believe that we shall see, in place of greater uncertainty, greater certainty; we shall see works and objects carried on with more vigour, enthusiasm, and with less hesitation, when these works and these objects are effected under the immediate responsibility of those who are most interested in them.'

"The gross sum made over to the Provincial Governments for these services, and some few others transferred since the scheme was first introduced, amounted, including receipts given up, to about £5,600,000."

"After nearly six years' experience, we can confidently say that the results of the new system have been thoroughly satisfactory. Objections have been made to some of the details; and Local Governments have often said that the change did not go nearly far enough; but, in regard to the main principle and the general success of the new arrangements, I believe that neither the Government of India nor any Local Government has ever felt a doubt. Every object with which the change of system was made has more or less been gained: the old friction between the Supreme and Local Governments has been greatly diminished; the authority of the Supreme Government and its powers of general control, instead of being weakened, have become stronger and more real, since the attempt to interfere in all sorts of petty details was abandoned; the Local Governments have been able to carry out many measures of improvement which would otherwise have been impracticable; and, so far as I know, there has not been a single counterbalancing disadvantage.

"The most important object of all, so far as the Imperial finances are concerned, that of economy and preventing increase of expenditure, has been completely gained, as I think the following figures will show. The charges which were made over to the Provincial Governments were selected because they were especially liable to increase. In 1863-64 the net expenditure for the services afterwards transferred to the Provincial Government was £5,112,000; and, during the four following years, it continued to rise, until in 1868-69 it amounted to £6,030,000: in 1869-70 it was nearly the same, but a little less. In 1870-71, before the new system was introduced, a determined and successful effort was made by Lord Mayo's Government to reduce the charges which had been growing at so alarming a rate; and they fell, in that year, to £5,197,000. The new system of which I have been speaking was then introduced; and, after it had worked for five years, the result, in 1875-76, was that the charges for the assigned services were £5,305,000: there was practically no increase of expenditure; the total charges were only about £200,000 more than they were in 1863-64; they were less by £700,000 than they were in 1868-69. It is true, as I have just shown, that the great reduction took place before the change was actually made; but, if we may judge from what had happened before, the demands of the Local Governments for larger grants to carry out administrative improvements would certainly have gone on increasing; and I believe they would have been as irresistible as before.

"I will not take up the time of the Council with details showing the manner in which the charges for each of the assigned services have varied; but it may be said generally that there has been no growth of expenditure under any heads, excepting *Education* and *Medical*: these charges, which were £458,000 in 1863-64, and £909,000 in 1870-71, rose to £1,007,000 in 1875-76: in other words, the people have got more Schools, and Hospitals, and Dispensaries, although less money has been spent on Jails and Police. The financial results of the new system have, thus, been entirely satisfactory; the constantly recurring demands, and the consequent embittering controversies between the Supreme and Local Governments have ceased; and, I repeat, that, not only has all this been attained without any sacrifice of financial authority on the part of the Government of India, but there can be no question that this authority is stronger and more efficient than before. From the time in which the new system was introduced until now, I do not believe that one single authority who has seen how it has worked has expressed anything but confident approval of the principles on which it was based.

"When the measures of 1870 were taken, there was a great deal of talk about local taxation; and it was loudly asserted that new burdens were being imposed on the country which were none the less serious for being called local. There was no foundation for this statement, nor did the Local Governments obtain any powers of taxation beyond those which they previously possessed: the truth is that, excepting in the Punjab and Oudh, where new rates for local purposes were imposed on land by Acts of the Imperial Legislature, and to a very small extent in Bombay, the measures of 1870 led to no fresh taxation whatever. The estimated revenue, throughout the whole of India, from local taxes, rates, and cesses in 1877-78 is only £2,233,000.

"The weak point in those measures was this, that, while they transferred to the Local Governments the responsibility for meeting charges which had an undoubted tendency to increase, the income of which the Local Governments had to dispose, although not quite a fixed amount, had little room for development: the difficulty has perhaps not, hitherto, been generally felt to a serious extent, because it has been met by economy and good management: it must however, be felt hereafter; and, for this and for still more important reasons I have always maintained that the system of Provincial Assignments established in 1871 ought to be applied not only to expenditure but to income. What we have to do is, not to give to the Local Governments fresh powers of taxation, but, on the contrary, to do all that we can to render fresh taxation unnecessary, and to give to those Governments direct inducements to improve those sources of existing revenue which depend for their productiveness on good administration.

"I will take as an example the two great heads of income, Excise and Stamps (including the items under Law and Justice hitherto reserved as Imperial Revenue), which are estimated to yield together, this year, net, £5,393,800. The whole of this goes into the Imperial Treasury: the increase or decrease in the receipts depends entirely, in the long run, on good or bad management; and bad management means the wasteful throwing away of revenue without any relief to the country. The administration, although centralized in the Government of India, has to be carried on by the officers of the

Local Governments, and I doubt whether there is a single Province in which great improvement in the administration is not possible: throughout a large part of India the evasion of the Excise and Stamp duties is notorious; and, although I will make no guesses about the amount of revenue which we are thus losing, my belief is that it is very large. I have a strong conviction of the financial importance of this matter; and the importance is not merely financial, if I am right in believing that better administration would give us a large additional revenue of a thoroughly unobjectionable character, without the country feeling that any new burdens had been imposed upon it.

"How is this better administration to be obtained? The answer seems to me simple: it can be obtained in one way only; not by any action which gentlemen of the Financial Department, or any other Department of the Supreme Government, can take while sitting hundreds or thousands of miles away in their offices in Calcutta or Simla; not by examining figures and writing circulars; but by giving to the Local Governments, which have in their hands the actual working of these great branches of the revenue, a direct and, so to speak, a personal interest in efficient management. It may be very wrong, but it is true, and will continue to be true while human nature remains what it is, that the local authorities take little interest in looking after the financial affairs of that abstraction, the Supreme Government, compared with the interest which they take in matters which immediately affect the people whom they have to govern. When Local Governments feel that good administration of the Excise and Stamps and other branches of revenue will give to them, and not only to the Government of India, increased income and increased means of carrying out the improvements which they have at heart, then, and not till then, we shall get the good administration which we desire; and with it, I am satisfied, we shall obtain a stronger and more real power of control on the part of the Central Government than we can now exercise.

"We have not yet been able to work out in detail all the arrangements for carrying out this policy; and it is only with the Governments of Bengal, the North-Western Provinces, and Oudh, that it has hitherto been possible even to communicate officially on the subject. Although there will be nothing in the proposed measures requiring legislation, their importance is so great that I will give to the Council some account of the plans which have been, in all points of importance, settled with the complete and cordial concurrence of the Local Governments which I have named.

"I will explain first the measures taken for the North-Western Provinces. We propose to transfer to the Local Government the Revenues derived from Excise, Stamps, Law and Justice, Collections from the Tarai and Bhábar and

Dúdhí estates, and some miscellaneous items: the total amount which the Local Government will make good to the Imperial revenues on these accounts will be £698,400: this sum exceeds by £4,700 the amount estimated to have been actually received in the present year. The most important of the revenues transferred are Excise, Stamps, and the hitherto reserved revenues under Law and Justice: the net revenue assigned under these heads is £640,600; and the transfer has been made subject to certain conditions. These sources of revenue have gone on pretty steadily increasing throughout India; and it is not proposed to surrender to the Local Governments any part of that normal growth of income which might have been expected to continue if no change of system had been made. On the other hand, while we desire that the Local Governments shall share largely in any increase of revenue to which their own improved administration may lead, it is evidently reasonable and necessary that the Imperial revenues should share in this increase also. In the North-Western Provinces, however, these particular sources of revenue have grown less, and fluctuated more, than elsewhere, and it is proposed that, for the two next years, the Local Government shall pay to the Imperial Treasury one-half of any net increase which may result under its management, the Government of India undertaking on its part to bear half of any deficit: two years hence, the arrangement will be open to revision. If there should be any new legislation intended to increase or reduce any of the assigned revenues, the amount due to the Imperial Treasury will have to be reconsidered.

"As regards expenditure, it is proposed to reserve as Imperial those grants only which, for some particular reas. n, it seems inexpedient to transfer to provincial responsibility: these are as follows:—

	Estimated Grant, 1877-78.
	£
(1).—*Interest on other Accounts*	2,400
(2).—*Refunds (excepting refunds of Excise, Stamps, Law and Justice, and Deposits)*	9,600
(3).—*Settlements*	102,800
(4).—*Allowances to District and Village Officers*	32,700
(5).—*Special temporary increase to the pay of Covenanted Civil Servants*	4,500
(6).—*Forests*	43,700
(7).—*Account and Currency Offices*	22,000
(8).—*Minor Departments*	8,800
(9).—*Ecclesiastical*	20,000
(10).—*Medical Establishments*	28,600
(11).—*Political Agencies*	3,000
(12).—*Allowances and Assignments*	52,000
(13).—*Superannuation, Retired and Compassionate Allowances* ...	62,500
(14).—*Miscellaneous*	3,500
	396,100

"The reasons for the reservation will, in most cases, be self-evident; and I need not trouble the Council with them: I will only say, in regard to one of the heads, "Forests," that the question remains to be considered whether this ought not also to be transferred to local management. The amount provided for these reserved services in the Estimates of 1877-78 is altogether £396,100.

"The principal remaining services are Land Revenue, Excise, Stamps, Administration, Stationery, and Law and Justice. These and some others were estimated to cost, in 1877-78, £736,300: the existing provincial allotment for Police, Jails, Education, and the other services transferred under the arrangements of 1870, is £651,100: the total charges for which the Local Government will be responsible amounts, therefore, to £1,387,400. The Local Government, however, is satisfied that it can undertake those services with a somewhat smaller consolidated grant; and the sum of £35,400 will, therefore, be deducted from the total assignment, and will be a saving to the Imperial Treasury, leaving as the net amount to be actually granted £1,352,000. The revenues made over being £698,400, the net expenditure from the reserved Imperial revenues will be £653,600: subject to the conditions on which the transfer is made, the Local Governments will be entitled to add to its Balance in the Imperial Treasury any sum by which the provincial income in any year exceeds the provincial expenditure, and must, on the other hand, make good any sum by which that expenditure exceeds the income.

"It will be incumbent upon the Local Government, in managing its finances, never to exhaust the Balance at its credit with the Government of India; the Government of India will not accept any Estimates or allow any transactions which involve the expenditure of more money than is at credit of the Local Government in the Imperial Treasury; and it will be the duty of the Accountant General, on behalf of the Government of India, to take care that this condition is never infringed; to enable the Government of India to enforce this condition, the Local Government, when submitting its yearly estimates, will always state its opening Balance, and the effect thereon of the estimates presented. Subject to this condition, and to the other rules and restrictions which have been laid down, the Local Government may spend at its own discretion the funds placed at its disposal. I need not describe these rules and restrictions in detail; but the most important of them provide that, without the previous sanction of the Government of India, no fresh taxation can be imposed, or any change made in any system of revenue management; no new general service can be undertaken; no appointment with pay exceeding Rs. 250 a month can be created, or reduced, or abolished; and no class or grade of officers can be created or abolished or its pay altered; that no standing order or rule of the Supreme Government shall be changed, and that returns and accounts shall be submitted in the forms prescribed. Full power is reserved to the Supreme Government to modify, add to, or repeal any of these restrictions and conditions. The liberty of action thus conceded will not affect the duty of the Local Government to keep the Governor General in Council, in the several Departments, fully informed of its executive and financial proceedings: the Government of India will continue to exercise its general powers of supervision and control in all Departments; but it will, as far as possible, avoid interference with the details of the local administration, and everything which might lead to embarrassment of the provincial finances.

"I will not take up the time of the Council by describing in detail the arrangements made for carrying out a similar change of system in Bengal and in Oudh, because they are, in all matters of principle, similar to those adopted in the North-Western Provinces. The scale, however, of the whole settlement with Bengal is much larger; the exact figures are not yet quite fixed; but the total amount of the revenue surrendered in 1877-78 for provincial uses will not be less than £1,910,000, and the total expenditure transferred for the same year will not be less than £2,430,000. A retrenchment of £59,000 from the existing grants has been made, with the consent of the Local Government; and the existing Imperial expenditure will consequently be reduced by this sum.

"Altogether, the immediate saving to the Imperial Treasury by the arrangements entered into with Bengal, the North-Western Provinces, and Oudh, is £101,700, besides the guarantee of normal increments to the transferred revenues, amounting to £44,000: the estimates of the year are thus better by £145,700 than they otherwise would have been. I hope that when it becomes possible to enter into similar arrangements in other Provinces, equally satisfactory results may be obtained.

"The measures of which I have hitherto spoken will, we confidently hope, lead to improvement in administration, to economy in expenditure, and to increase of revenue, while they involve no fresh taxation. There are other measures, closely connected with them, which the Government proposes to adopt, which cannot, I am sorry to say, be carried into effect without an increase to existing burdens, an increase which, although it involves no fresh imperial taxation, will not, on that account, be less real. We propose, so far as it may be practicable, to make each Local Government responsible not only for the management of many of the great public works which we are constructing with borrowed money, but for meeting the charges which these works entail.

"I must now refer to the system under which our so-called Extraordinary public works are carried on.

"No one is more alive than I am to the importance of providing the railways and works of irrigation which India requires; and, for my own part, nothing would induce me to support a policy which interfered with their progress. Our railways have, in my opinion, been constructed on a scale more expensive than was necessary, and the system of guaranteeing interest on the capital expended has led to extravagance: I believe that the money which has been actually spent on our railways would have been sufficient, if it had been spent in a more economical way, to cover India with a net-work of railway communication sufficient for all the commercial and political requirements of the country, if not for all the luxuries of locomotion: but it is easy to be wise after the event; the Government of the day had practically to choose between having these expensive railways, and having none at all; and its choice was perfectly right. Although the system of borrowing under which India has had to pay for these works has entailed very serious burdens, the benefit which they have conferred upon the country has been literally incalculable: I will say nothing of the enormous increase of wealth and prosperity which they have given us; I will only ask you to reflect on what would, at this moment, be happening through a vast extent of country in Western and Southern India if we had no railways: but for them, the people would probably be now dying of starvation by hundreds of thousands; and it would have been beyond the power of the Government to save them, if it had devoted to the task all the resources of the Empire. With such facts as these, and those which I have narrated regarding these railways in my review of the Regular Estimates, staring us in the face, the statements which we sometimes hear that these works ought not to have been constructed with borrowed money, and that we ought to have waited until we could provide the necessary funds from the surplus resources of the year, seem to me to deserve no serious consideration.

"We may say the same of the great works of irrigation: the works already in operation have enormously enriched great tracts of country, and have provided for many millions of people security against famine: no one who has seen, for example, as I have, the irrigated districts of the North-Western Provinces, and who remembers what they were before the canals were constructed, can doubt the priceless value of the benefits which they have conferred. I will not now enter into the causes, arising, in my opinion, mainly from defective systems of financial management, which, in many instances, have prevented these great and admirable works from giving as speedy and as large direct returns as they ought to have given; but I have no doubt that these causes are removable.

"Although the value of our railways and canals is so immense, and the necessity of going on with their construction so obvious, I have always felt that the system under which we are incurring, on this account, a heavy load of debt is attended with very serious evils; and I hope that it will not be imagined that in proposing the changes of policy of which I am about to speak, the Government intends to relax the stringency of the rules which the Secretary of State and the Government of India have prescribed in regard to the construction of public works with borrowed money: we desire, on the contrary, to make these rules more stringent, and to obtain more complete security that, except under special circumstances, and for the necessary protection of great imperial interests, no money shall be borrowed for any works in respect of which we cannot say, with certainty, that the direct receipts will, at the very least, cover the interest on the capital expended.

"The system under which our so-called Extraordinary works are now carried on was described in the Resolutions of the Government of India in the Public Works Department, published in July 1873 and in June 1875: the conclusion arrived at by the Government of India in the former of these Resolutions was that we might continue, without fear of financial embarrassment, to borrow annually a sum of 4½ millions sterling for the extension of Railways and Irrigation works in India. The grounds of this belief were stated in the Resolution of 1875, in the following words:—

"In the year 1872-73, after deducting the net receipts derived from works in operation, there remained a sum of £2,378,140 charged to revenue for the interest of money borrowed, whether directly by Government or indirectly through Guaranteed Companies, for the construction of reproductive public works: the term reproductive is meant to imply, not that all these works are likely to be in themselves remunerative as an investment of capital, but that their effect will be to add to the general wealth of the country. The condition of the finances was such as to satisfy the Government of India that a similar charge of £2,378,140 might be met in future years without increased taxation. As works under progress are completed, and as those lately completed are brought into fuller work, fresh receipts will come in: some increase is also to be expected from old works: in the forecast of 1873 the rate of expenditure upon works in progress and new works was so adjusted for five years, that the estimated additional annual charge upon revenue for the interest of money to be borrowed should be met by the estimated additional receipts, and no increased annual charge upon revenue should be incurred."

"The Resolution goes on to say that the forecast of 1873 had been more than justified by the facts; but that it was deemed expedient to limit to four millions sterling, the annual outlay on reproductive public works classed as extraordinary, for the prosecution of which money might be borrowed,

"New tables," the Resolution continues, "have been prepared on this basis; they include the operations of 1872-73 and 1873-74 taken from the accounts of actual outlay, and those of 1874-75 taken from the Regular Estimates; the operations for 1875-76 are taken from the Budget Estimate, and those of the following four years from the best estimate that can be formed of probable operations. The new forecast extends to the financial year 1879-80; the excess of interest charges over net receipts is estimated to decrease from £2,357,696, the actual charge in 1872-73, to £1,939,803 in 1879-80: this charge is expected to average £20,203,126 per annum from 1875-76 to 1879-80: the result is on the whole much the same as in the calculations of 1873. No allowance has been made for the probability that surplus revenue will be applied to the construction of reproductive works: it will thus be seen that a considerable margin has been allowed for safety in these calculations. The result of the new forecast is satisfactory: it appears that, taking a moderate estimate of the growth of income from existing railways and irrigation works, and very small returns from the new works, an annual capital outlay of four millions for the next five years on State Railways and Irrigation works charged with interest at 4½ per cent. is not likely to lead to any increase of annual charge on the Revenues of India."

"The appendices to the Resolution of 1875 show in detail the works which it was proposed to construct with borrowed money: for State Railways it was estimated that the total outlay from extraordinary funds up to the end of 1879-80 would be £22,183,675; for irrigation works up to the same date, the estimate of outlay was £14,125,363; making a grand total to be borrowed of £36,309,038: these figures include sums expended up to 1875. According to the Forecast, the net charge on the Revenues at the end of 1879-80 would be, as before stated, £1,939,806, and this sum was distributed as follows:—

	£
Guaranteed Railways	1,215,000
State Railways	568,265
Irrigation Works	156,541

"I believe that these forecasts were made with excellent care and judgment; and there is no reason for supposing that the anticipations of Lord Northbrook's Government in regard to the growth of the income from the Railways and Canals will prove at all too sanguine; upon this subject I ask the attention of the Council to the facts stated in the review of the Regular Estimates for 1876-77 in my separate Minute. Nevertheless, in the last Financial Statement made by my predecessor, Sir William Muir, about a year ago, the Government was obliged to admit that the difficulty of carrying on the existing system had become extremely great: it was explained that, in consequence of the fall in the price of silver, the situation had become so grave, and the future so uncertain, that the Government of India had felt bound to review its position in respect of the expenditure on reproductive works from funds raised by loans: the Government, it was said, felt that it was not justified in adding to our future obligations by incurring any avoidable debt, even for the construction of works admitted to be beneficial to the country and in themselves remunerative: and it would, therefore, if it had been practicable, have altogether refrained, under the existing aspect of affairs, from borrowing for this purpose: such a course, however, could not have been taken without great loss, and it was necessary to complete the works which were in course of construction, not only to prevent waste, but in order that the capital already expended might bring in a return of revenue.

"But," it was added, "the Government of India, though thus unable immediately to stop the expenditure from borrowed funds, are resolved at once to contract the sphere of operations. * * * So long as the present adverse prospects continue, this class of expenditure will be gradually diminished, so as, in the end, if need be, entirely to obviate borrowing for the purpose."

"The whole question of our policy of borrowing money for public works has thus been, to some extent, re-opened. The truth, I think, is that it is impossible to foresee so confidently the financial conditions of the future that we can pledge ourselves to go on borrowing money, for a number of years, at the charge of the Imperial Treasury, without any fear that difficulties will arise. The progress of great works of improvement which, if carried out at all, ought to be carried out in a regular and systematic manner, thus becomes liable to interruption at any time by any temporary financial embarrassment: last year, our embarrassment was the depreciation of silver; this year, it is famine; next year, it may be something else.

"Lord Mayo, in his speech in this Council on the 31st March 1871, made some observations on this subject which seem to me very true and very much to the point:—

"Unless," he said, "the Government is supported in organizing a system by which these works can be constructed without placing further serious charges upon Imperial Revenue, I greatly fear that many of these important operations may not be undertaken at all; or, if they are undertaken, they may run the risk of being stopped before they are finished."

and he went on to express his apprehension that we might otherwise have, in a few years, to witness either financial difficulty or the stoppage of some of these great and beneficial works. This anticipation has been exactly verified.

"I am not so foolish as to imagine that there is any panacea for dealing with the difficulties with which this subject is surrounded; but I think that it is posssible to diminish them.

"The works which have hitherto been classed as Extraordinary may be divided into three great classes:—*First*, there are works of the class which I have already mentioned, which, although they are not expected to be directly remunerative, are undertaken because they are necessary for Imperial purposes. I have said all that I have to say at present regarding them; and have explained that, if any new works of this kind are undertaken, they will be treated as Ordinary, and not Extraordinary works.

"Between the *second* and *third* classes of Extraordinary Public Works, of which I have now to speak, there is no broad and distinct line of separation. They are, in both cases, works of improvement for developing the resources of the country, and for meeting its necessary requirements; and, in respect of them, it is anticipated that, besides the indirect advantages to the country arising from their construction, they will yield, within a moderate time, a direct income at least equal to the interest of the capital expended on them. Some of these works which I put into my *second* class are undertaken for objects of such general utility, that they may be fairly called Imperial: the great trunk lines of railway, for instance, like those which connect Calcutta with Bombay, Madras and Lahore, or that which we hope before long will be completed from Ajmere to the Bombay and Baroda Line, are works which not only confer immense benefits on the Provinces and Districts through which they pass, but are essential to the wealth and prosperity of the Empire: the cost of constructing them falls, properly, so long as private enterprise is not forthcoming, on the Empire at large.

"But there is another class, which I call the *third* class of great works of improvement, which are, primarily, works of provincial or local utility, undertaken for the special benefit of certain districts or places, with the object of increasing their wealth, or protecting them against famine, or for some other purpose: the Orissa canals, for instance, have afforded to that Province an insurance against famine; the Ganges Canal has given absolute immunity from famine to many districts of the North-Western Provinces; the Northern Bengal and the Tirhoot railways will be works of immense local value. There is, as I said before, no broad line of difference between such works as these and works of Imperial utility; Imperial works confer great local benefits; and works of local utility enrich the Empire; but, although the two classes of works thus run into one another, the distinction is, nevertheless, a real one, and it has not been sufficiently recognized.

"It has been frequently said, and I suppose no one denies it, that it is impossible to meet from the Imperial Revenues the obligation of providing all the works of local improvement which India requires; but we still go on as if we believed this to be false, and continue to take in hand, at the charge of the Imperial Treasury, all sorts of works of little imperial importance, and the value of which is mainly and primarily local: these are the undertakings which cause so much financial difficulty.

"I will give a few examples of the practical results of the system which we have been following.

"The total capital outlay on Irrigation works in Lower Bengal up to the end of 1875-76 was £4,072,742; and not less than £1,494,000 will be required to complete the works that are in progress: the gross income from these works in 1875-76 was £23,013, and the working expenses were £52,949; there was a dead loss on the year's operations, independently of interest on borrowed capital, of £29,906: the net loss in interest and working expenses during the year was £203,700; and the total accumulated loss up to 31st March 1876 was £878,100.

"The Orissa and Midnapore Projects had cost, up to 31st March 1876, £2,482,039; and are so far completed that water for irrigation on a large scale has been obtainable for several years past: in 1875-76, these canals yielded an income of £17,953, while the working expenses were £41,406: including interest, the net loss on these canals was £122,567, and the total loss up to 31st March 1876, was £666,131. The further works which it is proposed to undertake in Orissa will cost about £368,000 more; and no one, I believe, pretends that, within any time which can now be foreseen, there is the remotest chance, if things are left as they are, that we shall get any adequate return from this great expenditure.

"The Sône Canals in Northern Bengal had cost, to the end of 1875-76, £1,521,366; and more than £1,185,000 will be required to complete them: they will be, in the highest degree, beneficial; but I am confident that there is not, under the present system, any probability that they will, for many years to come, pay the interest on the capital outlay: the income in 1875-76 was £5,090, and the working expenses were £11,543. I do not lay stress on these figures, because the works are not finished; but it is a curious and most significant comment on them to be told, as we have been on the highest official authority, that the value of the crops saved by these unfinished canals in the single year of drought, 1873-74, was estimated at £480,000.

"The lowest sum at which it is possible to estimate the capital outlay in Bengal on canals and local railways now in operation or in progress, exceeds £8,000,000. After expending £4,072,742 on canals, there was, as just shown, a dead loss to the Imperial Revenues in the year 1875-76 of £203,700. I do not wish to speculate on the results that would probably be obtained under the existing system when the total expenditure reached £8,000,000; but the prospect could hardly be more unsatisfactory: and in spite of all this, the works themselves are most useful and beneficial to Bengal.

"I might give similar, although less extravagant, examples from the works in other Provinces; but I think that enough has been said to show that there must be something radically unsound in our existing policy.

"I come now to the consideration of the remedies for the state of things which I have been describing.

"Six years ago, there was much discussion on the subject of compulsory water-rates; and I wish to refer to that question, before going further, because it is more or less connected with the proposals which I am about to make. So much has been said and written in past times about it (and I am afraid that my own share in the discussion would fill a small volume), that I can hardly say anything which has not been said before: the question, it will be remembered, was one in which Lord Mayo took a deep interest; his views on the subject are well known, and I believe them to have been thoroughly sound. I must explain that, in what I am now about to say regarding compulsory rates for irrigation, I express my own opinions only, and in no way commit the Government at large. The practical measures which are now proposed may, however, be consistently approved by those who disagree with the views which I hold regarding compulsory water-rates; and, if I refer to this subject now, I do so chiefly because I wish to guard myself, personally, against the charge which might otherwise have been brought against me, that I was introducing a measure which I hoped would lead to results very different from those which were apparent on its face.

"The proposals which were made, some years ago, to impose compulsory rates for meeting the charges for works of irrigation, took a definite shape in certain Sections of the Punjab Canals Act, which were passed, after much discussion, in 1871, but were subsequently vetoed by the Duke of Argyll, who was then Secretary of State: I should be sorry to see those Sections re-enacted now: their only merit, in my estimation, was that they recognised a true and important principle; but they could not have been worked in practice, and I do not regret their loss.

"The principle for which I contend is simple: under our existing system, almost the only direct returns which we obtain from our canals are those derived from the voluntary payments of the cultivators who take water for irrigating their fields: I assert that this system is wrong and irrational. In a country like India, exposed not to the chance, but to the certainty, of periodical drought and famine, the construction of works of irrigation is often an absolute necessity: it is a necessity, whether the people in ordinary seasons take the water or not, and whether the canals pay or not.

"I take as an illustration the case of the Orissa Canals, to which I have just referred: there has been an immense expenditure of money; and the result is that an insurance has been provided against the recurrence of any such terrible calamity as the famine which happened some years ago: but, in ordinary years, when the rainfall is sufficient, the people will not pay for the canal water; they know that, in case of necessity, the water is there, and that they can get it; but, under ordinary circumstances, they think they can manage well enough without it: the result is that, although the Province of Orissa is secured against famine, the canal gives no direct return on the great sum of money borrowed for its construction, and does not pay even its working expenses; and the whole burden of the charge falls, not on the people really benefited, but on the Imperial Revenues, or, in other words, on the tax-payers of the Empire.

"I have just given similar figures for the Sône Canals in Behar; the Province is rich and prosperous, and well able to pay for the great local benefits conferred upon it; but, for some reasons which I, for my part, have never been able to understand, or in the least degree to appreciate, we choose to give these advantages to the people of Behar at the cost of the people of India: the people who are to get the benefit are to pay as little as they please; the people are to pay who get almost no benefit at all.

"What I want to know is why irrigation works, which, in many parts of India, are, incomparably, the most beneficial works which it is possible to undertake, and the works which have the greatest possible local utility, are to be singled out as the only local works for which the people immediately benefited are to pay nothing: why are districts and towns to pay for their own roads, and schools, and hospitals, for the paving and drainage of their streets, and their supply of drinking water; and why is it wrong that they should pay something for the irrigation works on which the actual existence of the people depends?

"It is idle to say that, in the one case, the people are themselves consulted before the expenditure is incurred, whereas, in the other case, the works are undertaken without any reference to their wishes; every one knows perfectly well, that, whatever may be the theory, the fact is, putting aside some altogether exceptional cases, that the people at large have no more to do with the regulation of local and municipal expenditure than with the expenditure on canals and railways; and that, for many years to come, this must continue to be true.

"As it cannot be denied that we cannot go on, for ever, constructing at the expense of the Imperial Revenues, works which will not pay, although those works may be absolutely necessary as a protection against famine, it comes virtually, under our present system, to this, that the question whether we are or are not to make canals, and whether we are or are not to save millions of people from misery and perhaps from actual starvation, is to depend on the views which certain ignorant peasants may hold in regard to their own personal interests.

"Almost everything that I have been saying about canals is, in regard to some parts of India, just as applicable to railways: there are many districts in which irrigation works are not wanted or cannot be made, and where cheap local lines of railway are the proper and only effectual means for preventing or relieving famine.

"I will not now discuss this subject further, because the Government of India has no propositions to bring forward in regard to it: all that we now desire is to enforce provincial responsibility for works of provincial utility; and it will be left to the Local Governments to take, if they should think fit to do so, the initiative in proposing the adoption of more complete measures under which a really local responsibility shall be enforced for meeting local wants: I do not disguise my own opinion; and it is my hope that the system which we now desire to introduce, will lead to results in the direction which I have indicated.

"Our present plan is this: we desire to throw upon every Province, so far as this is now practicable, the responsibility for meeting the cost of its own local requirements.

"It will be objected that to enforce strictly local responsibility in such a matter may be right; but that it is quite another thing to throw such a responsibility on a whole Province: this, it may be said, is, in principle, as bad as making the responsibility Imperial. Now, I fully admit that, in my own opinion, our proposed measures, if they be taken by themselves, are imperfect;

and that they ought to be supplemented by others in the manner which I have suggested: but, under existing circumstances, it is not possible for the Government of India to do more than distribute between the various Provinces the burden which now improperly rests on the Imperial Revenues; and, in doing this, and obliging each Province to meet the charges for its own works of local utility, it will have taken a great step in the right direction. It is, for instance, at any rate, less unfair that the cost of the Ganges Canal should fall upon the people of the North-Western Provinces than upon the people of Madras and Bombay.

"When Local Governments find that this responsibility has been imposed upon them, and that the only means of obtaining, without fresh taxation, the works of improvement which they require, is the wise and economical management of the works themselves, and the development of the income which they yield, they, and their officers, will take an altogether different interest in these matters from that which they feel now, when the only apparent practical result of careless financial administration is diminished profit to the distant treasury of the Empire. When new proposals to construct works of improvement with borrowed money are brought forward, the incentives to economy and care on the part of the Local Governments will be especially strong, and a powerful check will be placed on extravagant projects and enthusiastic estimates of profit. Under the present system, every Province desires to get for its own useful works as large a share as possible of borrowed money, knowing that, whether the anticipations of future income prove to be accurate or not, there will be certain gain to the Province, and loss to the Imperial treasury alone.

"The principle on which we base our proposed measures is strictly just: we start with the fact that each of our great Indian Provinces has an individuality of its own; that it is something more than a mere geographical expression; and that its people have, in a great measure, common wants and common interests. I will take as an illustration of my meaning, and of the manner in which our plans will work, the North-Western Provinces and the Ganges Canal: the people who actually take the water to irrigate their fields are the first who profit; the people who, although they do not take the water, can do so whenever they choose, and for whom an insurance against drought has been provided, are those who profit next: but these are not the only people who derive a positive benefit from the canal; it not only gives protection against famine to a great agricultural and non-agricultural population in the tract through which its immediate influence is felt, but, now that the country is intersected with railways and roads, there is hardly any part of the North-Western Provinces which does not receive from it more or less advantage, or which may not fairly be expected to contribute something towards the cost of its construction and its maintenance: in times of drought, it provides food not only for the districts through which it passes, but for those which are less fortunately situated, and it prevents the price of grain from rising to a point which would cause privation and suffering to the poorer classes of the population.

"So far, therefore, as the Government of India is now concerned, the unit with which we shall deal will be the Province which is benefited: it will be the duty of the Local Governments to endeavour, so far as may be practicable, to distribute the charges imposed upon them, so that the burden on any district, or any class of people, shall be proportionate to the benefits received.

"These plans cannot be carried out without imposing fresh taxation in the Bengal Presidency: they will scarcely affect Madras and Bombay, except in regard to new works which it may be proposed to construct hereafter; and the application of these principles to those Presidencies must be reserved for future consideration: it may be added that the present time would obviously be inopportune for imposing fresh burdens in Provinces suffering from famine.

"I do not assert that it will now be possible to apply these plans strictly to all cases in which canals and railways of local utility have, in past times, been constructed at the expense of the Imperial Revenues: all that we say is that they shall be applied, so far as this can now be done, without unwisely and unjustly throwing fresh burdens on provincial resources, and always bearing in mind that there is, as I have said before, no real distinction between imperial and provincial taxation.

"I can do little more, now, than explain the general principles of the policy which the Government proposes to adopt; and I can only describe in detail the plans for carrying it out in the North-Western Provinces: they are the only measures which it has been possible to bring to completion in concert with the Local Government; and they alone will at present require legislation in this Council.

"The capital expended on canals in the North-Western Provinces and classed as "Extraordinary," will amount, at the end of 1876-77, to £5,291,000, and, at the end of 1877-78, to £5,560,000: these figures do not include anything on account of the accumulated interest paid in past years in excess of the net income derived from the works: for our present purpose, there is no propriety in making such an addition to the capital, because the interest has in fact been discharged, from year to year, as it became due, and no longer constitutes any burden on the Revenues.

" The revenue of these canals from water rates, navigation, and other direct returns, in 1877-78, is estimated at £310,100; and the indirect revenue, consisting of land revenue due to the works, at £92,300; so that the estimated gross revenue derived from the canals in 1877-78 is £402,400: the working expenses are estimated at £146,100: thus the Net Revenue will be £256,300 or £164,000, according as the indirect revenue is or is not taken into account. One year's simple interest at 4½ per cent. on the capital hitherto expended is estimated to be £244,000; according to these calculations, therefore, the works will, in 1877-78, after providing for interest on the capital, and taking credit for the indirect Revenue, yield a surplus profit of £12,300.

" These figures do not really exhibit any close approximation to a real profit and loss account: on the one hand, the sum shown as Capital Expenditure includes no interest during construction, nor does it, or the sum shown as working expenses, include any provision for Absentee Allowances and Pensions, or for incidental charges, such as Stationery, Printing, Medical Stores, Imperial Supervising Offices, &c., which are not recorded in the Public Accounts as expenditure on Public Works, but under other heads. On the other hand, the amount shown as Capital Expenditure includes a large outlay on works not yet in operation, and therefore not yielding revenue.

" The following statement shows the estimated Capital Expenditure on the works completed to the end of 1876-77, and the Net Revenue expected to be derived from those works in 1877-78:—

Canals.	Capital expended.	Gross estimated Earnings, 1877-78.	Working Expenses.	Net Revenue.
	Rs.	Rs.	Rs.	Rs.
Ganges	2,80,00,000	(a) 22,16,000	9,71,000	12,45,000
Eastern Jumna ...	24,24,000	6,34,000	2,17,000	4,17,000
Dhoon	6,14,000	51,000	32,000	19,000
Rohilkhand and others	14,62,000	83,000	68,000	15,000
TOTAL ...	3,25,00,000	29,84,000	12,88,000	16,96,000

(a) Including Rs. 43,000 from Owners' Rate.

" It appears from this Statement that out of the total capital expended to the end of 1876-77, no less than £2,040,700 has been spent on works still in course of construction, or which are not yet producing Net Revenue, and that the interest on the capital yielding revenue, *viz.*, £3,250,000, is, at 4½ per cent., £146,250. These completed works are thus estimated to yield, in 1877-78, a net profit, over and above the interest on their capital cost, of £115,650, including the indirect revenue, or £23,350 if we exclude it: making all allowances for the omissions from the Capital Expenditure and Working Expenses above noticed, there can be no doubt that these results are very satisfactory: it must, however, be remembered that they were only arrived at after the canals had been in operation for a long period of years.

"The exigencies of the Supreme Government will not admit of the surrender of any part of the Net Revenue which it now receives from these works: it has been decided that the most convenient way of adjusting this claim of the Government of India will be, in the first instance, to reserve to the Imperial Treasury the indirect returns from the canals, which are now credited as Land Revenue: they amounted last year to £92,300: this leaves a further sum of £23,350 to be made good; but, as some of the items of the calculation are uncertain, the Government of India will be satisfied with a fixed contribution of £20,000 in addition to the indirect revenue. It must be remembered that the Imperial treasury, in thus claiming the entire profits on capital hitherto expended, only claims what it receives already; and that it foregoes, at the same time, all claims for returns on the large indirect expenditure before referred to. The Local Government will thus be responsible for making good to the Imperial treasury every year the interest on the whole capital expended, plus the sum of £20,000; and to meet these charges the Local Government will receive the whole of the Net Revenue from the works, excepting that portion of it which is credited as Land Revenue: some special arrangements, with which I need not trouble the Council, have been made regarding that portion of the Canal receipts known technically as *Owners' Rate.*

"The amount which will thus be due from the Local to the Imperial Government in 1877-78 may be estimated at £100,000: subject to this payment, and to certain further conditions which I shall notice presently, the Government of India will make over the whole of these works to provincial management, and the whole of the revenue derived from them to provincial uses. The Government of India will advance from the Public Treasury the funds required for completing the irrigation works now in progress or proposed, and for the construction of Railways for local purposes. During the next three years, the account between the two Governments will, it is proposed, be settled in the manner that has been described: the arrangements will then be open to revision.

"It must rest with the Supreme Government to determine how much money it can place at the disposal of the Government of the North-Western

Provinces, each year, for the construction of these works. The Governor General in Council will endeavour in this matter, as far as possible, to meet the wishes of the Local Government, and to supply the necessary funds at such a rate that the works shall go on regularly to completion with no avoidable delay: the amount, however, that it is expedient to borrow for the whole of India, in each year, must be determined upon general considerations; and the Government of India alone must decide how the available funds can be most profitably distributed among the several Local Governments: the demands upon the Public Treasury, ordinary and extraordinary, are too uncertain for it to be possible for the Imperial Government to promise, absolutely, to supply a fixed sum to any Local Government for a succession of years.

"It is understood that the capital cost of the canals and local railways now in existence, under construction, or contemplated in the North-Western Provinces, is estimated at about £8,500,000; so that, to complete the whole, there will still be £3,000,000 to spend after the year 1877-78. Assuming it to be possible to provide £400,000 annually for this expenditure during the next five years, the liabilities of the Local Government for interest and Imperial profits would increase from their present amount of £264,000 to £345,000 at the end of the fifth year; on the other hand, it is anticipated that the receipts will increase, during the same period, at an average rate of £20,000 a year, or from the present amount of £164,000 to about £264,000. On this assumption the amount to be contributed from other sources, which is now £100,000, would have fallen to a little over £80,000 at the close of the five years: the prospective burden undertaken by the Local Government is, therefore, never likely to become formidable. It is no doubt possible that the estimate of £3,000,000 for future expenditure may be increased; but this will not materially affect the calculation, since, in that case, the term for spending the money would no doubt be extended also.

"As the burden imposed upon the Local Government becomes reduced by the growth of the net direct revenue, it is necessary that the Local Government should contribute to the Imperial Treasury a share of the advantage: it would be premature now to define what may ultimately be an equitable settlement between the Imperial and Local Government; but, as a temporary arrangement, open to revision at the end of three years, the Local Government will surrender to the Imperial Treasury one-half of any reduction that it may be able to effect in the charge of £100,000 which it now undertakes. For instance, supposing that the interest plus the profits of the Imperial

Treasury payable by the Local Government should increase to £300,000, and the net revenue received by the Local Government should increase to £240,000, the sum to be provided from other sources would fall from £100,000 to £60,000, and, if no further condition were imposed, the Local Government would be in a better position by the difference, *viz.*, £40,000. The Government of India will concede to the Local Government one-half of this future advantage, reserving to itself the other half only, instead of the entire profits which it would keep for the Imperial Treasury if it were to apply to the profits of the future the same rule which has been applied to past profits accruing prior to the transfer now proposed: it is the expectation of the Governor General in Council that this arrangement will be profitable to both Governments; because it is hoped that the change of system will lead to better administration and to increased advantage from the works.

"I must add that some of the figures which I have now given may be somewhat modified before final arrangements are made; but in this case the changes will tend to diminish, and not to increase, the burden placed on the Local Governments.

"Although I hope that the Local Government will endeavour to secure from the land more or less directly benefited by the canals, larger returns than those which are obtained under the existing system, several years must elapse before the completion of the great irrigation works now in progress; and, until they begin to yield income, some general contribution from the Province will be unavoidable.

"As a matter of principle, I think that the larger portion of charges such as those of which I am speaking, ought to fall on the owners of land, rather than on other classes, because the benefit conferred by these works will be permanent: the whole community, however, derives great advantage from them, and it is equitable that the non-agricultural class should contribute also: it is not thought desirable, at present, to impose fresh burdens on the land in the North-Western Provinces; and, without doing this, we can obtain what we want.

"I will now give a sketch of the plans which are proposed, leaving it to my Honorable friend, Mr. Bazett Colvin, who may now be held to represent the North-Western Provinces in this Council, to describe, hereafter, the details of the measures which will require legislative sanction.

"The first of the proposed measures will be a not very extensive amendment of Act XVIII of 1871, which provides for the levy of rates on land for local purposes. Although these rates were only placed on a strictly definite and legal basis in 1871, they have been levied, for many years past, in the greater part of the North-Western Provinces: every estate in which the settlement of the Land Revenue is subject to revision, is liable to the payment of a local rate, not exceeding five per cent., on the annual value of the land: in permanently settled estates, rates are levied for the same purposes at an amount not exceeding annually two annas for each acre under cultivation. All these rates are, in the first instance, credited to a General Provincial Fund, from which the Lieutenant-Governor is bound to assign amounts to be applied in each district for certain specified purposes: these are the construction and maintenance of Roads and Communications; Rural Police; District Post; Education; Hospitals; Lunatic Asylums; Markets; Wells and Tanks; and other local works likely to promote the public health, comfort, or convenience: the annual assignment made to each district must not be less than the total amount of local rates levied in it; but any portion of such assignment which remains unexpended at the end of the year may be spent in any way which the Lieutenant-Governor thinks beneficial to the North-Western Provinces generally.

"The principle is thus recognized, that these rates may, in part at least, be expended on objects of provincial utility; and, as a matter of fact, a large portion of them has been so expended. As it is not now wished to increase the burdens on the land, all that is proposed is to authorise the Local Government to make assignments from the local rates for the purpose of meeting charges on account of Irrigation works and Railways of provincial utility: it is proposed to fix the maximum amount of such assignments at 10 per cent. of the total sum levied under the Act, leaving 90 per cent. to be spent as at present; but I see no reason for anticipating that the actual proportion of the rates so assigned will amount to this maximum. The total amount of the local rates levied annually in the North-Western Provinces is about £430,000, and the proposed amendment of the law will not seriously diminish the existing grants for local purposes.

"The second measure now proposed is the imposition of a light License Tax on trades and dealings in the North-Western Provinces. The Bill that will be laid before the Council is taken, in great measure, from a Bill proposed by Sir William Muir when he was Lieutenant-Governor in 1871, under the belief that it would be necessary to impose fresh taxation for provincial purposes: that Bill was introduced into this Council by Mr. Inglis, and passed through Committee; but the Lieutenant-Governor came to the conclusion that additional taxation was after all not necessary, and the Bill was dropped. The original Bill imposed small duties on certain specified trades, and the amount of the duties in no way depended on any trader's means: although, in this respect, the new Bill will not be so satisfactory as the old one, which would not yield as much money as we require, and the estimated receipts from which are admitted to have been greatly over-rated, no inquisition will be made into any man's actual profits, and the measure will not be an income tax in disguise: it will be similar to the License Taxes actually imposed for local purposes in many large Indian towns, and to the Pándhri tax, which has long been levied in the Central Provinces. The principal trades, as the Council will see from the Bill which I hope to be allowed to introduce to-day, have been classified and graded, and a specific sum is put down against each class and grade: the highest license fees proposed are those on Bankers and Wholesale dealers in country-produce, and they vary from Rs. 16 to Rs. 64 a year: other traders will have to pay smaller sums, which are in some cases as low as Rs. 2, and in no case exceed Rs. 32. It is extremely difficult to say what this measure will probably yield, but, for my present purpose, I will assume it to be £50,000 a year.

"If the plans which I have described are carried into effect, the first step for the Local Government to take will be to look thoroughly into its Public Works Establishments, and to consider whether the existing system under which the canals are managed, and under which the canal revenue is collected, cannot be improved and made less costly: it will then have to consider what means can be taken for increasing the income yielded by the existing canals: there will, therefore, I hope, be no necessity for depending only upon new taxation and on the assignments from local rates, for the means of meeting the new charges.

"The measures which I have thus described will, it is believed, enable the Government of the North-Western Provinces to satisfy, without difficulty, the obligations imposed upon it.

"The whole of these arrangements have been settled in communication with Sir George Couper, the Lieutenant-Governor, and have received in all respects his cordial approval.

"In the imposition upon Bengal of similar responsibilities for meeting the charges for extraordinary public works, similar principles will be applied; but, as the existing works are at present unprofitable, the sum to be made good annually by the province will be larger than in the North-Western Provinces: it will amount at present to about £275,000.

"The Government of India is in communication with the Local Government on this subject: the Lieutenant-Governor will consider what portion of the whole burden can be recovered from the people who are primarily benefited by the works which have been constructed, and what portion must be raised by fresh taxation upon the province at large: I hope that, so far as the immediate demands of the Supreme Government are concerned, there may be no necessity for throwing on the Province generally the whole of this new demand; but, on the other hand, it must be remembered that the obligations which have been placed on the Local Government will, unless the income from the works be rapidly developed, have an undoubted tendency to increase. It must also be remembered that there are new works of extreme importance urgently required in the interests of the people of Bengal for which, under the system we are now inaugurating, the Government of India will not make itself responsible. Whatever legislation may be necessary will take place, not in this Council, but in that of the Lieutenant-Governor, and it would be improper in me to refer in detail to the measures which His Honor may think fit to initiate: any schemes for new taxation must of course first receive the sanction of the Supreme Government. It is hoped that the Government of Bengal will avail itself, as far as possible, of existing modes of raising revenue, and endeavour to extend and expand them, rather than have recourse to new and unfamiliar systems of taxation, and that it will be able to carry out all necessary measures through its present establishments: even if it were possible to devise new forms of taxation theoretically better than the forms which already exist, it would still be wiser to adhere to systems understood by the people, rather than adopt innovations which might cause dissatisfaction and apprehension, and which might lead to oppression through the creation of new collecting and assessing machinery. Although the amount to be raised is in itself considerable, the increase of taxation which it involves will really be very small, when distributed over an enormous population: I have no doubt that the Local Government will be able to adapt successfully its present system to meeting this increased demand: I am sure that it will be the universal feeling, not only of this Council, but of the public, that the initiation of the necessary measures could not be in better hands than in those of my honorable friend Mr. Eden; and in regard to this matter the views of the two Governments are completely in accord.

"In regard to the Punjab, I can say nothing definite at present: it is thought desirable to wait until the Government arrives at Simla, when it will have the advantage of the presence and co-operation on the spot of the Lieutenant-Governor and some of his most experienced officers: meanwhile, I have the satisfaction of knowing that my honorable friend and present colleague, Mr. Egerton, who will, before long, assume charge of the office of Lieutenant-Governor, will give his cordial support to the principles which have been laid down, and that he anticipates no serious difficulty in their application to the Punjab.

"The total amount of the contributions thus made to the Imperial Treasury for Bengal and the North-Western Provinces is estimated to be, in 1877-78, £375,000.

"The combined result of the arrangements made with the Local Governments in regard to both Ordinary and Extraordinary income and expenditure is that the estimates of the coming year have been improved to the extent of £520,000 : it will be understood, from what I have already said, that it is not now possible to state exactly what portion of this amount will be provided by new taxation; but it will not exceed £325,000, and will probably be less.

"The questions of which I have been speaking are closely connected with another subject of great importance. In a despatch to the Government of India, dated the 25th November 1875, the Secretary of State called attention to the question of the proper incidence of the charges which have to be incurred for the relief of famine: he said that, however plain may be the primary obligation of the State to do all that is possible towards preserving the lives of the people, it would be most unwise to overlook the great danger of tacitly accepting, if not the doctrine, at least the practice, of making the General Revenues bear the whole burden of meeting all local difficulties or of relieving all local distress, and of supplying the needful funds by borrowing in a shape that establishes a permanent charge for all future time. The Secretary of State fully admitted the difficulty of a satisfactory solution of the question of how local resources can be applied to aid in meeting local wants; but he said that this difficulty ought not to be allowed to obscure the perception of the vital importance of such a solution to the future well-being of the country, and the necessity for establishing some system under which shall be suitably recognized the undoubted responsibility which rests on the people themselves to provide for their own support.

"In the instructions lately issued by the Government of India to Sir Richard Temple, in respect of the inquiries which he is now conducting with signal ability and success in the famine-stricken districts of Madras and Bombay, the same doctrine of the necessity for enforcing some system of local responsibility for providing local relief was recognized by the Government of India; and I wish that it were now in my power to inform the Council that some practical conclusions had been arrived at. This I cannot do; but the question will receive the careful consideration of the Government, and I hope that a useful solution of it may be found, by which, while the Imperial revenues are duly protected, no unjust or excessive burdens shall be imposed upon local or provincial interests: this last condition is obviously essential. Meanwhile, the measures which I have been explaining are a step in the direction which I have mentioned; by throwing upon each province the responsibility for meeting the charges necessary for providing the canals and railways required to protect its own people against famine, we give practical recognition to the principle on which the Secretary of State has insisted, and we obtain, to a certain extent, though far from completely, that safeguard for the Imperial Revenue which he thought so necessary. This at least is certain, that the relief of famine must be looked on as an ordinary charge to be met from revenue, and not from borrowed money.

"The question has often been raised of late, whether it is really possible for the State to undertake the responsibility of preserving the lives of the people during famines, the periodical recurrence of which in India must unhappily be looked upon as certain: for my own part I do not think the answer difficult: it seems to me idle to discuss whether the Government of India, on account of financial considerations, can deliberately allow people to die of starvation: it is quite clear that it can do nothing of the kind: it is a fact which has to be accepted that life must be saved, whatever be the cost. It is conceivable that the performance of such a task might become impossible; but I can conceive many other causes which would make the Government of India by the English impossible; and I see no use in speculating on what may happen, in consequence of financial or other ruin, in some distant future, under circumstances which cannot now be foreseen.

"I have tried to read for myself the lessons of the past, and they appear to me to show that if we treat this great famine question in a rational way, and base our measures on true principles, we shall find no insuperable difficulty in dealing with it. The first thing to be distinctly declared is that, while the State fully accepts the necessity of saving life, and of preventing extreme distress, it refuses to attempt to take upon itself, in time of famine, more than in any other time, the impossible task of preventing and relieving all human suffering; and that we will not allow the strong and natural desire to provide immediate remedies against present misery, to blind us to the duties which we owe to the people of the Empire at large, and to future generations. The task of giving relief to all those who suffer, offers the noblest opportunities of doing good to well-applied private charity and intelligence and zeal; but it cannot be undertaken by the State.

"So far from the experience of past and present famines showing that the performance by the Government of its proper duties in regard to the relief of famine is, on financial grounds, impossible, all the facts seem to me to point to an opposite conclusion: it is not only in the relief of famine that it is easy to throw away millions; and, whenever there has been a very heavy expenditure on famine relief, it has (such at least is my belief) resulted from causes which, we can now see, might have been avoided, and which we ought to be able to avoid in future.

"I earnestly hope that we shall not allow the present famine to pass away, without learning from it the necessity of adopting a clear and definite policy for dealing with such calamities in future: I believe that we can undertake to do everything that a Government ought to do, without any of the ruinous consequences which are sometimes predicted. Very serious obligations are undoubtedly imposed upon us: we must, and will, take measures for guarding against the dangers with which these periodical famines threaten our finances; and, although I cannot now say what those measures will be, the Government of India will not shrink from the duty which rests upon it.

"When, my Lord, only a few months ago, I accepted my present office, I looked forward confidently to proposing, in my first Financial Statement, several fiscal reforms of extreme importance: I hoped, among other things, that we should have been able to undertake measures which it has long seemed to me are more urgently required than almost any that can be named; measures for the reform of the system under which the salt duties are levied throughout India; for enabling the people, through vast tracts of country, to obtain what they cannot obtain now—plentiful supplies of cheap salt; for abolishing that opprobrium of our Government, the Inland Customs Line; and for getting rid, at the same time, of one of the very worst taxes ever levied by a civilised Government, the transit duty on sugar, the produce of our own territories. I hoped, at the same time, that it would have been possible to take a really practical and decisive step towards redeeming the pledges given by the Secretary of State for the removal of the Customs duties on cotton goods: those pledges were, in my opinion, wisely given; and I looked forward with the greatest satisfaction to being able to take an active part in carrying out the policy which Her Majesty's Government has approved. Unfortunately these hopes have been disappointed: the terrible famine, from which so large a portion of India is now suffering, and which causes such unceasing anxiety to the Government and imposes such serious burdens upon the finances, has rendered it impossible to deal with these questions. The next best thing, however, to bringing great measures into effect, is to prepare the way for their execution hereafter; and I desire to tell the Council and the public what the policy is which the Government is firmly resolved to carry out: the Government has a distinct programme which it intends to keep constantly in view.

"There is, perhaps, no great Indian question which has provoked so much discussion as that of salt, and no question on which high authorities have come to more opposite conclusions: it has been declared, on the one hand, that among all the main sources of the existing income of the State, the tax upon salt is one of the best, and one of those least felt by the people, and that by means of it, we raise a great revenue with the least possible objection: it has been frequently declared, on the other hand, that of all taxes this is the worst and wickedest.

"If I were to attempt to repeat to the Council all that has been said in support of these contending views, I should not get through my Financial Statement to-day: all that I can do is to state the conclusions of the Government, and the reasons for them: having, for many years past, given to this subject a large share of my attention, I feel great confidence that the policy is right which the Government, with the approval of the Secretary of State, intends to pursue.

"It is unnecessary now to discuss the question whether salt is or is not a proper subject for taxation in India; we, obviously, cannot do without the revenue which it gives us: for my own part, however, I believe the tax to be, on principle, open to no objection; and this is the view which was laid down by the Secretary of State when the question was before him some years ago. I will read to the Council an extract from a despatch from the Duke of Argyll on this subject, dated the 21st January 1869, not only because it appears to me to express, with great clearness, views which are statesmanlike and true; but because it contains, I believe, the last authoritative statement of opinion on this subject given by Her Majesty's Government to the Government of India:—

"On all grounds of general principles, salt is a perfectly legitimate subject of taxation: it is impossible, in any country, to reach the masses of the population by direct taxes: if they are to contribute at all to the expenditure of the State, it must be through taxes levied upon some articles of universal consumption. If such taxes are fairly adjusted, a large revenue can be thus raised, not only with less consciousness on the part of the people, but with less real hardship upon them than in any other way whatever: there is no other article in India answering this description upon which any tax is levied: it appears to be the only one which at present, in that country, can occupy the place which is held in our own financial system by the great articles of consumption from which a large part of the imperial revenue is derived. I am of opinion, therefore, that the Salt tax in India must continue to be regarded as a legitimate and important branch of the public revenue.

"It is the duty, however, of the Government to see that such taxes are not so heavy as to bear unjustly upon the poor, by amounting to a very large percentage upon their necessary expenditure.

"The best test whether an indirect tax is open to this objection is to be found in its effect upon consumption.

"I observe that several of those officers whose opinions upon this question have been given in the papers before me, found that opinion upon what they have heard, or what they have not heard, in the way of complaint among the native population: but this is a very unsafe ground of judgment: it is one of the great advantages of indirect taxation, that it is so mixed up with the other elements of price, that it is paid without observation by the consumers: even at home, where the people are so much more generally educated, and more accustomed to political reasoning, the heavy indirect taxes formerly levied upon the great articles of consumption were seldom complained of by the poor: they were not themselves conscious how severely they were affected by those taxes, and how much more of the articles they would consume if the duties were lower. But whilst this peculiarity of indirect taxation makes it a most convenient instrument of finance, it throws additional responsibility upon all Governments which resort to it, to bring the most enlightened consideration to bear upon the adjustment of taxes which may really be very heavy and very unjust, without the fact being perceived or understood by those on whom they fall."

"The Government has endeavoured to give to this great question the consideration which the Secretary of State thus referred to: Does the Salt tax press heavily and unjustly on the people?

"I must state, in the first place, that, although the Government of India has adopted the conclusions which I shall presently describe, it must not be supposed that the Government is committed to every opinion which I am about to express: I do not know that, in fact, any difference of opinion exists among the members of the Government; but, on a question of so much difficulty, there may be many matters of detail in which unanimity can hardly be expected.

"The circumstances under which the Salt duties are levied vary greatly in different parts of India. Bengal and Assam, with sixty-seven millions of people, get nearly the whole of their salt supply from Cheshire, a result mainly of the fact that the exports which India sends to Europe greatly exceed the imports which she receives: salt comes virtually as ballast. Almost the only local source within easy reach, from which Bengal can obtain salt, is the sea, and the natural facilities for making salt on the Northern coasts of the Bay of Bengal are not great: the climate is so damp that salt cannot easily be obtained by the cheap process of solar evaporation; and owing to the vast quantities of fresh water poured in by the Ganges and Brahmaputra, the sea is less salt than on the other shores of India.

"In Madras and Bombay, on the other hand, containing together about forty-seven millions of people, the manufacture of salt from the sea is cheap and easy; and, for these Presidencies, as well as for the greater part of the Central Provinces and the Native States of Southern India, the sea is the great source of supply.

"Coming to Northern India we find that the Punjab possesses inexhaustible supplies of rock-salt, which is consumed by about fourteen millions of people. Throughout the North-Western Provinces and Oudh, and a portion of the Central Provinces and of the Punjab, on the other hand, although there are many places where more or less impure salts can be produced, the home sources for the supply of good salt could never be sufficient: forty-seven millions of our own subjects depend almost entirely for their salt on the Native States of Rajputana or on places on the confines of those States.

"The system under which the duty is levied, and the rate of duty, vary in the different provinces. In Madras and Bombay the rate of duty is Re. 1-13 per maund (82 lbs): in Madras, this is collected under a monopoly by which all salt is manufactured on behalf of the Government, and sold to the people at a price which gives a profit equivalent to the duty: in Bombay the duty is levied as an excise. In Lower Bengal the tax is Rs. 3-4 per maund, and is levied chiefly in the form of a Sea Customs Import duty. In the Upper Provinces of this Presidency the rate is Rs. 3 per maund: in the Punjab, this is included in the selling price of the rock-salt, which is the property of the Government; in the rest of the Upper Provinces, the duty is levied when the salt is imported from Rajputana.

"For this purpose, and to prevent the ingress of salt taxed at lower rates, a Customs Line is maintained, extending from a point north of Attock to near the Berar Frontier, a distance of more than fifteen hundred miles: similar lines, some hundreds of miles in length, are established in the Bombay Presidency, to prevent untaxed salt from Native States entering British territory. Along the greater part of this enormous system of Inland Customs Lines, which, if they were put down in Europe, would stretch from London to Constantinople, a physical barrier has been created, comparable to nothing that I can think of except the great wall of China: it consists principally of an impenetrable hedge of thorny trees and bushes, supplemented by stone walls and ditches, across which no human being, or beast of burden, or vehicle, can pass without being subjected to detention and search: it is guarded by an army of some eight thousand men, the mass of whom receive as wages six or seven rupees a month. The bare statement of these facts is sufficient to show the magnitude of the evil.

"Although I believe that every thing is done, which can be done under such circumstances, to prevent abuses, it may be easily imagined what inevitable and serious obstruction to trade, and annoyance and harassment to individuals, must take place: I remember a graphic account by Sir George Campbell, in which he described the evils of the system, and the instruments of the nature of cheese-tasters which are thrust into the goods of every one whose business takes him across the line. The interference is not confined to the traffic passing into British territory; for, owing to the levy of the export duty on sugar, to which I have still to refer, the same obstructions are offered to the traffic passing in the other direction. In spite, however, of the evils inseparable from the existence of an Inland Customs Line, it is practically impossible to dispense with it so long as we levy our Salt tax at different rates in different Provinces, and have no means of controlling the manufacture and taxation of salt produced in Native States until the salt reaches the British Frontier.

"The great object at which the Government ought to aim is to give to the people, throughout India, the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt, the quantity of which shall be limited only by the capacity of the people for consumption.

"Although much has been done, during the last six or seven years, towards this object, we are still far from its attainment: a comparison between the average consumption of salt per head in different parts of India proves, incontestibly, that, where salt is cheap and abundant, the consumption is much larger than where it is dear, and where the supply is restricted. In Madras, for instance, the recent inquiries of the Salt Commission show an average annual consumption of more than 12 lbs. per head; and, in the greater part of the Bombay Presidency, the rate does not fall much short of this: in Bengal the consumption is about 9½ lbs. per head; while in the North-Western Provinces and Oudh, although it is very difficult to speak positively on the subject, the rate can hardly exceed, if indeed it amounts to, 6 lbs. per head.

"The existing system in Northern India has not even the merit of being financially profitable: for instance, the Madras Salt Commission show that thirty-four millions of people in that Presidency pay Salt duty at Re. 1-13 per maund, amounting to £927,000: if these people, instead of consuming more than 12 lbs. a head, consumed, like the people of Northern India, less than half that amount, and paid a duty of Rs. 3 per maund, the revenue would be only £750,000. There can be no doubt that, in the interests of the revenue, the best system would be that under which we should levy throughout India a low rate of duty on unrestricted consumption.

"I have a strong belief that more than a hundred millions of people fail now to obtain a full supply of salt: I do not for a moment assert, nor do I believe, that the actual supply is insufficient for the preservation of health; nor do I at all agree with those who maintain that the salt tax presses with extreme severity on the poorer classes: but, however this may be, it is a great evil that the supply of this necessary of life should be restricted; and the restriction is not only mischievous in respect of human consumption, but in this way also, that there is little salt for the cattle, and little for any of the manufacturing processes in which it would be useful.

"It must not be forgotten, however, that the price of salt depends not only on the amount of the duty imposed, but on other charges: for example, as I have said elsewhere, the North-Western Provinces depend practically for their salt on the inexhaustible supplies which exist in the Native States of Rajputana: for a long time, the British Government acted as if it were its object to aggravate by artificial obstructions, the natural difficulties in bringing the salt into its own territories; we placed between our markets and the salt sources a great Customs Line; imposed on all salt crossing it a heavy duty; and ignored everything on the other side of that line: thus, for example, salt from Sámbhar had to find its way two hundred miles through Native States, with no roads or bridges, and subjected to imposts, and exactions, and hindrances of every kind, until, at last, it came to the greatest hindrance of all, our own preventive line.

"For such a state of things it was obvious that the mere reduction of the duty would do little or no good: the salt dealers, and not the consumers, would have been the chief gainers: with the existing means of communication, it was a physical impossibility to bring from Rajputana the salt required for some fifty millions of people: that task was one that could not be performed by any number of carts, and camels, and ponies which it was possible for the country to furnish; and these were the only means of transport: therefore it was that I have sometimes asserted that there was a salt famine in Northern India, meaning thereby, not only that salt was dear, but that sufficient salt could not be provided. For such a condition of things reduction of duty would no more afford a remedy than it would be a remedy in a food famine to give money to the people when no food existed in the markets: Lord Mayo saw that there were two essential conditions to be fulfilled before relief could be found: it was necessary to provide cheap means of transport, to a practically unlimited extent, between the salt of Rajputana and our own markets; and also to make arrangements by which the price of salt to our people should be freed from influences outside our territory.

"The first condition could only be provided by making railways into Rajputana; the second condition rendered it necessary that our Government should obtain complete control over the manufacture and supply of salt at the chief places of production. The first of these two conditions has recently been fulfilled by the extension of Railway communication from Agra and Delhi to the Sámbhar salt lake: towards the second a great step was made when we obtained, under Lord Mayo's Administration, from the States of Jaipur and Jodhpur, the lease of this lake, the most important of the salt sources of Rajputana, and acquired, by an amicable arrangement, which was as profitable to the Native Chiefs as to the British Government, the complete control over the local manufacture of salt.

"The practical result of these measures has already been, not only to facilitate the supply of salt to the Upper Provinces, but greatly to reduce its price: salt which, before 1869, was sold at Agra for Rs. 5-12 per maund, is now procurable for Rs. 4, and the price is still diminishing.

"During the Administration of Lord Northbrook, another important step in advance was taken: in 1874 about 800 miles of the Customs Line in the Central Provinces, maintained for the purpose of levying the difference between the duty on salt levied in the Central Provinces and that levied in the Bombay and Madras Presidencies, was abolished: at the same time, the difference between the rates of duty levied in the Bengal and Madras Presidencies was shaded off by a sliding scale down the Orissa and Ganjam Coast: the result of these measures has been greatly to reduce the price of salt in the Central Provinces and in Orissa, with practically no financial loss to the Government.

"Recently the extension of the Northern State Railway to Jhelum has stimulated the sale of rock-salt at the Government mines in the neighbourhood, and decreased its price to the people.

"We are, at present, engaged in further negotiations with the Native States of Rajputana, which, when completed, will enable us to abolish the greater part of the Inland Customs Line, and to establish, instead of it, a system of local management at the places of production: the measures now in progress will benefit not only the British Government, but the Native Chiefs also: there is no antagonism between our interests; and I confidently anticipate a successful issue. It will not, however, be possible to abolish the Inland Customs Line simultaneously with our obtaining the control over the manufacture of salt at the places of production: there will be, for some time, in Rajputana and Central India, large quantities of salt which have left the places of production and are scattered about in the hands of traders: if the Customs Line were removed, this salt might be brought into British Territory; and, if it could not be taxed, a corresponding loss would be occasioned to our Salt Revenue. Although, therefore, establishments on the Line may be, to some extent, reduced, the line will not be removed, or the pass system abolished, until the Government is satisfied that there do not exist outside the Line large stocks of salt which has not been taxed, and which cannot be otherwise prevented from entering British Territory until it is taxed. Nor would it be safe to abolish the Customs Line until we learn by experience whether our arrangements for controlling the salt manufacture are efficient or not.

"Moreover, before these objects can be accomplished, it will be necessary to take steps towards the equalization of the duties on salt; and this is also an indispensable preliminary to their general reduction: I had hoped on this occasion to have been able to announce some immediate measures in this direction; but, as I have already stated, this is rendered impossible by the famine. I should have been glad, had it been possible, to have seen an immediate reduction in the rate of duties in the Bengal Presidency to that in force in Madras and Bombay: but there is reason to fear that, before this point can be reached, it will be necessary that some temporary measures should be taken for raising the lower rates of duties while lowering the higher.

"I have alluded to the duties levied on sugar exported across the Inland Customs Line: these are one rupee per maund on refined sugar, and six annas per maund on unrefined sugar, or saccharine produce. Except where the line runs along the left bank of the Indus, exports across it are taken to Native States; but, when it passes the Indus, the sugar is merely taken from one part of British territory to another. This sugar is all the produce of our own people in the North-Western Provinces, Oudh, and the Punjab: it is one of the most important agricultural staples of those provinces; and it is important not only to the agriculturists and manufacturers and consumers, but directly to the Government, which looks greatly to sugar cultivation for its irrigation revenue.

"While we are taxing heavily our own sugar grown on the east of the Customs Line, for the supply of the country beyond it, we admit into the same country the Mauritius sugar, which is imported largely to Bombay, taxed at a much lower rate. It is calculated that the Inland Customs duty is equivalent to 10 per cent. on the value; but the incidence of the duty varies considerably, particularly on refined sugar: on the cheaper kinds the duty is equivalent to more than 20 per cent. on its value: the sea import duty on Mauritius sugar is 5 per cent. *ad valorem.* I do not assert that there is, at present, any great competition between the sugar of the Upper Provinces of this Presidency and foreign sugar; but, so far as competition exists, the Inland Customs duty acts as a protective duty in favour of foreign and against our own sugar: to this extent, the duty must fall on the producer within the Customs Line. The competition will be more apparent and severe when the connection of the Rajputana State Railway with the Bombay and Baroda Line is completed.

"Little or no sugar is grown in Rajputana or Central India; and the increase of price caused by the Inland Customs Line must tend to diminish consumption, and so, still further, to injure the producer: it is impossible to estimate the injury to the people and the Government caused by placing artificial obstructions on the export of one of the great agricultural staples of the country; and such obstructions obviously affect not only the export but the import trade as well: the Government of India has repeatedly urged upon Native States the policy of abolishing their transit duties; but it is difficult to see with what consistency we can do this, so long as we retain our Sugar duties. They yield about £165,000 a year: this is my only excuse for not proposing their instant abolition: they will, at any rate, disappear with the abolition of the Inland Customs Line.

"My Lord, I have reserved to the end of my Statement the remarks which I wish to make regarding the Customs duties on cotton goods. I do not now wish to re-open the discussion which was finally closed last year by the Secretary of State: it was then decided by Her Majesty's Government that "the interests of India imperatively require the timely removal of a tax which is at once wrong in principle, injurious in its practical effect, and self-destructive in its operation." The Secretary of State, while leaving to the judgment of the Government of India the mode in which the policy thus laid down should be carried out, declared his opinion that measures for the abolition of these duties should have priority over every other form of fiscal relief to the Indian tax-payers. Financial embarrassments arising from the depreciation of silver prevented any practical steps being taken, last year, in this direction: it was thought unwise to give up any revenue at such a time; and the Secretary of State concurred in this decision. It is with great regret that I have to announce that, for reasons similar to those which prevailed a year ago, it has been decided that nothing can be done, at the present moment, towards the abolition of these duties: the financial difficulties caused by the famine are so serious that we cannot sacrifice any source of income.

"I regret this, not only because we are thus unable to carry out the orders of Her Majesty's Government, to which this Government owes a loyal and unhesitating obedience, but I regret it, personally, because, as the Council are aware, I am no recent convert to the policy which has been laid down, but have been, for many years past, one of those who have advocated the abolition of these duties at the earliest possible opportunity.

"I altogether disbelieve that there is, in this matter, any conflict between Indian and English interests: I am satisfied that these interests are identical, and that they alike require the abolition of this tax. I will not speculate on what ought to have been done if the case had been different; but there is one thing which I wish to take this opportunity of saying: we are often told that it is the duty of the Government of India to think of Indian interests alone, and that if the interests of Manchester suffer it is no affair of ours: for my part, I utterly repudiate such doctrines: I have not ceased to be an Englishman because I have passed the greater part of my life in India, and have become a member of the Indian Government. The interests of Manchester, at which foolish people sneer, are the interests not only of the great and intelligent population engaged directly in the trade in cotton, but of millions of Englishmen: I am not ashamed to say that, while I hope that I feel, as strongly as any man, the duties which I owe to India, there is no higher duty in my estimation, than that which I owe to my own country. I believe that our countrymen at home have a real and very serious grievance, and that it is no imaginary injury against which they complain: I know that Your Excellency has resolved that the Government of India shall not shirk this business; and there need be no fear that it will be regarded in any half-hearted spirit. Your Excellency took the earliest opportunity which could be found, after you had assumed the office of Viceroy, to declare publicly your views upon this subject; and if I say no more regarding it now, it is mainly because I feel sure that Your Excellency will not lose the present opportunity of publicly declaring those views again: for myself personally, if I had not confidently expected to take part in this great reform, I doubt whether anything would have induced me to accept my present office; and I trust that I may still have a share in the performance of a task which I look upon as one of the most important which this Government has before it.

"It is important, in my opinion, not only on its own account, but for the results which may follow hereafter. The net Sea Customs Revenue proper of India amounted in 1875-76 to £2,475,530, of which the duties on cotton goods yielded £850,000: when the cotton duties are removed, there will remain export duties on rice, indigo, and lac yielding together £620,000; and import duties on a multitude of articles yielding £930,000. Excluding the duties on cotton goods, the export and import duties together give £1,550,000: many of these duties are so objectionable that it is impossible that they can last: and can it be supposed that we should long continue to maintain huge establishments for the purpose of levying the small remnant of revenue that might survive? The truth is that cotton goods are the sole article of foreign production which the people of India largely consume, and there is no possibility of deriving a large customs revenue from anything else: I do not know how long a period may elapse before such a consummation is reached; but, whether we see it or not, the time is not hopelessly distant when the ports of India will be thrown open freely to the commerce of the world.

"I feel, my Lord, that the Statement which I have made to-day is open to this general objection, that I have said comparatively little of what has actually been done, and a great deal of what may be done in the future: I may be told that it is seldom wise for a Government to go out of its way to pledge itself to Measures which it intends to adopt hereafter, and which may turn out, after all, to be impracticable. Under our present circumstances, I do not think that this is applicable to us: a distinct conception having been formed of some at least of the great objects at which our financial policy ought to aim, it seems to me highly desirable that a clear and public avowal of those objects should be made: the Government may thus hope to obtain the greatest advantage which an honest Government can desire,—a full examination and discussion of its proposed policy: such discussion will either help it to carry that policy into effect, or will enable it to avoid errors into which it might otherwise fall.

"I have now, my Lord, finished my Statement: I have endeavoured to place before the Council and the public all the facts which it seemed to me might help them to form an accurate judgment on our financial position and on our proposed policy: I have not attempted to keep out of sight anything which was unpleasant; but have perhaps rather been inclined to err in the other direction, and to bring almost too prominently into notice the weak points of our financial administration.

"The final result which seems to me to come out very clearly is that the finances of India are, on the whole, in a prosperous and satisfactory state; and, that although there are some serious defects of system, they can certainly be removed: while I do not disguise from myself the fact that there may be grave difficulties before us, I look forward to the future not only with hope but with confidence."

MINUTE, DATED 15TH MARCH 1877, BY THE HON'BLE SIR JOHN STRACHEY, K.C.S.I., ON THE ACCOUNTS OF THE REVENUE AND EXPENDITURE AND RECEIPTS AND DISBURSEMENTS OF BRITISH INDIA IN 1875-76, AND THE REVISED ESTIMATES FOR 1876-77.

I PROPOSE, in this Minute, to review the Accounts of Revenue and Expenditure and Receipts and Disbursements, which are now completed for the year 1875-76, and the Revised Estimates for 1876-77, the year which is now about to close. My explanation of the Budget Estimates for the ensuing year, 1877-78, will, on this occasion, be made in the Legislative Council.

I must, in the first place, explain that the Abstract Statements of the Accounts of the Revenue and Expenditure of 1875-76 and the Estimates of 1876-77 and 1877-78 which I have now the honor to place before the Council, differ in form from the Statements prepared during the last seven years.

From the 1st April 1871, the Government of Lord Mayo entrusted to the management of the Local Governments and Administrations certain important services, with Consolidated Allotments from the Imperial Revenues for their support; and the revenues connected with these services were, at the same time, surrendered for provincial uses. It was thought inexpedient to retain in the Imperial Accounts and Estimates the details of the revenue and expenditure thus made over to the Local Governments: accordingly, since 1871-72, these transferred Heads of Revenue and Expenditure have been excluded from the General Estimates and Accounts, the whole transactions respecting them being represented, there, by a single net entry under the Head *Allotments for Provincial Services.* The details thus omitted have been published in subsidiary statements, and each Local Government has given due publicity to its own Provincial Estimates and Accounts.

The Government of India now sees reason to regret the method then employed, because, by this method, figures of interest and importance are relegated to subordinate statements; the General Accounts and Estimates become incomplete; and the character of the arrangements between the Imperial and the Local Governments is not truly represented, or their operation sufficiently illustrated. The Government of India has, therefore, resolved to re-introduce into the Imperial Accounts and Estimates all the details omitted therefrom since 1871-72.

Accordingly, in the Abstract Statements which I now present to the Council, the heads of *Police* and *Education* appear again on each side of the Account, and the head *Allotments for Provincial Services* disappears, its elements being distributed among the several Heads of Revenue and Expenditure from which they were originally subtracted. Moreover, the Statements contain three new Adjusting Heads which are necessary in consequence of the arrangements between the Imperial and Local Governments, and which will, I believe, usefully illustrate the practical working of these arrangements.

The Local Governments are entitled to keep for provincial uses any surplus, while they must make good from provincial resources any deficit, upon their Provincial Accounts as a whole; such surplus is added to, and such deficit, in the first resort, supplied from, the Balances of the Local Governments in the hands of the Imperial Government. These additions and subtractions will henceforth be recorded under the Heads *Balances of the Local Governments Increased* and *Balances of the Local Governments Decreased.*

It may happen, however, that the balance at credit of a Local Government does not suffice to cover a deficit in its Provincial Accounts; or, for other reasons, a Local Government may think it right to contribute funds from its separate provincial resources in support of the Imperial services which it administers. Whenever such contributions are made, they will be recorded under the Head *Provincial Contributions.* It is not deemed expedient to open on the expenditure side a corresponding account of *Contributions to Local Funds,* because, although such contributions are frequent, and might be found to counterbalance some substantial part of the *Provincial Contributions,* their object and destination can always be classified under some Service Head, and it is considered better thus to classify them, than to show them under a mere Transfer Head, which would give no information as to the nature of the service for which they are made.

Taking the three Adjusting Accounts *Provincial Contributions, Balances of the Local Governments Decreased,* and *Balances of the Local Governments Increased* together, a very good idea can be formed of the financial working of the arrangements with the Local Governments.

The engagements between the Imperial and Local Governments will no longer affect the form of the Imperial Accounts and Estimates, except through the adjusting accounts which I have described. The Revenue and Expenditure under all other Heads will be recorded without any reference to the several responsibilities of the Imperial and the Local Governments, which will be matter for arrangement altogether apart from the Accounts. Thus, henceforth, any one wishing to ascertain the total imperial revenue and expenditure of British India, under the several recognised Heads of Account, will be able to do so from the General Accounts and Estimates. It seems to me that this will be an advantage; and that the re-combination of the Accounts and Estimates of the Imperial Revenues and Expenditure, whether immediately administered by the Imperial or by the Local Governments, into one Imperial Statement, will make the whole more intelligible, and enable both the Government of India to control the Revenue and Expenditure, and the public to criticise the Accounts, more effectually than heretofore.

It will be necessary for the Local Governments to excerpt, for their own information, the items of Revenue and Expenditure for which they are primarily responsible: they will be required to publish the Accounts and Estimates thus compiled, which will be of great local interest; but such local Accounts will not form a part of the Accounts of British India.

A change is made in the manner in which the transactions of the Guaranteed Railway and Madras Irrigation Companies are exhibited in Statements Nos. IV, V, and VI. Hitherto these transactions have been there shown net after elimination of the effects of the conditions of the contracts as to the rate at which, in the accounts between the Government and the Companies, Rupees are converted into sterling. Henceforth these transactions will be shown gross, in Rupees, just as they occur.

I ask a passing notice for another change of importance in the character of the Abstract Statements. For the last ten years, these Statements have been prepared, ostensibly, in Pounds Sterling, on the hypothesis that the English Pound is equal to ten Rupees. Since the Revenue and Expenditure and Receipts and Disbursements of the Government of India, in India, are really calculated in Rupees, the value of which, compared with the English money of account, varies from time to time, it is plain that the Pound Sterling used in these Statements was not a real Pound Sterling, but a conventional money of account peculiar to this purpose. So long as the value of Rs. 10 did not much vary, as for many years it did not, from £1, there was a certain convenience in this arrangement; and the figures conveyed to English readers a meaning not very far from the truth: but, of late years, there has ceased to be any close or normal relation between Rs. 10 and £1, and Statements prepared upon the hypothesis of such a relation, are now untrue and misleading. I shall, therefore, revert to the use of Rupees in the Abstract Accounts and Estimates appended to the Financial Statement: the Secretary of State will use his own discretion as to the money of account in which the Accounts and Estimates presented to Parliament shall be stated. In combining the Sterling Receipts and Disbursements under each Head, at the Home Treasury, with the Rupee Receipts and Disbursements under the same Heads at the Indian Treasuries, it is only a degree less incorrect to call the totals, under each Head, Rupees, than it is to call them Sterling: the consequent errors of detail, which, under the existing system, cannot be avoided, and which, as will appear in the course of this Minute, are often highly inconvenient, are neutralised in the Grand Totals by the entry of the sum of them under the adjusting Head *Loss by Exchange;* the errors do not involve some of the most important Heads or the Grand Totals; and, although I am unable at present to eliminate them, I prefer to state the Accounts and Estimates in Rupees, as, on the whole, much less misleading than if I were to state them in Pounds Sterling.

PROVINCIAL ACCOUNTS, 1871—76.

It would have been interesting to compare the Accounts of the Local Governments for 1875-76 as now re-incorporated in the Imperial Accounts, with the corresponding portions of the last Accounts (for 1870-71), before the introduction of the system of Consolidated Allotments for Provincial Services; I shall attempt such a comparison in my Statement before the Legislative Council; but I fear that it cannot be made quite completely.

As already explained, it is possible that a portion of the expenditure for Education and Public Works now recorded as Imperial in 1875-76, would have been treated as Local in 1870-71 and *vice versâ*. In any case, the growth of the expenditure upon these important Services in the five years was trifling; and the Imperial Government has been, certainly, set free from importunate claims upon its resources.

It will be remembered that the Governments of India inaugurated the Provincial system by granting to the Local Governments balances aggregating Rs. 20,00,000. Their receipts in the five years, apart from *Provincial Contributions*, have aggregated Rs. 29,57,31,568, and the sum of Rs. 55,93,660 has been contributed to the Delegated Services from Provincial Resources. The expenditure upon the Delegated Services has amounted to Rs. 30,03,76,338, and the balances of the Local Governments on the 31st March 1876 were Rs. 29,48,890. Of the whole expenditure, Rs. 15,27,296 is recorded as Contributions to Local Funds; but I am doubtful whether this can be accepted as accurately representing the relief to Local Funds by the transfer of expenditure from the Local to the Imperial category; the net burden upon separate Provincial Resources cannot, in any case, have been very heavy. Of the gross sum of Rs. 55,93,660 shown as *Provincial Contributions*, Rs. 8,98,434 is on account of *Famine Relief* in Bengal, and explains the abnormal amount recorded under this Head in 1875-76. The Abstract Account of the five years is as follows:—

Assigned Revenues of the Local Governments, and their Expenditure upon the Delegated Services, 1871—76.

	Rs.		Rs.
Opening Balance, 1st April 1871	20,00,000	*Expenditure on Transferred Services*	30,03,76,338
Assigned Revenues... ...	4,13,05,938	*Closing Balance, 31st March 1876*	29,48,890
Allotments from Imperial Revenues	25,44,25,630		
Provincial Contributions ...	55,93,660		
Total ...	30,33,25,228	*Total* ...	30,33,25,228

In 1875-76, the Local Governments spent net Rs. 33,72,860* more than their Fixed Allotments and Assigned Revenues together, of which Rs. 18,91,710 was taken from the balances at credit of the Local Governments in the Imperial Treasury, and Rs. 14,81,150 was provided from Provincial Resources.

	Rs.	Rs.
* *Provincial Contributions*		14,81,150
Balances of the Local Governments Decreased	23,33,590	
Balances of the Local Governments Increased	4,41,880	
		18,91,710
		33,72,860

I think it well to offer a few further explanations of the Provincial Contributions, to which much interest attaches. The Local Funds in any Province are of two kinds: many of these Funds belong exclusively to particular districts or localities, and can be expended only for their benefit; but, in each Province, there is a more or less considerable residuum at the disposal of the Local Government for use, at its discretion, throughout the Province. When the system of Consolidated Allotments of Imperial Revenue for certain Delegated Services was adopted, it was, at first, thought convenient to amalgamate the Accounts of the Transferred Services and Revenues with those of the Local Funds at the disposal of the Local Governments for general provincial purposes, and unnecessary to maintain any separation between these two Accounts. But this amalgamation was found to be inconvenient; as it made it difficult for the Government of India to ascertain, from time to time, all the financial consequences of the new system as compared with the old. The Government of India determined, therefore, some time ago, to arrange for as complete a re-separation as possible of the transactions which would, under the old system, have been recorded in the Imperial Accounts, from those which would have been treated as transactions of Local Funds.

The abandoned system had made such progress that it is doubtful whether this separation can be completely effected as regards the past, or, even, whether it is, as yet, perfectly accomplished as regards recent and current expenditure. For this reason it cannot be said with confidence that the revenue hitherto recorded as *Provincial Contributions* is all of the nature of a demand upon separate Provincial Resources which would not have occurred under the old system. Indeed, it is certain that some considerable portion of these contributions is balanced by the record as imperial of expenditure which would, under the old system, have been a charge upon Local, or separate Provincial Resources. I hope, however, that the means will gradually be found of altogether removing from both sides of the Imperial Accounts, in future, all transactions which, under the old system, would, directly or indirectly, have been recorded under "Local Funds:" when this is effected, the demands upon local resources for imperial purposes will, I believe, be found to be, as yet, inconsiderable.

It will be seen from Statement No. VII that the whole sum raised in India in 1875-76 by Local Taxes, Rates, and Cesses was only Rs. 2,03,83,620: the estimated amount in 1876-77 is Rs. 2,07,32,000, and in 1877-78 Rs. 2,23,29,000. This last amount is, however, exclusive of new taxation to be imposed under the measures which I shall this day describe in the Legislative Council.

ACCOUNTS OF REVENUE AND EXPENDITURE, 1875-76.

I proceed to explain the differences between the Regular Estimates of the Revenue and Expenditure of 1875-76 made by the Hon'ble Sir William Muir on the 31st March last, and the Accounts of that year as since completed.

Sir William Muir estimated that the Grand Total Revenue would be Rs. 50,99,10,000, and the Grand Total Expenditure Rs. 53,88,70,000; and that there would be a Deficit of Rs. 2,89,60,000; or (the Extraordinary Expenditure being estimated at Rs. 4,14,30,000), a Surplus on the Ordinary Account of Rs. 1,24,70,000. The completed Accounts show the Revenue to have been Rs. 52,51,57,887, the Expenditure Rs. 55,11,75,355, and the Deficit

Rs. 2,60,17,468, being less than the estimate by Rs. 29,42,532: the Extraordinary Expenditure having been Rs. 4,27,06,290, the Surplus on the Ordinary Account was Rs. 1,66,88,822, being more than the Estimate by Rs. 42,18,822.

The Revenue has exceeded the Estimate by Rs. 1,52,47,887, and the Expenditure by Rs. 1,23,05,355. Of these excesses, Rs. 97,23,653 on each side of the Account is due to the re-incorporation, in gross, of the transactions of the Local Governments, which were represented in the Regular Estimates, by a single net entry; if this disturbing cause be abstracted, there remains an excess Revenue of Rs. 55,24,234, and an excess Expenditure of Rs. 25,81,702, of which Rs. 13,05,412 is in the Ordinary Section of the Account, and Rs. 12,76,290 is Extraordinary. This latter excess is due to the purchase of certain stores from the Guaranteed Railway Companies for the State Railways, a transaction not anticipated when the Regular Estimates were closed.

It is not necessary now to make any minute comparison between the details of Sir William Muir's Estimates and the Accounts, and I shall content myself with mentioning only the principal items of difference. Only two of the Heads of Revenue yielded, in a noteworthy degree, less than the estimate, *viz.*, *Salt*, Rs. 4,15,850, the clearances of Foreign Salt during March having been abnormally deficient, and *Irrigation*, Rs. 1,12,800, an old Account having been adjusted: all the other important Heads of Revenue show improvement, the chief items being as follows:

Land Revenue, Rs. 13,17,420, occurred in Bengal, where unexpected arrears were collected, and in Madras. So large a portion of the Land Revenue is collected at the close of the year, that it is impossible to secure absolute correspondence even between the Regular Estimates and the Accounts of Land Revenue.

Forest, net improvement Rs. 6,88,598, which occurred chiefly in British Burmah, and might perhaps have been foretold.

Marine, net improvement Rs. 5,35,639, chiefly in Bengal, where there was an unexpected transfer entry.

The only important failure in the Estimates of Expenditure is under *Refunds*, under which Head it became necessary to adjust a large erroneous credit of Land Revenue in Bombay.

The expenditure on *Famine Relief* was considerably less than the sum shown in the Regular Estimates. The Imperial Expenditure was, indeed, only Rs. 50,85,550, being less than the Regular Estimate by Rs. 14,74,450. But, under the new system of combining the two Accounts, the Provincial Expenditure, in 1875-76, upon the Famine, Rs. 8,72,243, is added to the Imperial Expenditure, and the whole becomes Rs. 59,57,793.

In the Original Estimates of Revenue and Expenditure for 1875-76 provision was made for a Surplus upon the Ordinary Account of Rs. 50,60,000. The actual Surplus was Rs. 1,66,88,822; and this, notwithstanding a revision of the Customs Tariff, in the middle of the year, with an estimated effect of Rs. 26,60,000 adverse to the Estimates; notwithstanding, also, an unestimated adjustment from the Imperial Revenues of Rs. 50,85,550 for *Famine Relief.*

The Revenues exceeded the Original Estimates by Rs. 1,72,34,234, and the Expenditure exceeded the Estimates by Rs. 56,05,412. The principal items of improvement are *Opium*, Rs. 50,28,600, and *The Army*, Rs. 51,31,540: minor improvements are *Land Revenue*, Rs. 12,47,420; *Forest*, Rs. 10,30,080; *Excise*, Rs. 12,63,770; and *Customs* (notwithstanding the revision of the Tariff), Rs. 4,46,580. The chief items of deterioration are *Famine Relief*, Rs. 50,85,550, and *Public Works Ordinary*, Rs. 19,05,530.

Of the Extraordinary Expenditure, Rs. 3,16,51,840 was spent upon Railroads, chiefly as follows :—

	Rs.		Rs.
Rajputana ...	33,69,370	Punjab Northern ...	32,69,800
Holkar	28,39,730	Sindhia	5,57,810
Neemuch ...	20,03,080	Tirhoot	9,75,760
Wardah Valley ...	14,08,940	Northern Bengal ...	31,88,540
Indus Valley ...	1,00,62,100	Rangoon ...	40,95,180

and Rs. 1,10,54,450 on Canals, principally as follows :—

	Rs.		Rs.
Orissa Canals ...	10,50,430	Lower Ganges ...	25,22,870
Midnapore ...	3,35,730	Western Jumna ...	4,91,840
Sône	25,75,140	Bari Doab ...	3,27,090
Ganges	5,82,550	Sirhind ...	14,84,260
Agra	5,91,450	Godavery Delta Works	4,48,300
		Moota Lake ...	3,35,650

The Total Capital Expenditure on Irrigation Works in India, to the end of 1875-76, amounted to Rs. 16,55,44,070, of which Rs. 8,70,80,510 was classified as Extraordinary as follows :—

	Ordinary.	Extraordinary.	Contribution.	Capital value of land used for works.	TOTAL.
	Rs.	Rs.	Rs.	Rs.	Rs.
I.—Capital outlay in Provinces in which the Revenue due to the Canals has been ascertained—					
Bengal	14,63,490	3,92,12,490	...	51,440	4,07,27,420
North-Western Provinces ...	2,82,10,100	2,01,27,210	...	10,57,960	4,93,95,270
Punjab	1,63,22,770	1,27,68,910	41,80,090	83,260	3,33,55,030
	4,59,96,360	7,21,08,610	41,80,090	11,92,660	12,34,77,720
II.—Capital Outlay in Provinces in which the Revenue due to Canals has still to be ascertained—					
Madras	1,20,36,200	67,34,780	...	...	1,87,70,980
Bombay	1,03,17,420	80,50,140	16,810	2,34,660	1,86,19,030
Rajputana	10,44,140	1,86,980	...	...	12,31,120
	2,33,97,760	1,49,71,900	16,810	2,34,660	3,86,21,130
III.—Capital Outlay in Provinces in which Operations on Irrigation Works have been suspended—					
Central Provinces ...	3,40,860	...		...	3,40,860
Oudh	4,41,080	...		...	4,41,080
	7,81,940	...	...	...	7,81,940
TOTAL OF I, II, & III...	7,01,76,060	8,70,80,510	41,96,900	14,27,320	16,28,80,790
IV.—Capital Outlay on Embankment Works in British Burmah	26,63,280	...	...	...	26,63,280
	7,28,39,340	8,70,80,510	41,96,900	14,27,320	16,55,44,070

	Rs.
The total Receipts during 1875-76 have been	69,86,570
From this sum the amount to be deducted for working expenses is...	33,41,780
Thus leaving the Net Revenue at	36,44,790

which is 3·6 per cent. on a Capital Outlay of £10,072,328, which is the amount spent on Canals now yielding revenue.

Of the Rs. 4,27,06,290 classified as Extraordinary Expenditure, Rs. 1,66,88,822, or 39 per cent., appears from the Accounts to have been provided from the Revenues of the year, leaving only 61 per cent. to be met from borrowed money. The financial results of the year 1875-76 would thus have been highly satisfactory if all the Extraordinary Expenditure had been on really reproductive works. Unfortunately, however, no less than Rs. 1,33,25,923 was expended under this head on the Punjab Northern and Indus Valley Railways in 1875-76, and, as I shall have occasion to explain elsewhere, the direct returns which we shall get from these Railways will be very small.

The expenditure for the relief of the Famine of 1874 in Northern Bengal, may now be said to have been completely brought to account: there may be still some outlying items; but they will not be important. The total is as follows:—

	Rs.
In 1873-74	3,86,46,730
In 1874-75	2,23,78,600
In 1875-76 (including Expenditure from Provincial Funds)...	59,57,793
Total	6,69,83,123

of which Rs. 8,98,434 was provided from Provincial Resources, and Rs. 6,60,84,689 from the Imperial Revenues. There was a set-off in increased Net Traffic Receipts on the *Guaranteed Railways* estimated by Sir William Muir, last year, at Rs. 17,00,000; but, on the other hand, there was some loss of *Excise* and other revenue, and a substantial expenditure from Local Funds. The whole net cost of the measures for the relief of the Bengal Famine cannot now be stated at less than 6¾ crores of Rupees.

If there had been no Imperial Expenditure for Famine Relief, the Surplus Imperial Revenue of the three years on the Ordinary Account would have been—

	Rs.
1873-74...	2,05,70,050
1874-75...	2,55,70,575
1875-76...	2,17,74,370
Total ...	6,79,14,995

Thus, according to the Accounts, the Revenues of the three years bore the whole cost of the Famine, and even yielded a Surplus of Rs. 9,31,872.

If we add to this the sum of Rs. 8,98,434 contributed from Provincial Resources, the net Surplus of the three years on the Imperial Ordinary Account would be Rs. 18,30,306. This apparently happy result is marred by the fact that there was, during these three years, an expenditure of Rs. 3,35,26,565 upon the Railways which I have just mentioned, which, although treated as Extraordinary Works, cannot be expected to be, in any sufficient degree, reproductive. In speaking of the arrangements proposed for the coming year, 1877-78, I shall refer more particularly to this subject, and shall explain the resolution of the Government to treat, hereafter, expenditure of this kind as ordinary.

ACCOUNTS OF WAYS AND MEANS, 1875-76.

I have still to examine the Ways and Means by which provision was made for the service of the year 1875-76, and to compare them with the Regular Estimates. The figures which I am about to quote will be found, in a convenient shape, in little tables at foot of the page in the left hand corner of Statements Nos. IV, V, and VI. Those with which they are to be compared are in the corresponding little tables in the centre of the same Statements appended to Sir W. Muir's Financial Statement of 31st March last. If any one wishes for more details than these little abstracts contain, they are to be found in the body of the Statements themselves.

We have seen that the deficit of Imperial Revenue in 1875-76 was altogether Rs. 2,60,17,470, being an improvement upon the Estimate of Rs. 29,42,530. We lent, during the year, to Native States and Public bodies Rs. 38,74,876 more than we received: the sum is smaller by Rs. 7,40,124 than was expected. The Guaranteed Railway and Irrigation Companies withdrew from our Treasuries the sum of Rs. 1,04,31,836, being less than was expected by Rs. 19,86,164. The disbursements from the balances of the Military Funds were Rs. 41,36,267, being Rs. 733 less than Estimate: the amount is abnormal, being due to the refund of their subscriptions to a large number of the members of the Bengal Medical Retiring Fund. The Local Governments drew for separate provincial and local purposes Rs. 40,22,930, being more by Rs. 60,930 than was estimated. Altogether we had to make good from other sources than the public Revenues the sum of Rs. 4,84,83,379, being less than Sir William Muir estimated by Rs. 74,16,621.

Towards meeting this obligation we borrowed the net sum of Rs. 4,10,95,219, being more by Rs. 20,68,219 than was expected; the excess was in England. The money deposited in our Savings Banks exceeded the money drawn out by Rs. 8,40,206, being less by Rs. 1,22,794 than was estimated: the deposits of the Covenanted and Uncovenanted Civil Service Funds were Rs. 11,18,471, being more by Rs. 85,471 than the Estimate, and *the balance on the Deposit and Advance Account was in our favour by Rs. 20,18,538, being less by Rs. 30,25,462* than was expected. The remaining transactions yielded to the Treasury the net sum of Rs. 23,93,032, while it was estimated they would withdraw from the Treasury Rs. 18,08,000.

Thus it happened that, instead of the estimated reduction of Rs. 98,33,000, the actual reduction of thecash balances during the year was only Rs. 10,17,913, an improvement of Rs. 88,15,087, of which Rs. 70,93,000 was in India and the rest in the Home Treasury.

FINANCIAL AND COMMERCIAL STATISTICS, 1875-76.

In the following table some important financial and commercial statistics belonging to the year 1875-76 are compared with the same statistics for the two preceding years.

(Values (excepting (a),) in Rupees.)

	1873-74.	1874-75.	1875-76.
Net imports of gold	*1,38,00,000*	*1,87,00,000*	*1,54,00,000*
Net imports of silver	*2,47,00,000*	*4,64,00,000*	*1,56,00,000*
Total Net imports of Treasure ...	*3,85,00,000*	*6,51,00,000*	*3,10,00,000*
Public Debt incurred, including Guaranteed Railway Capital ...	*1,04,00,000*	*9,24,00,000*	*4,79,00,000*
Bills drawn by Secretary of State upon Government of India	*14,25,00,000*	*11,76,00,000*	*13,75,00,000*
Amount in sterling obtained for each rupee (a)	*22,37d.*	*22,12d.*	*21,62d.*
Average price of an ounce troy standard Silver in London (a) ...	*59,16d.*	*58,16d.*	*56,20d.*
Commodities excluding Treasure.			
Exports	*55,00,00,000*	*56,36,00,000*	*58,09,00,000*
Imports	*33,82,00,000*	*36,22,00,000*	*38,89,00,000*
Net exports	*21,18,00,000*	*20,14,00,000*	*19,20,00,000*

The excess net imports of silver, and the reduction of the Council Bills, in 1874-75, are due to the large amount borrowed in that year for the campaign against the Bengal Famine, and for Railways and other Public Works.

In 1873-74, for the first time for 23 years, the average price of an ounce troy of standard silver in London fell below 60*d.*: the continuous fall in 1874-75 and 1875-76 marks the course of a phenomenon that has already caused, and must, I fear, for some time to come, cause, grave anxiety to all interested in India : I shall have to refer to the subject hereafter.

The value of commodities (other than treasure) exported in 1875-76 exceeded the exports of 1874-75 by Rs. 1,73,00,000 : but the value of Imports grew by the still larger sum of Rs. 2,67,00,000 : consequently, the Net Exports of India (excluding treasure) fell off by Rs. 94,00,000.

Including treasure, the Net Exports of the three years were—

1873-74.	1874-75.	1875-76.
Rs.	Rs.	Rs.
17,33,00,000	13,63,00,000	16,10,00,000

So that the Net Exports of 1875-76 altogether, though less than those of 1873-74 by Rs. 1,23,00,000, exceeded those of 1874-75 by Rs. 2,47,00,000.

The most important of our exports is *Cotton, Raw,* the statistics of which are as follows :—

	1873-74.	1874-75.	1875-76.
Cwts.	45,00,000	56,00,000	50,10,000
Value (in Rupees) ...	13,21,22,000	15,25,73,000	13,27,90,000

The great exports of 1874-75 were thus not maintained in 1875-76 : this is attributed, partly, to an abundant crop in the United States, and, partly, to increasing demands for this important staple for home consumption. In correspondence with this latter influence, the exports of *Manufactures of Cotton,* including twist and yarn, show an important development, as follows :—

1873-74.	1874-75.	1875-76.
Rs.	Rs.	Rs.
52,26,000	51,24,000	66,34,000

The imports of Cotton Goods, including twist and yarn, were :—

1873-74.	1874-75.	1875-76.
Rs.	Rs.	Rs.
17,78,46,000	19,42,13,000	19,25,87,000

The value of the imports of Cotton Manufactures, excluding twist and yarn, has not decreased. The figures are—

1873-74	1874-75.	1875-76.
Rs.	Rs.	Rs.
15,15,57,000	16,26,36,000	16,46,39,000

There was, indeed, a decrease in the value of grey (unbleached) goods imported, on private account in 1875-76, as compared with 1874-75, amounting to

Rs. 73,58,240; but it was more than counterbalanced by increases under other descriptions in both quantities and values. It should be mentioned here that the values of grey goods returned in 1873-74 and 1874-75 were tariff values, which were above the market values; while, in 1875-76, their recorded values have been the actual market values, exclusive of duty.

The following table contains the Statistics of our most important Exports for the three years:—

(Values in Rupees.)

		1873-74.	1874-75.	1875-76.
Cotton Goods, Twist and Yarn ...	lbs. ...	2,455,000	2,835,000	6,229,000
	value ...	12,84,000	14,76,000	26,69,000
" *Manufactures* ...	value ...	39,42,000	36,48,000	39,65,000
Coffee	(cwts.) ...	364,000	312,000	372,000
	value ...	1,49,14,000	1,30,53,000	1,62,70,000
Hides and Skins, raw, dressed, and tanned	(value) ...	2,61,82,000	2,67,78,000	2,94,36,000
Indigo	(cwts.) ...	116,000	81,000	110,000
	value ...	3,55,53,000	2,57,63,000	2,87,51,000
Jute, raw and manufactured ...	(value) ...	3,63,77,000	3,48,55,000	3,29,45,000
Lac	(value) ...	25,77,000	25,40,000	75,57,000
Opium	(chests)...	89,000	95,000	88,000
	value ...	11,34,19,000	11,95,70,000	11,14,84,000
Rice	(cwts.) ...	20,245,000	17,393,000	20,416,000
	value ...	5,54,98,000	4,76,53,000	5,31,11,000
Saltpetre	(cwts.) ...	4,51,000	5,53,000	415,000
	value ...	46,50,000	50,15,000	34,89,000
Seeds	(cwts.) ...	4,433,000	6,075,000	10,507,000
	value ...	2,36,14,000	3,23,59,000	5,46,20,000
Silk	(cwts.) ...	19,000	14,000	11,000
	value ...	1,14,37,000	76,65,000	41,60,000
Sugar and Saccharine produce ...	(value) ...	22,78,000	31,92,000	25,39,000
Tea	(cwts.) ...	1,72,000	1,88,000	2,17,000
	value ...	1,74,29,000	1,93,74,000	2,16,64,000
Wheat	(cwts.) ...	1,756,000	1,069,000	2,498,000
	value ...	82,76,000	49,04,000	90,10,000
Wood, Teak	(cubic tons)	51,000	43,000	61,000
	value ...	38,13,000	32,86,000	44,06,000
Wool, raw	(cwts.) ...	1,81,000	1,90,000	2,12,000
	value ...	93,83,000	95,99,000	1,09,42,000

This table shows a healthy condition of our export trade. The augmented exports of *Coffee, Hides, Seeds, Tea, Wheat,* and *Wool* are especially noteworthy. It is interesting to find that, as with *Cotton,* so with *Hides* and *Jute,* the export of manufactured articles is, in an important degree, superseding the export of the raw material; our chief customers for gunny bags are, *Australia* for wool packs, *California* for grain-sacks, and the *Eastern Asiatic Countries* for grain-bags, &c. The serious decline in the silk trade is compensated by the growth of other items. I hope that the nascent demand for Indian wheat will not be checked by malpractices in India, or by the carelessness of exporters. There are complaints of the admixture in Indian wheats of barley, gram, and other grains; and, should this continue, India will fail in her competition with the United States, Austro-Hungary, Southern Russia, Egypt, and other wheat-producing countries.

The following table contains statistics of our most important imports besides *Cotton Manufactures*. The growth of the imports of *Metals* and *Woollens* is interesting. The *Salt* figures indicate a serious decrease in the value of that staple, by which, however, consumers must have profited—

(Values in Rupees.)

	1873-74.	1874-75.	1875-76.
Apparel	57,82,000	62,05,000	61,60,000
Coal, excluding coke and patent fuel			
(tons)	3,54,000	3,51,000	3,69,000
(value)	72,22,000	66,19,000	63,47,000
Liquors	1,39,27,000	1,52,93,000	1,70,22,000
Machinery and Millwork	1,00,23,000	1,18,59,000	1,43,99,000
Metals	1,73,85,000	2,60,71,000	3,30,92,000
Railway Plant and Rolling Stock ...	88,960	78,090	1,07,910
Salt (tons)	2,79,000	2,77,000	3,65,000
„ (value	83,53,000	75,58,000	60,71,000
Silk (*Raw*) (value)	78,69,000	87,29,000	69,49,000
„ (*manufactured*) (value) ...	60,84,000	71,05,000	70,94,000
Sugar and Saccharine produce ...	55,90,000	51,65,000	89,59,000
Tea (value)	18,29,000	17,00,000	24,76,000
Woollen Manufactures (value) ...	66,89,000	55,76,000	86,98,000

Upon the whole, the trade of India, at the end of 1875-76, seems to have been in a satisfactory condition.

REGULAR ESTIMATES, 1876-77.

I come now to the present prospects of the current year, 1876-77, which I will first compare with the Estimates of Sir William Muir published on the 31st March 1876. As those Estimates have been recast in the form that I propose henceforth to use, I shall be able to enter into any detail that seems expedient.

Sir William Muir estimated that the Grand Total Revenue would be Rs. 50,48,00,000; that the Grand Total Expenditure would be Rs. 54,09,50,000; and, thus, that there would be a Deficit of Rs. 3,61,50,000. These same Estimates recast in the new form are as follows:—

	Rs.
Expenditure	55,11,04,000
Revenue	51,49,54,000
Deficit	3,61,50,000

In both cases alike, the Deficit is converted into a Surplus of Rs. 14,40,000 if the Extraordinary Expenditure (Rs. 3,75,90,000) is excluded from consideration.

The present Estimates are—

That the Expenditure will be Rs. 57,28,50,000, exceeding the Original Estimates by Rs. 2,17,46,000.

That the Revenue will be Rs. 51,20,67,000, or less than the Original Estimates by Rs. 28,87,000.

And, thus, that the Deficit will be Rs. 6,07,83,000, or more than Sir W. Muir's Estimates by Rs. 2,46,33,000.

If the estimated Extraordinary Expenditure be excluded from the Account, the Deficit is reduced to Rs. 2,27,83,000, being a result worse than Sir William Muir expected by Rs. 2,42,23,000.

These Estimates may be compared thus:—

	Sir William Muir's Estimates.		*Present Estimates.*	*Worse.*
	Estimates of 31st March 1876.	As now recast.		
	Rs.	Rs.	Rs.	Rs.
Grand Total Expenditure ...	54,09,50,000	55,11,04,000	57,28,50,000	2,17,46,000
Grand Total Revenue ...	50,48,00,000	51,49,54,000	51,20,67,000	28,87,000
Deficit	3,61,50,000	3,61,50,000	6,07,83,000	2,46,33,000
Public Works Extraordinary ...	3,75,90,000	3,75,90,000	3,80,00,000	4,10,000
Result if Extraordinary Expenditure is excluded ... Surplus	14,40,000	14,40,000	*Deficit* 2,27,83,000	2,42,23,000

This untoward result is due entirely to the Famine in the Madras and Bombay Presidencies. Without describing afresh the extent and severity of this calamity, I will, here, simply state its effects upon the Estimates of Revenue and Expenditure, both for the current and the coming year, so far as they can now be traced. This will be most conveniently done in the following tabular form:—

Effects of the Famine in the Presidencies of Madras and Bombay, upon the Estimates, 1876-77 and 1877-78.

1876-77	*Loss of Land Revenue.*	*Loss of Excise Revenue.*	*Loss of Forest Revenue.*	*Direct Outlay for Famine Relief.*	*Excess charges in the Army.*	*Total.*
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Madras ...	99,65,000	9,25,000	50,000	1,44,10,000	5,00,000	2,58,50,000
Bombay ...	38,80,000	...	1,50,000	47,00,000	3,00,000	90,30,000
Total ...	1,38,45,000	9,25,000	2,00,000	1,91,10,000	8,00,000	3,48,80,000
1877-78.						
Madras ...	31,84,000	3,33,000		73,50,000	6,37,000	1,15,04,000
Bombay ...	17,67,000	...		69,00,000	4,00,000	90,67,000
Total ...	49,51,000	3,33,000		1,42,50,000	10,37,000	2,05,71,000
Grand Total	1,87,96,000	12,58,000	2,00,000	3,33,60,000	18,37,000	5,54,51,000

The gross estimated cost of the Famine altogether is—

		Rs.
In Madras	...	3,73,54,000
In Bombay	...	1,80,97,000
	TOTAL	5,54,51,000

of which Rs. 2,20,91,000 is loss of revenue and excess charges in the Army, and Rs. 3,33,60,000 is direct expenditure on measures of relief. From this gross sum of Rs. 5,54,51,000 must be deducted the gain to the Revenues from the increased earnings of the Guaranteed and State Railways; and this I find it at present impossible to estimate with any accuracy. I shall presently have to speak of a very gratifying improvement in the net traffic earnings of these Railways; but how much precisely of the improvement is due to the Famine, it is impossible, as yet, to say. Perhaps, on the whole, as near an estimate as can now be made of the net cost of the Famine is five and a quarter crores of Rupees, of which Rs. 3,10,00,000 falls on this year, and Rs. 2,15,00,000 on next year.

The eventual cost of this Famine will depend upon how far it is found necessary wholly to remit the Land Revenue of which the collection is, for the present, suspended. The Hon'ble Sir Richard Temple is strongly of opinion that, if favorable seasons follow, the people will, hereafter, be able to pay at least Rs. 1,29,50,000 of the Rs. 1,87,96,000 Land Revenue which must for the time be left uncollected: but the Governor General in Council has considered it right to leave to the Governments of Madras and Bombay an unfettered discretion in this matter. These Governments will doubtless receive Sir Richard Temple's recommendations with all the deference which they deserve; and I may perhaps be permitted to express a hope that, without any undue harassment of the people, the Local Governments may yet find themselves able to recover, for the benefit of the general tax-payers, from those on whose behalf this great expenditure is being incurred, more than they now think possible.

I cannot quit this part of my Statement without calling again to mind the zeal, energy, and ability with which Sir Richard Temple, abandoning a distinguished position of comparative ease and comfort, has devoted himself to those important public duties which he is now performing with admirable success.

If there had been no Famine, there would have been no Deficit in 1876-77, but, on the contrary, if the Estimates of the cost of the Famine are trust-worthy, a Surplus on the Ordinary Account of Rs. 62,48,000,* that is to say, an improvement upon the Original Estimate of Rs. 48,08,000. Here, however, it must again be remembered that the sum of Rs. 1,38,58,850 was expended on works classed as extraordinary, but which cannot be called reproductive.

The following are the explanatory remarks which seem called for regarding the various increases and decreases shown in the Abstract Statements.

I. Land Revenue.—The whole of the decrease, Rs. 1,37,59,000, is due to the Famine, but for which there would have been a small net improvement of Rs. 86,000.

II. Tributes.—The improvement of Rs. 50,000 is due to arrear payments by Banswara and Udhaypur.

III. Forest.—The Original Estimates were for a Net Revenue of Rs. 18,26,000; the Regular Estimates are for a Net Revenue of Rs. 17,31,000, being less by Rs. 95,000. The failure is in the *Bombay* and *Madras* Presidencies, and is attributed to the Famine, which is estimated to have reduced the Net Revenue from *Forests* by at least Rs. 2,00,000.

IV. Excise.—The Net Revenue from this source is now expected to be only Rs. 2,37,92,000, instead of Rs. 2,43,80,000. The decrease of Rs. 5,88,000 is much more than accounted for by the loss of Revenue from the Famine in Madras. But for the Famine, there would have been a considerable improvement. The Net Revenue from *Excise* in recent years (deducting Refunds) has been as follows :—

	Rs.		Rs.
1869-70 ...	... 1,99,20,810	1873-74 ...	... 2,19,12,340
1870-71 ...	... 2,07,93,600	1874-75 ...	... 2,25,44,140
1871-72 ...	... 2,23,24,660	1875-76 ...	... 2,40,70,560
1872-73 ...	... 2,19,09,070	1876-77, Regular Estimates	2,37,33,000

The steady improvement is satisfactory.

VI. Customs show a serious decrease as compared with the Original Estimates of Rs. 15,08,000; the loss is generally distributed. It seems pro-

	Rs.
* Estimated cost of Famine in 1876-77 ...	3,10,00,000
Deficit on ordinary Account	2,27,83,000
Surplus but for Famine	82,17,000
Deduct loss by Exchange saved by Secretary of State reducing his drafts	19,69,000
Remains ...	62,48,000

bable that the Original Estimates, which were based upon last year's Regular Estimates, were too sanguine. The net *Customs* Revenue of the last few years (deducting Refunds and Drawbacks) has been as follows:—

	Rs.		Rs.
1869-70	2,16,63,020	1873-74	2,37,36,730
1870-71	2,35,11,350	1874-75	2,42,17,380
1871-72	2,34,05,590	1875-76	2,47,00,620
1872-73	2,40,11,230	1876-77, Regular Estimates	2,20,77,000

The net yearly Revenue sacrificed by the revision of the Tariff on the 5th August 1875 was estimated at Rs. 30,84,000: this sum deducted from the Net Revenue of 1874-75, the most productive recent year before 1875-76, would leave only Rs. 2,11,33,380, from which point the Revenue of 1876-77 shows a satisfactory recovery of 9½ lakhs of rupees. The *Customs* Revenue of 1875-76 was evidently abnormal; we cannot expect so speedy a recovery from the standard of 1874-75 as was estimated in March last.

Salt.—The Net Revenue was estimated at Rs. 5,77,40,000: it is now estimated at Rs. 5,85,65,000, being a gross improvement of Rs. 8,25,000. The Net Revenue under this important Head (deducting Refunds) has been as follows:—

	Rs.		Rs.
1869-70	5,46,20,160	1873-74	5,64,60,590
1870-71	5,68,52,590	1874-75	5,73,52,620
1871-72	5,45,57,090	1875-76	5,70,22,180
1872-73	5,64,28,950	1876-77, Regular Estimates ...	5,81,99,000

so that the Net Revenue of 1876-77 will, if the present Estimates are realised, be the largest yet obtained

VIII. Opium.—The Net Revenue was estimated at 6 crores of Rupees; it is now expected to be Rs. 6,37,50,000, an improvement of Rs. 37,50,000. The Gross Revenue has only once before been exceeded; and the Net Revenue would have been much larger than is now expected, but for the unprecedentedly large crop of 1876. The cost of this great crop fell upon the Revenues of the year, its surplus yield being added to the reserve store in the possession of the Government, which now amounts to 35,315 chests more than the quantity which will be sold during the calendar year 1877. The recent figures of the Opium Revenue are as follows:—

	Gross Revenue.	Expenditure.	Net Revenue.	
1869-70	7,95,15,570	1,82,06,830	6,13,08,740	
1870-71	8,04,54,590	2,01,44,250	6,03,10,340	
1871-72	9,25,38,590	1,59,66,460	7,65,72,130	Short crops.
1872-73	8,68,46,910	1,81,42,680	6,87,04,230	Short crops.
1873-74	8,32,48,790	2,00,12,800	6,32,35,990	
1874-75	8,55,66,290	2,34,15,460	6,21,50,830	
1875-76	8,47,14,250	2,21,85,650	6,25,28,600	
1876-77	9,17,68,000	2,80,18,000	6,37,50,000	Great crop.
	68,46,52,990	16,60,92,130	51,85,59,860	

The average yearly Net Revenue for these eight years has been Rs. 6,48,19,982, the Net Revenue of particular years depending much upon the outturn of the crop paid for. The Net Revenue of 1876-77 is rather below the average of the eight years, but compares favorably with all but two of these years. Bengal Opium is now expected to yield net less than the Estimate by Rs. 1,60,000, the excess expenditure being, by this amount, larger than the large excess revenue. Malwa opium is expected to yield Rs. 38,90,000 more than the Estimates.

On the 19th December 1876, the Opium Act (No. XXIII of 1876) received the assent of the Governor General. This much-needed Law will enable the Government to regulate and supervise the growth of the poppy and all transactions with Opium throughout India: hitherto, in many parts of the country, either there has been no law, or the law has been doubtful.

IX. Stamps.—The Net Revenue from *Stamps* and *Law and Justice* (the portion now Imperial) is now expected to be Rs. 3,09,25,000 instead of Rs. 3,05,00,000, as at first estimated, an Improvement of Rs. 4,25,000. The Net Revenues from *Stamps* and the existing imperial items under *Law and Justice* (deducting Refunds) show a steady improvement as follows:—

	Rs.		Rs.
1871-72 ...	... 2,68,40,230	1874-75 ...	... 2,88,44,860
1872-73 ...	... 2,84,31,580	1875-76 ...	... 2,97,10,000
1873-74 ...	... 2,89,55,410	1876-77, Regular Estimates	3,02,05,000

X. Mint.—Sir W. Muir estimated the Net Revenue from the Mints a Rs. 3,00,000; it is now expected to be Rs. 8,46,000, the excess (Rs. 5,46,000) being due to a large coinage of silver.

XIII.—The decrease of Rs. 3,37,000 under *Law and Justice* is in the Provincial portion (*Jails* and *Registration*), and is partly set off by a saving of Rs. 1,75,000 under the corresponding Heads of Expenditure.

XIX. Gain by Exchange.—The large improvement in the Net Traffic Earnings of the Guaranteed Railway Companies entails the improvement of Rs. 11,57,000 here shown.

XX. Miscellaneous.—The improvement of Rs. 2,91,000 occurs mainly in England, the chief items being £9,600 for Cinchona bark sold, £6,400 from the exhibition of the presents taken home by His Royal Highness the Prince of Wales, and £5,000 fines on contractors subsequently remitted, and shown under the corresponding Head of Expenditure. A curious item in India is the State share of nine ingots of gold, valued at Rs. 53,240, discovered in the Kistna District.

Irrigation.—The small decrease of Rs. 2,63,000 is due to the favorable season in the Punjab causing a loss of Rs. 1,37,200, and to disappointments in Bengal.

The probable Extraordinary outlay on Canals in 1876-77 is Rs. 1,01,20,000, as follows:—

	Rs.		Rs.
Madras	3,75,000	North-Western Provinces	33,00,000
Bombay	6,49,000	Punjab	20,00,000
Bengal	37,50,000	In England ...	46,000

In 1876-77 the total direct receipts from Irrigation Works are estimated to amount to Rs. 50,06,750. Of this sum, the amount expected to be derived from the completed Canals on which the Capital Outlay has been Rs. 10,07,23,280 is Rs. 47,01,000: the estimated amount of Land Revenue due to or dependent on the works is Rs. 20,20,340: thus the Gross Revenue is estimated at Rs. 67,21,340. The working expenses from which this Gross Revenue is derived is estimated to amount to Rs. 33,78,060: so that the expected Net Revenue is Rs. 33,43,280, or 3·3 per cent.

State Railways.—The Net Revenue from State Railways was estimated at Rs. 11,80,000; it is now expected to be only Rs. 10,42,000; the decrease of Rs. 1,38,000 is owing to slackness of trade, especially on the Holkar Line and also to the Northern Bengal and Indus Valley Lines not having been opened for traffic so soon as was expected.

The growth of the revenue from State Railways is, however, encouraging: as follows:—

	Gross Earnings.	Working Expenses.	Net Traffic Earnings.
	Rs.	Rs.	Rs.
1872-73	1,65,330	1,79,140	– 13,811
1873-74	3,99,140	7,28,240	– 3,29,100
1874-75	13,09,860	18,38,830	– 5,28,970
1875-76	28,95,120	21,47,130	7,47,990
1876-77, Regular Estimates	36,96,000	26,54,000	10,42,000
1877-78, Original Estimates	67,48,000	48,30,000	19,18,000

The Capital Expenditure on State Railways to the 5-76 was Rs. 11,78,34,920; the Expenditure in 1876-77 is estimat 95,80,970; and that in 1877-78 at Rs. 2,60,00,000, making the tota expenditure to the end of 1877-78 Rs. 17,34,15,890.

Provincial Contributions and Balances of the Local Gover. nents.—According to the Estimates, the Local Governments were to supplement their Assigned Revenues from separate Provincial Resources by Rs. 3,07,000, and from their balances by (net) Rs. 14,82,000; total Rs. 17,89,000. It is now expected that they will have to draw upon local resources for only Rs. 1,85,000, and upon their balances for only Rs. 7,84,000, *i. e.*, for (net) Rs. 9,69,000 in all: the amount would have been larger, but for a special grant of Rs. 2,50,000 from Imperial Funds to British Burmah, the rapid expansion of which Province makes such assistance indispensable. The Punjab draws from its local resources more than any other Province; it seems probable that some expenditure may still be classed there as Imperial, which, under the old system, was local.

I pass now to EXPENDITURE. The net charge for *Interest* is now expected to be larger than was estimated by Rs. 3,42,000. The excess is entirely in the Estimates of the Home Treasury, where a larger sum was borrowed than was intended in March last. The Estimate then was that £2,640,000 would be borrowed; the actual sum raised was £4,600,000, besides £500,000 borrowed temporarily.

(In Rupees.)

Interest Estimates compared.

(1876-77.)	Original.	Present.	Worse.	Better.
Interest on debt ...	5,36,00,000	5,41,07,000	5,07,000	
Interest on Service Funds, &c. ...	39,07,000	38,61,000	...	46,000
Total ...	5,75,07,000	5,79,68,000	4,61,000	
Receipts ...	50,80,000	51,99,000	...	1,19,000
Net Charge	5,24,27,000	5,27,69,000	3,42,000	

The following Government Securities were purchased by the Government of India early in the year, before any cause of anxiety had arisen respecting the crops:—

	Capital.	Premium paid.
	Rs.	Rs.
Bear. [illegible]est at 5½ per cent.	35,65,000	1,23,000
,, 5 ,, (debentures) ...	3,75,000	3,000
,, [illegible]½ ,, ...	68,80,000	98,000
,, [illegible] ,, ...	17,20,000	14,000
	1,25,40,000	2,38,000

These Securities have been cancelled, and will not be re-issued: the premium has been written off under the Head of *Interest*.

The Debt of the Government of India is estimated to be on the 31st March 1877 as follows :—

(Debt of India; combining Sterling and Rupees on the assumption that £1=Rs. 10.)

Rate of Interest.		Capital amount outstanding, England.	India.	Total.	A year's Interest thereon.
		£	Rs.	Rs.	Rs.
5½	...	...	9,84,52,000	9,84,52,000	54,15,000
5	...	17,200,000	1,05,84,000	18,25,84,000	91,28,000
4½	...	...	15,44,96,000	15,44,96,000	69,52,000
4	...	37,176,000	45,37,40,000	82,55,00,000	3,30,20,000
3½	...	...	6,52,000	6,52,000	23,000
Nil	...	21,000	3,50,000	5,60,000	*Nil*
		54,397,000	71,82,74,000	1,26,22,44,000	5,45,38,000

Thus, the average yearly rate of interest upon the Registered Debt of India at the end of the current year is estimated to be 4⅓ per cent. The Capital of the Railway and Madras Irrigation Companies, interest upon which is guaranteed from Indian Revenues, is £96,946,907, the interest thereon being £4,716,100. The total Debt of British India, therefore, of all kinds is £151,343,907, and Rs. 71,82,74,000, and the interest thereon is £7,063,104, and Rs. 3,10,68,600: if a Rupee is worth 1*s.* 9½*d.*, the entire Debt of India is Rs. 2,40,76,94,357, or £215,689,286, and the interest thereon, Rs. 10,99,12,551, or £9,846,333. The average interest upon the whole Debt of India, including the Guaranteed Capital, is 4·56 per cent.

The proportion of the Rupee Debt held by Natives of India on the 30th of December is estimated, from the distribution of the actual payments of interest, to have been as follows :—

1869	 22,50		1873	 25,29
1870	 20,25		1874	 25,23
1871	 24,74		1875	 24,34
1872	 22,76		1876	 25,87

The excess over the Grant under *Land Revenue* (Rs. 2,19,000) occurs chiefly in *Bombay*, and is nominal, being an increase in Village Allowances set off by increased Revenue under *I, Land Revenue.*

The excess of Rs. 2,13,000 under *Excise* is for stores (probably hydrometers for Madras) from England.

The saving under *Salt*, Rs. 3,95,000, is in the item Petty Construction and Repairs in *Madras.*

Post Office.—The estimated Net Expenditure on this Service was Rs. 9,11,000; it is now only Rs. 5,99,000, an improvement of Rs. 3,12,000. The following are recent figures of the Post Office:—

	Expenditure.	Revenue.	Net Expenditure.
	Rs.	Rs.	Rs.
1873-74	80,86,840	68,81,980	12,04,860
1874-75	80,75,960	73,94,000	6,81,960
1875-76	82,20,790	76,35,970	5,84,820
1876-77	86,37,000	80,38,000	5,99,000

It is to be borne in mind that the Post Office carries the correspondence of the State at a reduced rate. It is satisfactory to find that the loss from the reduction of the Overland Postage (from 8 annas to 6 annas *viâ* Brindisi, and from 6 annas to 5 annas *viâ* Southampton) has been almost made good already.

13. *Telegraphs.*—The estimated Net Cost of this Service was Rs. 19,80,000; it is now only Rs. 15,97,000. The improvement of Rs. 3,83,000 occurs chiefly in India, and is due to increased traffic. The following are the figures for the past eight years:—

	Expenditure.	Revenue.	Net Expenditure.
	Rs.	Rs.	Rs.
1869-70	55,34,000	25,71,340	29,62,660
1870-71	50,54,310	24,70,100	25,84,210
1871-72	44,99,110	22,83,680	22,15,430
1872-73	48,29,750	24,98,020	23,31,730
1873-74	41,18,180	25,06,380	16,11,800
1874-75	43,20,300	28,64,790	14,55,510
1875-76	49,06,240	30,90,400	18,15,840
1876-77, Regular Estimates ...	49,18,000	33,21,000	15,97,000

The improvement since 1872-73 is satisfactory.

14. *Administration.*—The increase of Rs. 6,52,000 is due, for the most part, to an insufficient provision having been made for tour and staff expenses in India; but partly to increased charges at Home.

16. *Law and Justice.*—The saving (Rs. 1,75,000) is in the Provincial portion (*Jails and Registration*). The Imperial portion, which constitutes, as yet, the greater portion of this Grant, shows an increase of Rs. 6,16,000, the largest item in which is for the Convict Establishments on the Andaman and Nicobar Islands.

17. *Police.*—This grant is entirely under the control of the Local Governments, and the small excess (Rs. 1,56,000) does not require explanation from me. There is a corresponding excess receipt, amounting to Rs. 1,28,000.

19. Education.—This service, too, is entirely under the Local Governments. The net saving of Rs. 3,57,000 is generally distributed: it seems probable that some economies may have been effected in consequence of the warning given by His Excellency the Viceroy in July last, to which I shall have occasion hereafter to refer.

22. Stationery and Printing.—This resuscitated Head shows an increase of Rs. 4,25,000, some portion of which occurs in the Central Press of the Government of India, the work of which is constantly increasing; but the greater portion is for Stores from England.

23. Political Agencies.—Of the excess of Rs. 18,39,000, the sum of Rs. 13,71,000 is for the ceremonies throughout the country attending the assumption by Her Majesty the Queen of the title of Empress of India. There are other items of increase which need not be explained.

The gross cost of the ceremonies throughout India on the 1st of January is Rs. 13,71,000 under this Head; Rs. 2,83,000 in the Public Works Department; and Rs. 3,00,000 under the Army: total Rs. 19,54,000: there was also an inconsiderable outlay in England, the particulars of which we do not yet know. Against the gross outlay is to be set the increased revenue from the Railways (estimated at, at least, net Rs. 9,00,000), and under Telegraphs and other Heads: upon the whole, it does not seem likely that the net cost exceeded Rs. 10,00,000. It will be understood that these charges are by no means on account of the Delhi Assemblage only, but include the gift of a day's pay to the Army, and the cost of the ceremonies at the Presidency towns and at every large station throughout India: such charges as these had no connection with the Assemblage. The net cost of the Assemblage itself cannot at present be exactly ascertained; but, in an estimate sent last month to the Secretary of State, it was calculated at about Rs. 5,00,000, a sum which must be looked upon as extremely moderate.

24. Allowances, &c., under Treaties.—The decrease of Rs. 1,71,000 is owing to sundry lapses.

25. Furlough Allowances in England.—The increase of Rs. 1,76,000 is attributed to an increase in the number of Officers on furlough, and, to some small extent, to the privilege of drawing furlough pay at 2*s.* the Rupee, which has been granted, with retrospective effect, to those Military Officers who, before

1st July 1871, elected, under the option given to them, the Furlough Rules of 1868. The charges under this Head have been as follows:—

		£
1873-74	... ...	260,556
1874-75	... ...	216,704
1875-76	... ...	229,199
1876-77, Regular Estimates	... ...	240,600

27. Loss by Exchange.—The present Exchange Estimates may be compared with the Original Estimates as follows:—

	Loss by Exchange.	Gain by Exchange.	Net Loss.
	Rs.	Rs.	Rs.
1872-73	76,51,090	30,14,360	46,36,733
1873-74	98,65,300	39,51,680	59,13,620
1874-75	89,78,780	39,53,350	50,25,430
1875-76	1,42,97,220	39,53,650	1,03,43,570
1876-77, Original Estimate	2,33,20,000	34,70,000	1,98,50,000
1876-77, Present Estimate	2,13,51,000	46,27,000	1,67,24,000

Thus, the whole improvement compared with the Estimates is Rs. 31,26,000, of which Rs. 11,57,000 has been already explained as due to improved Guaranteed Railway Receipts. Almost the whole charge entered under *27, Loss by Exchange*, is incurred upon the Bills upon the Government of India, by which the Secretary of State supplies the Home Treasury with funds. The Estimate was that the sum thus raised in London would be £13,660,000, and that, to produce this amount, Bills would be sold for Rs. 15,99,20,000, being at the rate of Re. 1=1*s.* 8½*d.* It is now estimated that we shall pay Bills for Rs. 14,53,96,000, which will yield to the Home Treasury £12,418,000, the rate realised being still estimated at Re. 1=1*s.* 8½*d.* The cost now estimated of the £12,418,000 thus supplied to the Home Treasury is only Rs. 16,310 more than it would have been at the precise rate originally estimated: that the Original and Revised Estimates should thus precisely correspond, is only a curious coincidence; for no one could, in March last, have foretold what the average rate of exchange during the year would be, and the Government of India had certainly little confidence in its own Estimate. The gross saving of Rs. 19,69,000 under this Head is wholly due to our having paid for £1,242,000 less than we expected; and this, again, is due to the Secretary of State having borrowed more than was, at first, proposed: the reason for this excess borrowing was chiefly the state of the exchanges between England and India during the early part of the year.

This brings me to speak of the fall in the price of silver, which began to alarm the Government of India and all those interested in the prosperity of the country long before the last Financial Statement was made, and which, during the year, assumed formidable proportions. It is impossible for me, in making this Statement, to avoid reference to a subject so intimately affecting the interests of India: at the same time, I desire, on this occasion, to treat the matter historically only, and not to express any opinion of my own upon the causes of the divergence of the value of the two metals, or upon the remedies, if any, which ought to be adopted.

The fall in the value of silver dates from November 1872. For 22 years before that date, the price in London of an ounce Troy of standard silver had never been below 60*d.*, and for 18 years more, it had never been below 59*d.* In the calendar year 1873, the average price was 59·22*d.*, the lowest price (*13th November*) being 57⅞*d.* In 1874, the average price was 58·37*d.*, the lowest price (*31st December*) being 57¼*d.* In 1875, the average price was only 56·76*d.*, the lowest quotation being (*on the 3rd June*) 55½*d.* In 1876, the average price fell to 53·08*d.*, the lowest quotation being (*8th July*) 47*d.*; sales were reported even as low as 46*d.*: the recovery from this depression was rapid; the highest point since attained being (*18th January 1877*) 58⅝*d.*, the highest price quoted since 23rd July 1874: there has since been, again, a downward re-action, the latest quotation being 55*d.*

On the 17th July 1876 the Secretary to the Bengal Chamber of Commerce transmitted, for the consideration of the Governor General in Council, the following two Resolutions adopted at a Special General Meeting of the Chamber held on Saturday, the 15th July:—

RESOLUTIONS.

1st.—"That the continued depreciation in the value of silver is a question most seriously affecting the political and financial interests of the Country; and that, in view to its very great importance, the Committee be requested to address the Government in order to obtain such information as they may be able to give, in regard to the policy which they propose to pursue under the circumstances.

2nd.—"That the Chamber approves of the suggestion of the Committee that it is expedient, in view of any ultimate measures that the Government may adopt, that Clause 19 of Act XXIII of 1870, making it obligatory on the Mints in India to receive all silver tendered for coinage, and also section 11, clause (b) of Act III of 1871, making it obligatory on the Currency Department to issue Notes against silver bullion sent in, be temporarily suspended, at the discretion of Government; and that, during such suspension, or till further notice, it be not lawful to import coined rupees from any foreign port."

On the 22nd July, the Secretary to the same Chamber forwarded, for the consideration of the Government, a copy of the Proceedings of the Chamber.

In this letter, the Committee of the Chamber, while recognising the difficulty of the position of the Government of India, remarked that the uncertainty which had hitherto shrouded the action of Government had been attended with serious consequences to merchants and bankers, and would continue to embarrass their transactions so long as they were kept in ignorance of the course of action the Government proposed to take. The Committee, therefore, expressed a hope that His Excellency the Viceroy would, in the interests of commerce and of the country generally, accede to the prayer of the first Resolution of the meeting, and make public the intentions of the Government.

As to the second Resolution, the Committee pointed out that its object was not to prohibit coinage altogether; for that would be likely to bring about a collapse of credit; but to place all coinage in the hands of the Government to be exercised at its discretion. It appeared to the Committee suicidal for the Secretary of State to allow the competition of bar silver with the rupees which he has to offer to those requiring money in India, and that to suspend the free conversion of silver bullion into legal-tender coin was not only a wise and reasonable, but a necessary precaution for the Government of India to take, for the preservation of its own currency, and to support the credit of its own loans, as well as to prevent the country from being swamped by silver sent in by foreign nations.

The Committee argued that the fact that the Government of India was compelled to put their Mint Stamp to all silver sent to India had given an artificial and fictitious value to silver, which would cease as soon as the law was suspended. Bar silver would then, gradually, fall to its own intrinsic value; and the extent to which it was depreciated would be soon gauged; whereas, as things were, it was impossible to say how much its value was appreciated by our 'open coinage system.'

When all Europe was closing its doors against the import of silver with the avowed object of having as little of the metal as possible, should the depreciation be found permanent, it seemed most impolitic, the Committee thought, to keep ours wide open for the reception of an unlimited quantity, costing the country, through our coinage laws, far more than its real intrinsic value. The Committee could see no valid reason against the immediate adoption by the Government of the second Resolution of the Meeting, and considered that the objections brought against it were based either on a misconception of its real scope, or on abstract principles ignored by other States; whereas the position of affairs was altogether exceptional, and ordinary rules did not apply. The Committee represented that the measures recommended in the Resolution were not more stringent than, in fact, scarcely so stringent as, those which the first financiers in Europe had found it necessary to adopt.

Lastly, the Committee pointed out that there was a third proposition put before the Meeting, recommending the adoption of a gold standard, which, in deference to the feeling apparent among members present, was temporarily withdrawn; and they referred the Government to the debate at the Meeting upon this proposal.

On the 31st July the Government of India published a Resolution inviting attention to the immediately probable financial consequences of the fall in the gold-price of silver, and insisting upon the necessity for the utmost economy of the public resources.

On the 1st August the Secretary to the Calcutta Trades' Association forwarded a Memorial from the Master, Wardens, and Committee of the Association to His Excellency the Viceroy and Governor General of India in Council.

In this document the Memorialists represented that they had, for many months past, been suffering great loss from the low rate of exchange which bid fair to paralyse trade. The Memorialists joined earnestly with the Bengal Chamber of Commerce in urging on the Government the importance of declaring the policy it intended to pursue for the remedy of this evil, and prayed that the policy of a temporary suspension of the compulsory coinage of silver might receive the early consideration of Government.

The Memorialists further expressed great satisfaction at the desire manifested by the Government to encourage local manufactures, and suggested a relaxation of the rules against the purchase of imported stores for the Government in India.

On the 22nd September 1876, after considering the "Report by the Select Committee of the House of Commons on the depreciation of silver, with the Proceedings of the Committee, ordered by the House of Commons to be printed on the 5th July 1876," the Government of India published a Resolution (No. 3044) upon the suggestions of the Bengal Chamber of Commerce and the Calcutta Trades' Association. The following is a summary of its arguments and conclusions.

1. The recent change in the value of silver measured in gold may be due to changes in the value of one metal or the other, or of both: before a fit remedy can be applied, it is essential to ascertain what exactly has happened, whether gold has risen or silver fallen, and how much the value of each metal

has changed. It cannot be assumed, without decisive proof, that the divergence of the two metals is due wholly, or even chiefly, to the fall in the value of silver.

2. The prices of commodities and of the precious metals, in London and in India, witness to a considerable rise in the value of gold since March 1873, and especially since December 1875, and do not show any fall in the value of silver measured in commodities other than gold: using these prices with all reserve, it must still be said that they afford evidence of this fact at least that a rise in the value of gold is one of the causes which has disturbed the equilibrium of the two metals.

3. The divergence of the values of the two metals seems due to three principal causes, of which the first appears to be the most efficient:

(1).—The substitution of gold as the standard of value, in Germany, the Netherlands, and the Scandinavian Kingdoms, for silver; and, in the countries of the Latin Convention, for their customary alternative or compensatory standard of silver and gold.

(2).—The increased production of silver in the United States of America.

(3).—The decreased demand for silver in India.

4. The value of gold and silver, like that of any other commodities, depends, on the one hand, upon the supply, on the other, upon the demand for them; and this again depends upon the uses made of them: the long-continued equilibrium between the value of gold and that of silver is due to the two metals having shared, without material change of conditions, the only great field for the employment of either of them, *i. e.*, the supply of legal-tender metallic money: this equilibrium has been disturbed by the rapid supersession of silver by gold in Europe and America as the standard of value, and therefore as the material of legal-tender metallic money: this supersession is calculated, *a priori*, to raise the value of gold no less than to lower the value of silver.

5. Excessive importance is not, *per se*, attached to the increased production of silver in the United States of America.

6. When India is in a normal condition, *i. e.*, when there is no abnormal demand for any of her staples, and she is not borrowing large sums from abroad, the amount of treasure required to settle her accounts with the world

is not considerable; and a substantial proportion of the treasure received has always been gold: the large imports of treasure into India since 1850 are due to abnormal circumstances, as follows:

(1).—The Crimean War transferred to India large demands for produce theretofore obtained from Russia.

(2).—The American Civil War exaggerated temporarily the value of Indian cotton.

(3).—Great sums of money have been borrowed for—

(*a*) the suppression of the mutiny;

(*b*) the construction of railroads (Guaranteed and State) and canals;

(*c*) the Bengal famine.

It would be altogether misleading to treat the great imports of treasure in the last 25 years as normal, or to expect that they will, or can, continue: there is, therefore, no reason to expect that silver will be poured into India, although of course, if it falls in value, a greater weight of it must come to represent the same value.

7. To suspend the free coinage of legal-tender metallic money, as advocated by the Bengal Chamber of Commerce, would give a monopoly value to the existing stock of rupees, and so reduce prices; whereas prices are not yet risen.

8. The value of no substance can serve as a standard-measure of value unless its use as the material of legal-tender currency is freely admitted: if, therefore, the free coinage of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, *viz.*, the monopoly value of the existing stock of rupees, tempered by any additions made to it by the Government, or illicitly: if no such additions were made, the value of the rupee would gradually, but surely, rise, owing to the supply being cut off.

9. The stamp of a properly regulated mint, such as the Indian Mints, adds nothing, except the cost of manufacture and seignorage, to the value of the metal on which it is impressed; but only certifies to its weight and purity.

10. A sound system of currency must be automatic or self-regulating: no civilised Government can undertake to determine from time to time by how much the legal tender currency should be increased or decreased; nor would it be justified in leaving the community without a fixed metallic standard of

value even for a short time: it is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold.

11. For all these reasons, the Government of India rejected as inadmissible the proposal that the Mints should be closed to the free coinage of silver for the public on fixed conditions, unless they were, at the same time, opened to the free coinage of gold as legal-tender money on fixed conditions.

12. The Government of India further concluded that there was nothing, as yet, demanding recourse to a measure so costly, and of which all the conditions were so uncertain, as the adoption of a gold standard.

Thus, the conclusions stated in the Resolution were:

1stly.—That the divergence of the values of gold and silver is not necessarily attributed only to a diminution in the value of silver; that there are strong reasons for believing that gold may have increased, as well as that silver has decreased, in value; and that this consideration must have an important bearing on the action of Government in reference to the present disorder.

2ndly.—That although it is most desirable, in the interests of trade, that the standard of value in India should be the same as the standard of value in the chief countries with which India interchanges commodities, yet trade will not be permanently injured by a fall in the value of the rupee measured in gold, provided only that a fresh stable equilibrium of the precious metals be attained.

3rdly.—That, up to the present moment, there is no sufficient ground for interfering with the standard of value.

This Resolution of the Government of India was issued some time before I took charge of my present office, and I do not now wish to offer any comments on its conclusions.

The only other representations received upon the subject by the Government of India have been complaints by various European officers in its service of the loss which they are suffering from the fall of the sterling-value of the rupee, and prayers for assistance from the State: some of these memorials are still under consideration: the Government feels much sympathy with its officers; but I cannot at present say whether it will be possible to help them.

I am afraid that we cannot, by any means, conclude that the partial recovery of the value of silver which we have lately witnessed is permanent, and that our exchange with countries whose standard is gold will not be again, seriously, and perhaps frequently, disturbed. I can only say that the Government of India is devoting, and will continue to devote, anxious attention to the subject.

The representation of the Trades' Association in regard to stores is still receiving attention: it is the present policy of the Government of India and the Secretary of State to allow much greater freedom of resort to the local markets than heretofore.

I may mention, here, that the amount of Government Promissory Notes enfaced for the payment of Interest in London by drafts upon India decreased, during the year, from Rs. 14,20,23,120 to Rs. 12,94,59,526, or by Rs. 1,25,63,594, and that the price of our Four per cent. Rupee securities fell, at one time, in India (13th January) to Rs. 96¼, and in London (16th July) to Rs. 77. Our Four per cent. Rupee securities had not been at a discount in India since March 1873, and had not fallen below 90 in London since May 1868; they are now again quoted there at 88½: our Sterling bonds did not share the depression of the Rupee paper in London, which was doubtless due entirely to the fall in the price of silver. In India, our Rupee paper did not fall to a discount till the 3rd October, and the fall since then may doubtless be partly attributed to the apprehension that the Government may have large demands to make upon the money-market on account of the Famine, and to the scarcity of money in India.

28. *Miscellaneous.*—The excess of Rs. 4,15,000 is accounted for by some charges connected with the visit to India of His Royal Highness the Prince of Wales having escaped record in the Accounts of 1875-76, and by the refund of £5,000 fines levied upon contractors in England and credited under the corresponding Head of Revenue.

The item of Rs. 1,91,10,000 for *Famine Relief* requires no further explanation.

The Army.—The following are the accounts of the Army in recent years compared with the Original and Revised Estimates of the current year—

	Established Strength of the Army. Europeans.	Natives of India.	Expenditure.	Revenues and Contributions from Native States.	Net Expenditure.	Loss by Exchange on sterling expenditure.	Cost of Military Buildings.	Cost of Military Secretariats.	True Net Expenditure.
	No.	No.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1869-70 ...	60,202	122,412	16,32,97,390	1,21,30,730	15,11,66,660	10,94,024	1,84,91,790	5,20,720	17,12,86,094
1870-71 ...	67,150	122,123	16,07,47,990	1,05,01,630	15,02,46,360	21,69,448	1,25,13,140	5,01,120	16,54,31,006
1871-72 ...	67,063	121,931	15,67,81,120	1,02,67,930	14,65,13,190	11,83,863	1,20,33,150	4,80,800	16,05,11,005
1872-73 ...	66,985	121,050	15,60,36,120	98,04,520	14,62,31,600	18,19,061	1,10,63,580	4,52,480	15,91,69,321
1873-74 ...	66,794	123,170	15,22,82,740	1,10,34,530	14,12,48,210	21,01,630	1,12,20,600	4,61,730	15,54,01,170
1874-75 ...	66,701	123,474	15,37,51,020	1,07,47,740	14,30,04,190	28,76,339	1,18,59,260	4,88,420	15,82,27,199
1875-76 ...	66,608	123,479	15,30,84,590	1,12,46,240	14,18,38,350	37,81,630	1,33,77,390	4,53,100	15,91,50,549
1876-77* ...	66,024	123,484	15,97,90,000	93,73,010	15,04,16,990	70,35,435	1,22,84,000	4,71,070	17,02,07,495
1876-77† ...			16,20,77,000	97,09,010	15,23,67,990	72,00,897	1,24,68,340	4,00,270	17,24,97,497
1877-78* ...	66,543	123,605	16,23,86,000	95,13,010	15,28,72,990	53,83,314	1,23,19,950	4,61,270	17,10,40,424

* Orig. Est. | † Reg. Est.

The Revised Estimates of the net expenditure upon the Army, as recorded in the Accounts, exceed the Original Estimates by Rs. 19,51,000, and the actual net expenditure of 1875-76 by no less than Rs. 1,05,29,640: if we use the true rate of exchange for converting the Home Expenditure into Rupees, this excess over 1875-76 rises to Rs. 1,39,48,878: if all the items entered in the preceding Statement are counted, the excess is Rs. 1,30,46,948.

It appears from this Statement, which does not quite exhaust the public expenditure upon the *Army*, that even its net cost in 1876-77, Rs. 17,24,97,497, exceeds one-third of the entire gross expenditure of British India, excepting the charge for Famine relief: the importance of our Military Finance is therefore pre-eminent; and I think it necessary to examine carefully the causes of the alarming growth of the cost of the Army.

The Army Receipts in 1875-76 were accidentally swollen by about Rs. 15,00,000, so that the increase to be explained upon the accounts of the Army, as recorded, is really the increase of gross expenditure (Rs. 89,92,410). Of this amount, again, it will be found that £300,000 is nominal, being due to the accidental transfer of payments at Home, amounting to £150,000, from 1875-76 to 1876-77.

I proceed then to compare the Revised Estimates of expenditure for 1876-77 with the Accounts of 1875-76, in order to ascertain how the residue of that increase, *viz.*, £764,505 in England and Rs. 13,47,360 in India, has arisen. The following table brings out clearly the causes to which this increase is due:—

	Effective.				Non-Effective.			Grand Total, taking £1 = Rs. 10.
	England.		India.	Total, taking £1=Rs. 10.	England.	India.	Total, taking £1 =Rs. 10.	
	Stores.	Other items.						
	£	£	Rs.	Rs.	£	Rs.	Rs.	Rs.
1869-70 ...	878,491	1,436,207	12,19,32,870	14,50,79,850	1,190,403	63,54,630	1,82,58,660	16,33,38,510
1870-71 ...	929,782	1,461,809	11,91,43,760	14,30,59,670	1,140,556	63,49,270	1,77,54,830	16,08,14,500
1871-72 ...	936,730	1,331,853	11,40,84,790	13,67,70,620	1,373,431	62,76,190	2,00,10,500	15,67,81,120
1872-73 ...	811,736	1,432,806	11,34,64,880	13,59,10,300	1,279,743	63,28,390	1,91,25,820	15,50,86,120
1873-74 ...	852,635	1,248,208	11,24,38,690	13,34,47,120	1,254,645	62,90,720	1,88,37,170	15,22,84,290
1874-75 ...	1,124,644	1,056,314	11,08,12,280	13,26,21,860	1,436,820	67,61,530	2,11,29,730	15,37,51,590
1875-76 ...	1,096,947	1,027,986	11,06,15,180	13,18,64,510	1,458,262	66,37,460	2,12,20,080	15,30,84,590
1876-77, Estimate	1,096,100	1,835,600	11,20,89,000	13,64,06,000	1,916,000	65,11,000	2,56,71,000	16,20,77,000
1877-78 ...	996,000	1,215,100	11,41,29,000	13,62,40,890	1,957,500	65,70,110	2,61,45,110	16,23,86,000

It will be observed that the excess in 1876-77 over 1875-76 is about equally divided between the Effective and Non-effective branches as follows:—

	Rs.
Increase in Effective	45,41,490
„ in Non-effective	44,50,920
	89,92,410

The Effective increase is divided between India and England thus:—

England	£306,767
India	Rs. 14,73,820

The *Home* increase is mainly in the *Home charges of Her Majesty's Regiments serving in India,* including *Furlough Allowances of Officers of the British Service.* The charges under these two Heads have been as follows:—

	£		£
1869-70	725,233	1874-75	509,407
1870-71	658,710	1875-76	453,812
1871-72	590,805	1876-77, Regular Estimates...	750,000
1872-73	659,774	1877-78, Original Estimates...	700,000
1873-74	567,012		

Of the increase in 1876-77, £180,000 is attributed to the accidental transfer of certain payments, amounting to £90,000, from 1875-76 to 1876-77, but for which transfer the figures would have been—

1875-76	£547,958	1876-77	£660,000

Still even this residue of increase which continues in 1877-78 is formidable: it is the result of much negotiation with the War Office at Home, and does not seem susceptible of definite explanation in India.

An increase of £7,655 in the *Furlough Allowances of Indian Officers* is doubtless due to the concession of the privilege of drawing Furlough Pay at 2*s.* the rupee, with retrospective effect, to Officers who elected the Furlough Rules of 1868 before the 1st July 1871.

The net cost of the passages of officers and troops and of the Overland Troop Transport Services has been as follows:—

	At Home.	Altogether at Home and in India, counting £1 = 10 Rupees.
	£	Rs.
1869-70	278,132	42,76,430
1870-71	311,652	82,56,750
1871-72	271,373	38,42,010
1872-73	329,395	44,22,090
1873-74	381,506	46,11,760
1874-75	292,859	47,04,140
1875-76	266,734	33,44,700
1876-77 Estimates	316,600	35,61,000
1877-78 Estimates	241,100	28,74,500

This charge has of late years been somewhat diminishing, but the cost of the transports is still great.

The recent charges for stores, the yearly cost of which has been stated already, have been very heavy: this is owing to the supply of Snider Rifles to the Native Army, of new rifled guns to the Artillery, and of Martini-Henry Rifles to the European troops.

Of the Effective charges in India the following items show, on the whole, till lately, no important increase of cost; *Army and Garrison Staff, Regimental Pay and Allowances, Ordnance Establishments, Stores and Camp Equipage, Ecclesiastical, Education and Volunteer Corps.*

The total expenditure for these items is as follows:—

	Rs.		Rs.
1869-70	7,79,97,350	1874-75	7,62,55,820
1870-71	7,58,73,910	1875-76	7,65,58,510
1871-72	7,63,10,110	1876-77 } Estimates ...	7,69,86,000
1872-73	7,58,66,690	1877-78 } Estimates ...	7,85,99,400
1873-74	7,57,65,150		

The growth in 1876-77, and still more in the coming year, is in the item *Regimental Pay and Allowances*, and is due to increased allowances to Native Troops (estimated in all at Rs. 14,22,840 a year) and to Non-Commissioned Officers of British Troops (estimated to cost Rs. 4,00,000 a year): only a small part of these new burdens falls on 1876-77.

The *Administrative Staff, Commissariat, Clothing* and *Medical Establishments and Services* also show rather a saving than an increase:—

	Rs.		Rs.
1869-70	3,19,24,510	1874-75	2,71,28,750
1870-71	2,91,67,380	1875-76	2,64,75,270
1871-72	2,66,86,370	1876-77 } Estimates ...	2,66,56,000
1872-73	2,75,12,120	1877-78 } Estimates ...	2,81,56,310
1873-74	2,79,07,690		

The increase in 1876-77 and 1877-78 is chiefly in Commissariat supplies due to the Famine, which is estimated to add, in the two years, Rs. 18,00,000 to the cost of the Army, and to the purchase of malt liquor in India instead of in England, to the relief of the account there. Contracts have been made for 18,714 hogsheads of beer brewed at Murree, Kussowlie and other stations; and it is estimated that, in 1877-78, Rs. 3,62,220 will be thus transferred from the Home Accounts to India. Improved pay to British Medical Officers is calculated to cost Rs. 2,24,000 a year.

The remaining Heads are *Remounts and Cattle, Barrack Establishments, Martial Law, Sea Transports and Miscellaneous Services,* and they show a nominal diminution as follows:—

	Rs.		Rs.
1869-70	1,20,11,010	1874-75	74,27,710
1870-71	1,41,02,470	1875-76	75,81,400
1871-72	1,10,88,310	1876-77 } Estimates ...	84,47,000
1872-73	1,00,86,070	1877-78 } Estimates ...	73,74,180
1873-74	87,65,850		

The decrease, as compared with earlier years, is, to a great extent, nominal, owing to the establishment of the Troop Transports, the cost of which is recorded in the Home Accounts, and to the transfer of Barrack Establishments to the Public Works Department. The excess in 1876-77 is in the item *Miscellaneous Services,* and is due to a charge of Rs. 10,00,000 awarded under revised instructions from the Secretary of State as compensation for loss of sums paid, up to the 1st February 1861, for the purchase of promotion; to the charges throughout India connected with the assumption of the Imperial Title (Rs. 3,00,000); and to compensation for dearness of provisions in Madras and Bombay (Rs. 4,00,000) included in the sum of Rs. 18,00,000 already stated.

Thus, of the increased Effective charges, £180,000 is due to accidental transfers of payments, amounting to £90,000, from 1875-76 to 1876-77, and the remaining Rs. 27,41,480 appear to be essentially due to the increased charges at Home for Her Majesty's Troops serving in India, and to the improved pay and allowances granted to the Native Troops and to British Non-Commissioned and Medical Officers.

I will now examine the increases in the *Non-effective* charges, which increases all occur at Home.

The first item is *Payments to the Imperial Government on account of the Retired Pay, &c., of Troops serving or having served in India,* the charges for which have been as follows:—

	£		£
1869-70	217,000	1874-75	318,388
1870-71	239,562	1875-76	350,000
1871-72	479,974	1876-77 } Estimates ...	605,500
1872-73	371,635	1877-78 } Estimates ...	598,500
1873-74	288,300		

This item shows an increase in 1876-77 of £255,500, of which £120,000 is attributed to the postponement of payments, amounting to £60,000, from

1876-77 to 1877-78. But for this postponement, the figures would have been—

1875-76	£410,000	1876-77 Estimate ...	£545,500

the increase being £135,000. Like the *Home Charges of Her Majesty's Regiments serving in India*, these charges are the result of long negotiations with the War Office, and are beyond the control of the Government of India. The item *Deferred pay to discharged or deceased soldiers for service in India subsequent to 1st April 1876*, which is entered at £2,000 in 1876-77 and £40,000 in 1877-78, is expected to rise to £200,000 a year.

The next item appears for the first time in 1876-77, *viz.*, *Payments to the Imperial Government on account of the capitalised value, from 1st April 1874, of the proportion chargeable to Indian Revenue of the pensions granted between 18th February 1861 and 31st March 1870 to soldiers transferred from the Indian Local Army to the British Army*. This charge, which we do not expect to recur, is estimated to be in—

1876-77	£100,000	1877-78 ...	£130,000

The third item is *Retired Pay of Officers of the Indian Service, including Colonels' Allowances and including also the capitalised value of pensions granted to Indian Officers on retirement, representing the estimated value of the proportionate claim to the Colonels' Allowances*. The charges for this item, which accounts for £119,086 of the increase, are as follows:—

	£		£
1869-70	759,867	1874-75	982,209
1870-71	754,347	1875-76	982,114
1871-72	750,575	1876-77, Estimates ...	1,101,200
1872-73	765,004	1877-78 Do. ...	1,120,000
1873-74	816,598		

of which the capitalised payments, which are calculated to prevent a still larger increase hereafter, are:—

	£		£
1874-75	147,040	1876-77 Estimates ...	111,200
1875-76	75,775	1877-78 Estimates ...	100,000

The pensions from Lord Clive's Fund are diminishing, thus:—

	£		£
1869-70	204,384	1874-75	133,462
1870-71	131,478	1875-76	121,908
1871-72	131,535	1876-77 Estimates ...	108,500
1872-73	132,730	1877-78 Estimates ...	108,000
1873-74	133,167		

Thus it appears that, of the whole increase of £457,738 in the Home non-effective charges, £120,000 is due to an accidental transfer of payments from 1875-76 to 1876-77, £119,086 to the growing charge for *Retired Pay of Indian Officers, including Colonel's Allowances,* and £218,652 to increased demands by the Imperial Government for the retired pay and deferred pay of the troops serving or having served in India.

In concluding this Review of the Army Expenditure I have only to add that the Government of India must certainly endeavour to find the means of meeting the increased military charges, some of which are apparently inevitable, by economies in other Departments of the Military Service: their endeavours must be largely dependent for success upon the support of Her Majesty's Government. I do not assert that the whole of the additional expenditure on the Army has not been incurred for excellent objects, or that it could have been avoided; but that the Indian Revenues are liable to have great charges thrown upon them without the Government of India being consulted, and almost without any power of remonstrance, is a fact the gravity of which can hardly be exaggerated.

Guaranteed interest less net traffic receipts shows the gratifying improvement of Rs. 84,07,000.

The following Statement exhibits the whole effects recorded in the Public Accounts and Estimates upon our Revenues, of the transactions with the Companies upon whose capital interest is guaranteed from Indian Revenues.

Transactions as recorded in the Finance Accounts, upon the hypothesis that £1 = Rs. 10.

	1869-70.	1870-71.	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77, Original Estimates.	1876-77, Regular Estimates.	1877-78. Original Estimates.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Guaranteed Interest, less Net Traffic Receipts ...	1,54,70,640	1,83,48,110	1,72,32,180	2,11,95,010	1,43,73,520	1,24,45,020	97,53,100	1,20,00,000	41,93,000	1,00,00,000
Land and Supervision ...	9,13,900	8,29,530	6,61,630	16,10,500	15,24,380	5,53,940	8,33,130	9,30,000	9,12,000	7,80,000
Interest on Revenue Balances	2,78,544	2,37,392	2,57,241	2,31,363	2,60,337	3,56,431	3,49,700	3,08,000	3,20,000	9,000
Total Expenditure ...	1,66,63,084	1,94,15,032	1,81,51,051	2,29,40,033	1,61,67,237	1,33,55,991	1,09,35,930	1,38,38,000	54,25,000	1,07,89,000
Deduct Net Gain by Exchange	4,02,170	13,18,670	20,96,760	28,66,450	33,34,890	36,14,520	35,71,610	32,41,130	42,43,000	35,00,000
Net Cost of undertakings to the Indian Revenues as recorded in the Finance and Revenue Accounts ...	1,62,60,914	1,80,96,362	1,60,54,291	2,00,80,483	1,28,32,347	97,41,471	73,64,320	1,05,96,870	11,82,000	72,89,000

According to this Statement, the improvement in 1876-77, compared with the Original Estimates, is, altogether, no less than Rs. 94,14,870, and the net cost of the undertakings in 1876-77, only Rs. 11,82,000: but this Statement does not exhibit the true effect upon Indian Revenues of the transactions with these Companies: the system by which we combine the sterling transactions of the Home Treasury with the rupee transactions of the Indian Treasuries upon the hypothesis that Rs. 10 = £1, and call the totals pounds sterling or rupees, has many inconveniences; and especially obscures the truth as regards the important transactions with which I am now dealing.

In the following table I have collected the facts of the last seven years, and the estimated facts of the present and coming years, as regards these undertakings, from which the results to the Indian Exchequer have to be ascertained: these facts are, in themselves, well worthy of a place in this review.

Transactions of the Companies upon whose Capital interest is guaranteed from Indian Revenues.

	1869-70.	1870-71.	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77, Original Estimates.	1876-77, Regular Estimates.	1877-78, Original Estimates.
Traffic Earnings ... Rs.	7,05,79,320	7,21,90,590	7,30,57,340	7,51,00,761	8,32,02,792	8,93,11,870	8,96,63,756	8,55,75,000	10,31,73,000	9,27,94,000
Working Expenses ... Rs.	4,12,04,040	4,35,61,240	4,11,74,569	4,64,57,492	4,70,78,350	4,74,87,392	4,70,34,569	4,59,55,000	5,35,43,000	4,84,51,000
Percentage of Working Expenses on Earnings ... Rs.	58·379	60·342	56·359	61·860	56·582	53·170	52·456	53·701	51·896	52·213
Net Traffic Receipts ... Rs.	2,93,75,280	2,86,29,350	3,18,82,771	2,86,43,269	3,61,24,442	4,18,24,478	4,26,29,187	3,96,20,000	4,96,30,000	4,43,43,000
Surplus paid to Companies Rs.	8,13,050	7,09,600	5,95,940	8,53,950	9,15,010	42,75,610	22,72,510	19,50,000	29,94,000	40,00,000
Net Traffic Receipts applicable to relief of Indian Revenues ... Rs.	2,85,62,230	2,79,19,750	3,12,86,831	2,77,89,319	3,52,09,432	3,75,48,868	4,03,56,677	3,76,70,000	4,66,36,000	4,03,43,000
Gross Guaranteed Interest paid in sterling at Home £	4,138,150	4,352,713	4,546,236	4,619,249	4,631,531	4,659,755	4,636,886	4,700,000	4,686,000	4,692,000
Do. do. do. paid in Rupees in India Rs.	4,12,303	4,22,773	4,94,729	4,21,153	3,91,911	3,67,992	3,34,135	3,28,000	2,41,000	2,61,000
Equivalent of total Guaranteed Interest in Rupees, at Contract Rates Rs.	4,54,11,983	4,76,98,609	4,98,34,366	5,41,29,570	5,06,18,932	5,08,90,887	5,08,13,729	4,73,00,000	4,70,83,000	4,71,61,000
Equivalent of total guaranteed interest in Rupees, sterling payments being converted at yearly average rates obtained for Secy. of State's Bills Rs.	4,30,94,883	4,66,37,388	4,78,87,577	4,90,13,123	5,01,33,910	5,06,95,142	5,19,69,307	5,53,51,718	5,49,48,120	5,33,09,326
Net Capital paid in by Companies in India ... Rs.	...	...	...	8,32,330	11,75,020	21,54,820	21,25,840	8,00,000	39,07,000	16,22,000
Net Capital withdrawn by Companies in India ... Rs.	2,63,32,272	1,51,66,000	1,14,86,180	...	...	...	...			
The foregoing net Capital converted into pounds at Contract Rates ... £	2,434,128	1,407,359	1,097,811	27,760	75,369	137,307	176,991	50,416	339,092	128,453
The foregoing re-converted into Rupees at yearly average rates of Secretary of State's Bills ... Rs.	2,51,06,598	1,49,43,532	1,14,33,204	2,92,020	8,09,452	14,92,968	19,62,463	5,90,229	39,53,759	14,52,363

From the foregoing table we can deduce the true cost of these undertakings to our Revenues as follows:—

True Cost to the Indian Revenues of the undertakings upon the Capital invested in which Interest is guaranteed.

	1869-70.	1870-71.	1871-72.	1872-73.	1873-74.	1874-75.	1875-76.	1876-77, Estimates.	1876-77, Regular Estimates.	1877-78, Estimates.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Guaranteed Interest at the average rates obtained for Secretary of State's Bills	4,30,94,883	4,66,37,388	4,78,37,577	4,90,13,122	5,01,33,910	5,06,95,142	5,19,69,307	5,53,51,718	5,40,48,120	5,33,09,326
Land and Supervision ...	9,13,900	8,29,530	6,61,630	16,10,560	15,24,380	5,53,940	8,33,130	9,20,000	9,12,000	7,80,000
Interest on Revenue Balances	2,78,544	2,37,392	2,57,241	2,31,363	2,69,337	3,56,431	3,49,700	3,08,000	3,20,000	9,000
Loss by Contract Rates of Exchange on Capital Transactions...	...	...	...	5,40,310	3,65,568	6,71,852	1,63,378	2,09,771	...	1,69,638
	4,42,87,327	4,77,04,310	4,87,56,448	5,13,95,355	5,22,93,195	5,22,77,365	5,33,15,515	5,67,89,489	5,61,80,120	5,42,67,964
Net Traffic Receipts applicable to relief of Indian Revenues	2,85,62,230	2,79,19,750	3,12,86,831	2,77,89,319	3,52,09,432	3,75,48,868	4,03,56,677	3,76,70,000	4,66,36,000	4,03,43,000
Gain by Contract Rates of Exchange on Capital Account	12,25,674	2,23,468	53,976	...	...	...	...	...	51,759	...
Total sets off	2,97,87,904	2,81,43,218	3,13,40,807	2,77,89,319	3,52,09,432	3,75,48,868	4,03,56,677	3,76,70,000	4,66,87,759	4,03,43,000
Net cost to Revenues ...	1,44,99,423	1,95,61,092	1,74,15,641	2,36,06,036	1,70,83,763	1,47,28,497	1,29,58,838	1,91,29,489	94,92,361	1,39,24,964

The last table which I shall give is the following comparison of the true cost of these undertakings to our Revenues compared with the results shown in our Accounts:—

	Net cost to Indian Revenues according to Finance Accounts.	True net cost.	More.	Less.
	Rs.	Rs.	Rs.	Rs.
1869-70	1,62,60,914	1,44,99,423	...	17,61,491
1870-71	1,80,96,362	1,95,61,092	14,64,730	
1871-72	1,60,54,291	1,74,15,641	13,61,350	
1872-73	2,00,80,483	2,36,06,036	35,25,553	
1873-74	1,28,32,347	1,70,83,763	42,51,416	
1874-75	97,41,471	1,47,28,497	49,87,026	
1875-76	73,64,320	1,29,58,838	55,94,518	
1876-77, Original ...	1,05,96,870	1,91,29,489	85,32,619	
1876-77, Revised ...	11,82,000	94,92,361	83,10,361	
1877-78	72,89,000	1,39,24,964	66,35,964	

Although the true estimated net cost, this year, of these undertakings thus exceeds the amount shown in our Accounts by Rs. 83,10,361, still it is by far the smallest burden that has resulted from them to our Revenues for many years; and the relief of Rs. 96,37,128 compared with the Original Estimates is most acceptable: the particulars of this improvement are as follows:—

		Better. Rs.
Net traffic Receipts applicable to relief of Indian Revenues	...	89,66,000
Exchange on Capital transactions ...	... ...	2,61,530
Reduction of Interest on Capital ...	... ...	4,03,598
Land and supervision	... ...	18,000
	TOTAL ...	96,49,128
Interest on Revenue Balances, worse ...	... ...	12,000
	Net improvement ...	96,37,128

Of the improvement in the Net Traffic Receipts, about 9 lakhs of Rupees is attributed to the Delhi Assemblage, and about 29 lakhs to the Famine; the remainder is said to be due to a great traffic in seeds, wheat, and other produce, corresponding with the increased exports which we shall presently observe: the saving in interest is owing to the discharge of some debentures and to the renewal of others at lower rates.

The fact that the gross traffic earnings are expected, for the first time, to exceed ten crores of Rupees, appears to me to be full of promise, and to be a signal demonstration of the services which these Railways already perform for India: there can be no question that multitudes will owe their lives to them this year. The gross traffic earnings of 1876-77 exceed those of 1869-70 by no less than Rs. 3,25,93,680, or 46 per cent., and the Net Traffic Receipts applicable to the relief of Indian Revenues in 1876-77 exceed the amount so applicable in 1869-70 by Rs. 1,80,73,770, or 46 per cent. The decrease in the percentage of working expenses is highly creditable to the management of these great undertakings, and to the supervision of the Government in the Public Works Department. Altogether, I have found nothing so gratifying in my present review of our finances as the progress of these Railways.

Their net financial result is burdened by the inclusion of the operations of the Madras Irrigation Company, which is, as yet, an absolute failure and a dead weight upon the Revenues, not nearly even paying its way.

The true cost of the Madras Irrigation Company's Works to the Revenues in 1876-77 is estimated to be Rs. 6,77,729, so that the whole cost of the Guaranteed Railway system (5,866 miles) to India in 1876-77 is now estimated at Rs. 88,14,632.

The following is the Net Revenue earned (including Companies' Surplus) by each line:—

	Rs.		Rs.
East Indian	2,34,81,000	Sindh, Punjab, and Delhi ...	22,00,000
Great Indian Peninsular	1,43,00,000	Eastern Bengal	18,88,000
Bombay and Baroda ...	28,00,000	Oudh and Rohilkund ...	11,86,000
Madras	28,00,000	South India	9,75,000
		TOTAL ...	4,96,30,000

Public Works Ordinary.—The excess over the Net Grant in the Imperial portion of this Head is Rs. 9,28,000; but savings in the Provincial portion reduce the net excess to Rs. 5,57,000. The following figures show the Imperial expenditure of recent years compared with the present Estimates; they include the Estimates for 1877-78, which I shall presently explain:

	Original Estimate, 1876-77.	Regular Estimate, 1876-77.	Original Estimate, 1877-78.	1875-76.	1874-75.	1873-74.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Military Works	1,22,84,000	1,24,69,000	1,23,19,850	1,33,77,380	1,18,59,260	1,12,29,600
Other Services	27,14,000	29,68,000	32,34,650	33,06,110	30,05,750	29,97,970
Collieries	1,57,000	1,30,000	2,59,000	1,16,270	1,83,370	2,12,720
Furlough Allowances ...	4,90,000	5,40,000	5,40,000	4,71,960	4,47,750	4,99,940
Royal Civil Engineering College, England	2,30,000	2,40,000	2,40,000	2,37,650	2,67,190	3,97,690
Miscellaneous payments ...	45,000	40,000	40,000	33,050	25,130	— 21,080
Irrigation Works ...	94,00,000	95,88,000	90,06,000	1,07,02,400	92,56,330	82,40,390
Delhi Assemblage ...	...	2,83,000	...	...	...	...
	2,53,20,000	2,62,58,000	2,56,39,500	2,82,44,820	2,50,44,780	2,35,57,230

The excesses over the Grant are as follows: *Military Works*, Rs. 1,85,000 attributed to expected saving not being realised; *Other Services*, Rs. 2,54,000, of which Rs. 2,00,000 is for the new Government House and other Offices at Simla, and the rest is more than accounted for by the transfer of certain Light Houses from Provincial to Imperial Funds with a grant of Rs. 64,000; *Furlough Allowances*, Rs. 50,000; *Irrigation Works*, Rs. 1,88,000. It has been found necessary to grant, in all, Rs. 3,47,350 for urgent irrigation works not provided for in the Estimates; of this sum, Rs. 1,59,350 is made good by savings on items included in the grant; the excess of Rs. 1,88,000 remains. The only important item remaining is Rs. 2,83,000, which I have included in the Estimate given under the Head of *Political Services* of the total cost of the ceremonies of the 1st January 1877 throughout India.

Public Works Extraordinary.—The Grant was increased in the middle of the year by Rs. 20,00,000; that the excess now expected is only Rs. 4,10,000 is owing to the accidental transfer, at the last, of a payment in England of £128,000 for stores from 1876-77 to 1877-78. Of the whole Grant, Rs. 2,83,00,000 is being spent upon Railways and the rest on Canals.

The Railway expenditure is as follows:—

	Rs.		Rs.
Rajputana ...	13,99,000	Sindhia ...	18,90,000
Western Rajputana	84,000	Northern Bengal ...	42,69,000
Neemuch ...	18,63,000	Tirhoot ...	15,10,000
Holkar ...	15,50,000	Rangoon ...	31,04,000
Wardha Valley ...	7,59,000	Punjab Northern ...	38,59,000
Chatisgarh ...	76,000	Indus Valley ...	1,00,00,000

This completes my review of the Revenue and Expenditure of 1876-77 as now estimated. Compared with the Original Estimates, the general result is that, but for the Famine, the Original Estimates, although they were in some respects more sanguine than is usual, would have been more than made good. In the midst of the gloom that the Famine casts upon the financial situation to-day, we must not forget that this result was, at one time, little expected: in July 1876 the Government was justly so alarmed at the continued fall in the price of silver, that the Viceroy deemed it right to issue a general warning to all authorities throughout India that every possible economy was called for: I am hardly prepared to say that the comparatively favorable results which, apart from the Famine, I have now set forth, can be directly traced to that warning; but I know that, in some cases, it led to vigorous measures of retrenchment, which have already facilitated certain important financial measures which I shall describe in speaking to the Legislative Council of the arrangements proposed for the coming year.

WAYS AND MEANS, 1876-77.

I must next compare the Regular Estimate of *Ways* and *Means* for 1876-77 with the Original Estimate, using, as before, the abstract tables in Statements IV, V, and VI.

The *Deficit of Imperial Revenue* has grown, as we have seen, from Rs. 3,61,50,000 to Rs. 6,07,83,000. The *Deficit of Provincial and Local*

Revenue is now estimated at Rs. 28,77,000, being more than the Estimate by Rs. 1,07,000. The payments on account of the *Military Service Funds* are now estimated at Rs. 27,69,000, being Rs. 89,000 more than we expected. The net *Loans to Native States and Public bodies* are expected to be Rs. 61,30,000, being Rs. 16,50,000 more than was expected.

As these transactions possess considerable interest, I present the following account of them :—

Loans to Native States and Public bodies.

		Advanced.	Recovered.	Net advances.
1872-73	...	43,88,360	17,89,690	25,98,670
1873-74	...	58,08,490	12,36,850	45,71,640
1874-75	...	80,16,540	19,00,270	61,16,270
1875-76	...	55,87,980	17,13,110	38,74,870
1876-77	...	75,10,000	13,80,000	61,30,000
TOTAL	...	3,13,11,370	80,90,920	2,32,91,450

During these five years, the sum of Rs. 2,32,91,450 has been for the most part (the loans to Native States being inconsiderable) invested, by the agency of various public bodies, in works of local improvement. The Grand Total outstanding due to the Government of India on this account, on the 31st of March 1876, was Rs. 5,67,78,790, full details of which are given in the 70th Account appended to the Finance and Revenue Accounts of India for 1875-76. The largest items are Rs. 2,14,75,860, due from the *Bombay Port Trust;* Rs. 92,05,560 from the *Calcutta Municipal Corporation;* Rs. 59,83,420 from the *Calcutta Port Fund and Port Trust;* Rs. 57,51,000 from the *Bombay Municipality;* and Rs. 21,26,670 for the *Hooghly Bridge.*

The Guaranteed Railway Companies were expected to withdraw net Rs. 10,43,000: they will, it is believed, actually withdraw Rs. 1,21,42,000. Deposits and Remittances shew an adverse balance of Rs. 78,00,000, being more than Estimate Rs. 53,70,000. Thus, we now expect to have to provide, otherwise than from the Revenues, Rs. 9,25,01,000, being more than Sir William Muir's Estimate by Rs. 4,19,08,000.

Of this large sum, the Covenanted and Uncovenanted *Civil Funds* will yield Rs. 11,40,000, being more than was estimated by Rs. 2,50,000. *Savings Banks Deposits* are expected to supply Rs. 10,60,000 instead of Rs. 5,00,000.

This item is not important financially; but it has so much interest of its own, that I will state the past figures:—

Savings Banks.

	Deposited. Rs.	Withdrawn. Rs.	Net Deposits. Rs.
1872-73	89,89,940	65,75,820	24,14,120
1873-74	1,17,73,520	91,86,580	25,86,940
1874-75	73,08,730	72,09,370	99,360
1875-76	73,75,390	65,35,180	8,40,210
1876-77	57,60,000	47,00,000	10,60,000
	4,12,07,580	3,42,06,950	70,00,630

The balances in the hands of the Government on the 31st March 1876 are shown in the 65th Account appended to the Finance and Revenue Accounts for 1875-76 to have been Rs. 1,83,08,140, of which Rs. 1,45,19,370 were in the Presidency Savings Banks (Rs. 93,86,040 in Bombay alone); Rs. 17,13,540 were in Regimental Savings Banks; and Rs. 20,75,230 in District Savings Banks. It was ascertained in 1873 that the Presidency Savings' Banks were being used, especially at Bombay, for purposes for which they were not intended; and means were taken to prevent the abuse. The *District Savings Banks* have made some progress during the year, but they are still quite in their infancy.

The net amount borrowed in 1876-77 is Rs. 3,72,40,000, being more be Rs. 74,60,000 than was estimated by Sir William Muir: the excess of £1,960,000 borrowed in England was, so far, neutralised by operations in India, chiefly by the purchase of securities already described.

If some unimportant items are omitted, the rest of our requirements for the year have been supplied from the Balances in our treasuries, which have been reduced by Rs. 5,41,27,937 in India, and raised by £228,200 in England. Sir William Muir calculated upon a reduction of only Rs. 1,76,23,000: he expected the Government of India to reduce its Balances by Rs. 2,69,06,000, and the Secretary of State to increase his Balance by £928,300. I have shown that the Opening Balances proved to be larger by Rs. 88,16,000 (*viz.*, Rs. 70,93,000 in India, and £172,300 in England) than was at that time expected. But making allowances for this, the net reduction amounts to the formidable sum of Rs. 2,54,07,000 in excess of Sir W. Muir's estimate, of which Rs. 2,01,29,000 is in India, and £527,800 in England. I cannot speak for the Secretary of State as regards the Balances in the Home Treasury, but the estimated Balances in India on the 31st March next (Rs. 11,53,97,000) are decidedly too low; and we have only submitted to them under the pressure arising out of the Famine.

COMMERCIAL STATISTICS, 1876-77.

The Exports and Imports of Merchandise (including Government stores but excluding treasure) during the ten months from April to January, in the years 1872-73 to 1876-77, were—

April to January.		Exports (including re-exports).	Imports.	Net Exports.
		Rs.	Rs.	Rs.
1872-73	...	*43,78,45,284	25,52,53,692	18,25,91,592
1873-74	...	*43,09,58,722	26,43,52,662	16,66,06,060
1874-75	...	44,31,72,208	29,42,86,036	14,88,86,172
1875-76	...	46,30,93,697	30,82,62,938	15,48,30,759
1876-77	...	48,26,54,961	30,24,29,230	18,02,25,731

* These figures are for private trade only, those for Government Stores not being available.

Including treasure, the Net Exports during the same periods were—

April to January.		Net Exports of Merchandise.	Net Imports of Treasure.	Net Exports.
		Rs.	Rs.	Rs.
1872-73	...	18,25,91,592	2,90,97,380	15,34,94,212
1873-74	...	16,66,06,060	1,15,05,223	15,51,00,837
1874-75	...	14,88,86,172	5,04,96,376	9,83,89,796
1875-76	...	15,18,30,759	2,45,25,580	13,03,05,179
1876-77	...	18,02,25,731	5,21,85,306	12,80,40,425

The Gross Exports of commodities (other than treasure) in the ten months of 1876-77 exceeded those in the corresponding period in 1875-76 by nearly 2 crores, whilst the imports were 58 lakhs less : the Net Imports of treasure in the ten months of 1876-77 were 276 lakhs more than in the corresponding period in 1875-76.

The exports of the principal articles of Indian produce were as follows :—

(Values in Rupees.)

			1872-73.	1873-74.	1874-75.	1875-76.	1876-77.
Coffee ...	...	(Cwt.)	226,000	234,000	167,000	165,000	169,000
		(Value)	64,72,000	86,17,000	74,04,000	66,23,000	72,25,000
Cotton Goods—							
Twist and Yarn	...	lbs.	1.529,000	2,009,000	2,143,000	4,587,000	6,817,000
		Value	8,23,000	10,53,000	11,11,000	19,68,000	21,66,000
Manufactures ...	...	Value	27,17,000	35,37,000	31,46,000	32,62,000	37,59,000
Indigo ...	...	(Cwt.)	94,000	88,000	65,000	78,000	83,000
		(Value)	2,83.82,000	2,76,12,000	2,10,75,000	2,03,80,000	2.15,04,000
Rice and Paddy ...	...	(Cwt.)	17,373,000	13.829,000	10,048,000	13,046,000	11,656,000
		(Value)	4,25,58,000	3,82,53,000	3,15,43,000	3,54,97,000	3.39,77,000
Wheat	...	(Cwt.)	320,000	1,338,000	998,000	2,156,000	4,839,000
		(Value)	13,52,000	61,16,000	45,76,000	77,56,000	1,67,34,000
Hides and Skins ...	...	Value	2,30,71,000	2,09,52,000	2,05,66,000	2,37,88,000	2,30,98,000

(Values in Rupees.)

		1872-73.	1873-74.	1874-75.	1875-76.	1876-77.
Jute, Raw and manufactured ...	Value	3,63,27,000	3,06,90,000	2,94,91,000	2,63,96,000	2,89,54,000
Lac	Value	15,65,000	19,44,000	19,24,000	59,36,000	42,53,000
Seeds	Cwt.	...	...	...	8,514,000	8,559,000
	Value	1,29,41,000	1,90,73,000	2,45,19,000	4,41,45,000	4,68,86,000
Opium	Chests	69,000	72,000	81,000	73,000	82,000
	Value	9,67,05,000	9,23,48,000	10,18,01,000	9,18,68,000	10,49,10,000
Saltpetre	Cwt.	396,000	390,000	423,000	301,000	370,000
	Value	40,77,000	40,64,000	38,70,000	25,50,000	30,27,000
Silk, Raw and manufactured ...	Value	1,11,61,000	1,08,14,000	87,27,000	53,19,000	80,14,000
Sugar and saccharine produce ...	Value	46,77,000	19,17,000	27,91,000	22,66,000	60,60,000
Tea	lbs.	15,710,000	16,800,000	17,231,000	21,255,000	25,186,000
	Value	1,40,33,000	1,52,02,000	1,59,09,000	1,89,99,000	2,36,18,000
Wood, Teak	Value	32,53,000	33,16,000	26,39,000	35,63,000	27,32,000
Wool, Raw	lbs.	16,344,000	16,062,000	17,924,000	19,507,000	19,845,000
	Value	66,58,000	74,55,000	80,68,000	89,93,000	89,10,000

The export of *Cotton Goods* continues to grow remarkably. There are now, or will immediately be, fifty-two mills at work in India for spinning and weaving cotton, *viz.* :—

	Mills.	Spindles.	Throstles.	Looms.
Bombay ...	40	932,530	21,476	8,390
Bengal ...	4	101,194	3,352	100
North-Western Provinces	2	27,350	...	275
Madras ...	3	26,800	...	44
Nagpur ...	1	30,000	...	450
Hyderabad ...	1	15,172	...	200
Indore ...	1		*No information.*	
Total ...	52	1,133,046	24,828	9,459

The increase in exports of *Wheat, Seeds,* and *Tea* is very considerable; and, after three years of depression below the amount in 1872-73, the export of *Sugar* in 1876-77 has greatly exceeded that in 1872-73.

The following table of imports of principal articles during the ten months from April to January in 1872-73 to 1876-77 shows a slight improvement in *Cotton Goods* and a material improvement in *Metals,* which two classes of goods form the bulk of the imports. Grey cotton goods, of which the quantities in 1875 declined below the imports in 1874, show an improvement in the ten months, compared with the corresponding period in 1875-76. In the remaining articles there is, on the whole, a falling off in comparison with 1875-76 :—the decline of machinery and mill-work being considerable: woollen manufactures, though less than in 1875-76, are in advance of the corresponding amounts in 1872-73 to 1874-75. I reserve for my Statement in the

Legislative Council the remarks which I have to make regarding the import duties levied on cotton goods.

(Values in Rupees.)

		1872-73.	1873-74.	1874-75.	1875-76.	1876-77.
Apparel	Value	52,04,000	49,15,000	52,36,000	53,17,000	41,43,000
Coal *	Tons	233,000	240,000	220,000	243,000	336,000
	Value	32,69,000	49,62,000	42,17,000	41,60,000	62,67,000
Cotton Goods—						
Twist and Yarn	lbs.	25,6. 2,000	25,358,000	31,708,000	25,924,000	26,692,000
	Value	2,14,09,000	2,16,42,000	2,70,55,000	2,28,61,000	2,23,04,000
Manufactures ...	Value	11,99,17,000	12,76,16,000	13,55,07,000	13,08,42,000	13,03,80,000
Liquors	Gallons	28,08,000	33,28,000	38,93,000	32,45,000	49,56,000
	Value	1,23,14,000	1,11,22,000	1,19,68,000	1,19,48,000	1,26,86,000
Machinery and Millwork ...	Value	38,93,000	75,10,000	96,02,000	1,20,04,000	73,06,000
Metals	Value	1,51,23,000	1,30,65,000	2,00,73,000	2,47,22,000	2,77,08,000
Railway Plant and Rolling-stock	Value	44,44,000	93,61,000	80,89,000	1,33,78,000	1,20,26,000
Salt	Tons	239,000	2,39,000	199,000	303,000	256,000
	Value	70,95,000	70,33,000	54,57,000	50,52,000	36,37,000
Silk, Raw and manufactured ...	Value	1,02,30,000	1,13,66,000	1,31,54,000	1,12,68,000	83,27,000
Spices	Value	19,19,000	12,41,000	15,31,000	31,57,000	36,79,000
Sugar and saccharine produce ...	Value	30,75,000	39,08,000	36,16,000	61,88,000	34,98,000
Tea	lbs.	1,961,000	1,233,000	1,364,000	2,268,000	1,537,000
	Value	19,61,000	12,33,000	13,64,000	19,72,000	12,18,000
Woollen Manufactures ...	Value	63,62,000	60,08,000	48,15,000	74,39,000	72,59,000

The Net Imports of gold and silver were as follows :—

April to January.		Net Imports of Gold. Rs.	Net Imports of Silver. Rs.	Total Net Imports of Treasure. Rs.
1872-73	...	2,18,65,723	72,31,657	2,90,97,380
1873-74	...	1,13,64,648	1,40,575	1,15,05,223
1874-75	...	1,63,00,406	3,41,95,970	5,04,96,376
1875-76	...	1,48,62,220	96,63,360	2,45,25,580
1876-77	...	-41,02,337*	5,62,87,643	5,21,85,306

The condition of Trade in 1876-77 is understood to have been flourishing: doubtless the expansion of the Net Imports of Silver and the fact of there having been, for the first time, a Net Export of Gold, are closely connected with the fall in the gold-price of silver, and the consequent depression of the sterling exchange.

The Bank of Bengal's rate of interest on loans payable on demand has varied from 11 per cent. (from the 13th to the 27th April) to 5 per cent. (from 4th August to 21st September). Money has thus been scarce and dear, a fact which may be attributed, partly, to the contraction of the Government Balances and the creation of a separate Government Reserve Treasury, but, to a much greater degree, probably, to the apprehensions felt by banks and capitalists as to the future value of silver. There is reason to believe that much capital was for a time, and may again be, withdrawn from the East in consequence of these apprehensions.

* Net Exports.

The Government Securities held by the Presidency Banks have fallen from Rs. 2,44,71,000 on the 1st April and (by the latest returns) Rs. 1,64,73,000. The largest amount held by these institutions was at the end of June Rs. 2,69,15,000, since which date they have sold securities for Rs. 1,04,42,000. The following Statistics of the transactions of these Banks at the close of the 8th week (the latest date for which we have complete Statistics) of each calendar year are interesting.

	Assets.					Liabilities.			
	Government Securities held.	Advances on Government Securities.	Mercantile bills discounted.	Cash Balances.	Other Assets.	Reserve Funds.	Public Deposits.	Bank Post bills.	Other deposits and liabilities.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1871	151,28,000	128,57,000	351.48,000	995,08,000	58,94,000	25,44,000	624,14,000	21.76,000	677,75,000
1872	145,84.000	424,70,000	432,26,000	945,63.000	35,04,000	25,91.000	1,160,19,000	10,07,000	451,05,000
1873	219,52,000	145,04,000	370,13,000	896,36,000	55,11,000	29,79,000	795,65,000	3,83,000	520,64,000
1874	163,06,000	188,92,000	403,20,000	516,16,000	29,04,000	34,92,000	531.81,000	7,33,000	390,27,000
1875	231,93,000	170,92,000	380,22,000	579,90,000	38,07.000	35,56,000	512,00,000	6,61,000	471,00,000
1876	257,07,000	152,44,000	347,73,000	598,52,000	39,31,000	41,78,000	514,41,000	10,28,000	452,35,000
1877	164,13,000	148,87,000	325,91,000	472,81,000	33,02,000	41,96,000	305,74,000	3,86,000	443,18,000

The public Deposits fell at one time (second week of January 1877) to Rs. 2,54,66,000. Their depletion is due to the decrease of the general Balances of the Government, and, latterly, to the demands for money for the operations against the famine in the Presidencies of Madras and Bombay.

The Presidency Banks' Act No. XI of 1876 came into operation on the 1st of May 1876, and is understood to have worked satisfactorily. New agreements have been completed, under this Act, between the Government and the Banks for the conduct of the public business at the Presidency Towns, and at the Branches of the Presidency Banks at country towns; and these agreements, too, have worked smoothly and well.

A Government Reserve Treasury was opened in Calcutta on the 11th May 1876. The largest Balance accumulated in this Treasury was Rs. 1,66,25,677 (*on the 1st November*): this amount rapidly decreased; and, since the middle of December, the contents of the Reserve Treasury have been nominal. Local revenue is not received at this Treasury, which is supplied only by remittances from the Calcutta Mint and from the interior of the country. It is considered important to concentrate the spare resources of the State, as far as possible, in one Government Reserve Treasury, in order that they may be more readily available for use, in case of need, than they would be if they were deposited, as heretofore, in the Presidency Banks and employed in their ordinary business. The Government intends always, in ordinary times, to leave with each Presidency Bank a balance calculated upon a liberal scale with reference to the public transactions at each Bank.

The rates of exchange at which the Secretary of State sold his bills upon the Government of India have ranged from 1*s.* 6·57*d.* the rupee on the 5th July to 1*s.* 10·33*d.* on 24th January, following, of course, the Sterling price of silver: the average rate, as we have seen, is 1*s.* 8½*d.*

The rate fixed for the adjustment during the year of transactions with the Imperial Treasury is 1*s.* 9¾*d*: this rate is fixed once a year, according to the state of the exchanges in London on the date on which the calculation is made: hitherto, no forecast of the probable course of the exchanges during the year has influenced the determination of the rate: this year, the rate has been so much above the market rate that the Treasury has lost heavily by it. The amount to which the rate applies, directly, in 1876-77 (apart from furlough allowances, the proportion of which affected by the rate I cannot exactly calculate) is estimated to be net £1,371,000. At the average rate of the year we should have received in India, in exchange for this sterling sum, Rs. 1,60,52,236; by the operation of the adjusting rate we have received only Rs. 1,51,28,275; the difference (Rs. 9,23,961) is loss to the Indian Treasury arising from the adjusting rate; and perhaps Rs. 1,50,000 may be added for loss on furlough allowances. The furlough allowances of our civil and military officers and the family remittances of military officers are affected by the adjusting rate; and, in so far as the high rate of the year has mitigated the loss sustained from the depreciation of silver, by our military officers and by our poorer civil officers, the Government does not grudge its loss. One consequence of the advantage enjoyed, this year, by these officers is to be observed in the remittance by them to their families through the India Office of £275,000 more than was expected.

The Paper Currency circulation during the first ten months of 1876 was only marked by the ordinary fluctuations due to season: towards the close of the year the circulation was increased by the issue of notes against bullion,—a measure authorised by the law but not hitherto adopted. The lowest point of the circulation, Rs. 10,53,22,945, occurred, as in 1875, in May: the recovery, however, which is observable in the dull season, took place earlier and more rapidly than in 1875: this agrees with the movements of the money-market; in 1875, the highest point of the Bank of Bengal's rates of discount was reached on the 13th May, and the first reduction took place on the 27th May; in 1876, the highest point was reached on the 13th April, and the first reduction took place on the 27th April. At the close of 1876, the amount of the circulation was almost exactly 12 crores of rupees. The largest circulation, Rs. 12,27,36,080, was on the 15th December.

The Money Orders issued by the Government fell to a lower number and amount than has been reached for several years, as follows:—

	No. of Orders issued.	Amount.	Average amount of each Order.			Profit.
		Rs.	Rs.	A.	P.	Rs.
1869-70	210,781	1,16,63,338	55	5	4	60,894
1870-71	242,702	1,30,55,924	53	12	8	64,891
1871-72	251,213	1,25,14,115	49	13	5	58,017
1872-73	269,435	1,29,21,632	47	15	4	58,387
1873-74	245,879	1,07,20,240	43	7	3	66,825
1874-75	242,001	1,01,67,465	42	2	3	56,919
1875-76	231,907	91,26,625	39	5	8	55,664

The low average amount of each order is satisfactory, as showing that these orders are being used for the purpose for which they were intended, *viz.*, to make small remittances: the diminishing use of the orders seems to show that the means of remitting money in the interior are becoming cheaper.

The Motion was put and agreed to.

The Hon'ble SIR J. STRACHEY also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

THE PRESIDENT having declared the Rules suspended,

The Hon'ble SIR J. STRACHEY introduced the Bill.

The Hon'ble SIR J. STRACHEY also moved that the Bill be published in the *Gazette of India* in English, and in the *North-Western Provinces Gazette* in English and in such other languages as the Local Government directs.

The Motion was put and agreed to.

NORTH-WESTERN-PROVINCES LICENSE BILL.

The Hon'ble SIR J. STRACHEY moved for leave to introduce a Bill for the licensing of certain trades and dealings in the North-Western Provinces.

The Motion was put and agreed to.

The Hon'ble SIR J. STRACHEY also applied to His Excellency the President to suspend the Rules for the Conduct of Business.

THE PRESIDENT having declared the Rules suspended, The Hon'ble SIR J. STRACHEY then introduced the Bill.

The Hon'ble SIR J. STRACHEY also moved that the Bill be published in the *Gazette of India* in English, and in the *North-Western Provinces Gazette* in English and in such other languages as the Local Government directs.

The Motion was put and agreed to.

CIVIL PROCEDURE BILL.

The Hon'ble SIR ARTHUR HOBHOUSE begged leave to make a short statement with reference to the course which the Government proposed to take with the Civil Procedure Code. He said:—"I said nothing on the subject yesterday, because I expected to speak so soon on the subject at large. It has however been suggested to me that that was a mistake, and that it would be more satisfactory if I were to state publicly what would be the course of business. What the Government propose then is, that the list of business for Wednesday, the 28th instant, shall contain notices of motion in my name for taking the reports into consideration and for passing the Bill. If then it is found that this discussion more than exhausts the day, or if amendments are carried which necessitate a careful examination of the draft, there will be time for an adjourned debate, and His Excellency the President will doubtless appoint some convenient day for the purpose.

"I am afraid that it may occasion some inconvenience and hurry to Members of Council, that so large a measure should be debated within so short a time after the last report has been presented. But it is important to pass a measure which has reached such a stage of maturity as is the case with the Civil Procedure Code; and having regard to the movements of the Government of India, it will be difficult to perform that operation during the present year if it is not performed during the present sittings in Calcutta. Moreover, it will be recollected that a large proportion of the Members of this Council, no less than eight, are also Members of the Select Committee, and they are acquainted with at least the larger details of the Bill. Still there is hurry, but our Secretary is hard at work, preparing the new prints of the Bill, so as to get them into the hands of the Members as early as possible, and I believe that every one will have time to study such portions of the Bill as interest him.

"As regards those who are outside this Council, the case stands thus. The Committee have made many alterations in the current draft, Bill No. IV, but the great bulk of those alterations relates to technical or professional matter, which is not only not interesting to the general public, but which requires a long period of study for anybody to digest and to comment on. In fact there are only two subjects which have attracted anything like general interest, one being the remedies given to creditors against their debtors, and the other being the distribution of business between District Courts and Subordinate Courts.

"On those two subjects some alterations were proposed by Bill No. IV, which have received a great deal of comment adverse and other. But in settling Bill No. V, the Select Committee, with an eye to the passing of the Bill during these sittings, have carefully abstained from widening the field of alteration opened by Bill No. IV. Such alterations as they have made have distinctly narrowed that field of alteration, and have travelled back again in the direction of Bill No. III. There is therefore nothing, so far as regards the two subjects I have mentioned, which is contained in Bill No. V and which was not contained in distinctly greater force in Bill No. IV.

"Now Bill No. IV was published at the end of September last, so that by the time we come to debate it will have been six months before the public. Moreover, it was not published as a rude and undigested mass of details from which each man might pick what suited him if he could find it. It was accompanied by comments proceeding partly from myself and partly from my friend Mr. Cockerell, for the very purpose of calling attention at once to the material alterations, so that those who had comments to offer on them might offer them without loss of time. Surely the time which has passed is sufficient for the purpose. In point of fact we have received some very able and efficient comments on our proposals, and I can hardly think we should get much more if more time were allowed."

The Council adjourned to Wednesday, the 21st March 1877.

WHITLEY STOKES,
Secretary to the Government of India,
Legislative Department.

CALCUTTA,
The 15*th March* 1877.

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