

*Friday,  
28th March, 1890*

ABSTRACT OF THE PROCEEDINGS  
OF THE  
Council of the Governor General of India,  
  
**LAWS AND REGULATIONS**

**Vol. XXIX**

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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,

1890

VOLUME XXIX



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

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The Council met at Government House on Friday, the 28th March, 1890.

PRESENT :

His Excellency the Viceroy and Governor General of India, G.C.M.G.,  
G.M.S.I., G.M.I.E., *presiding*.

His Honour the Lieutenant-Governor of Bengal, K.C.S.I., C.I.E.

The Hon'ble A. R. Scoble, Q.C., C.S.I.

The Hon'ble Sir C. A. Elliott, K.C.S.I.

The Hon'ble P. P. Hutchins, C.S.I.

The Hon'ble Sir D. M. Barbour, K.C.S.I.

The Hon'ble Syud Ameer Hossein, C.I.E.

The Hon'ble Rájá Durga Charn Laha, C.I.E.

The Hon'ble G. H. P. Evans.

The Hon'ble Maung Ôn, C.I.E., A.T.M.

The Hon'ble Muhammad Ali Khan.

The Hon'ble R. J. Crosthwaite.

The Hon'ble Sir Alexander Wilson, Kt.

The Hon'ble F. M. Halliday.

The Hon'ble Rao Bahádur Krishnaji Lakshman Nulkar, C.I.E.

EXCISE (MALT LIQUORS) BILL.

The Motion before the Council was that the Bill to amend the Excise Act, 1881, and the Bengal Excise Act, 1878, be passed with the following section added thereto, namely:—

*"Drawback of Excise-duty on Export of Malt Liquor.*

"9. The provisions of section 150 of the Sea Customs Act, 1878, with respect to the allowance of a drawback of excise-duty paid on spirit manu-  
Application of provisions of section 150, Act VIII, 1878, to malt liquor. factured in British India and exported to a foreign port, and with respect to the regulation of the drawback by the quantity of such spirit, shall apply also, so far as they can be made applicable, to fermented liquor made in British India from malt and so exported and to the drawback of the excise-duty paid on such liquor."

[*Rao Bahádur Krishnaji Lakshman Nulkar.*] [28TH MARCH,

The Hon'ble RAO BAHÁDUR KRISHNAJI LAKSHMAN NULKAR said :—  
 “ My Lord,—Owing to the shortness of the interval between the presentation and the date fixed for discussion of the Financial Statement, I am unable to submit anything like a full review of that document. I hope that in future a longer interval and the concession of the privilege of interpellation may place us in a better position for a more satisfactory treatment of the important subject of Indian finance. On the present occasion I intend to content myself by submitting for consideration such observations as a cursory study of the Statement suggest themselves. To begin with the Home Charges, one is struck with the meagreness of information given in the accounts, which show nothing beyond two vague entries of ‘Bills drawn by the Secretary of State,’ and paid. An Indian Budget must be considered incomplete without full and detailed information of the Home Charges, together with the bills preferred and paid between the War Office and the India Office, together with claims on account of charges for troops lent by either country to the other for active service. I would earnestly press for adoption in future this improved mode of preparing the annual Budget in this country, the necessary materials being duly obtained from the Secretary of State.

“ Closely connected with the subject of Home Charges is the question of loss by exchange on payments which have to be made in England in sterling. The present uncertainty of conditions and rules of local recruitment of the Indian subordinate services has given rise to extraordinary claims on behalf of a class of members of those services founded on race distinction to have their rupee pensions paid in England in sterling at a rate of exchange more favourable than the market-rate of the day. Distinct promises and conditions of service made at the time of recruitment must, of course, be faithfully fulfilled ; but it is difficult to understand how foreign British-born subjects, after claiming equality of treatment and eligibility for employment in India along with the natives, can, after retirement, justly advance a claim to have their pensions, originally fixed in rupees, paid in England in sterling at favourable rates of exchange simply on the ground that they are foreigners by race and prefer to live in Europe. It is a peculiar misfortune of India that these questions of race distinction should be allowed to crop up with almost the regularity of periodicity, even half a century after all such distinctions had been abolished by Act of Parliament. The Act of 1870, which tried to bring into existence and bolster up a fiction called the Statutory Civil Service of India, is responsible for unsettling the minds of the people by legalizing a race distinction in a manner which satisfied nobody, which practically created rather an arbitrary inter-race distinction, and which introduced into the exercise of patronage the elements of birth and race partiality which soon became a public scandal. Let



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me not be misunderstood. I have nothing to say personally against the body of public servants called the Statutory Civil Service. I have no doubt that it consists of members as good and worthy as it was possible to secure under the circumstances. But it has to be remembered that none of them, however able or talented, can possibly escape the taint which must inevitably attach to a faulty system of recruitment based on the wrong principle of the service for the men, and not men for the service. The Public Service Commission dealt with this Statutory Service exhaustively and exposed its mischievous effects on the public as well as personal interests concerned. The Commission recommended its abolition and advised a well-marked division of the public services of India into two parts—one to be exclusively recruited for in England, and the other in India; the distinction of race, creed or colour being rigidly discarded from both. The interests of the indigenous races in the local service were safeguarded by the condition of a sufficiently long recent residence and the possession by all candidates of a really competent knowledge of the vernaculars, fully equal to that of a well-educated Native. There was to be no distinction of pay, pension or other conditions in either of the two services based on race distinction. Had that recommendation been adopted in its integrity, such claims as those now preferred on behalf of what is styled the 'Uncovenanted Service,' but which really consists of the European portion of that branch, would have no leg to stand upon, and the Indian Treasury would be saved from any such preposterous demands. The Secretary of State, however, was unwilling to go up to Parliament, whose sanction to the new scheme was necessary, and the result is a continued adherence to the most mischievous anomaly and demoralization which the Parliamentary Act of 1870 had brought into existence. This state of things will certainly satisfy no legitimate interest, and the late despatch of the Secretary of State has already had the result of renewed agitation in favour of simultaneous examination in India for the Indian Covenanted Civil Service, from which I for one am not now inclined to entirely withhold my sympathy, from a certain point of view. However, financially speaking, I do not see how claims for exceptional treatment in the matter of pensionary payments in sterling at a favoured rate, based on race distinction, on behalf of members of the ruling race, are to be successfully resisted now or in future, so long as the legalised race qualification newly created in 1870 remains in force. The Hon'ble Member for Finance had therefore better allow this new disturbing element to have its due weight in his future calculations of 'Loss by exchange,' because, among other things, the personal interests of the European members of the Uncovenanted Service claiming the favoured treatment have an ever-increasing Parliamentary influence to support their side.

"Among the items of Imperial Revenue there are two which challenge attention at the outset, namely, Salt and Abkari. As regards the first, I wish to draw the attention of Your Lordship's Government to the extreme hardship and privation from which the great bulk of the Indian population suffers in consequence of the enhancement of the salt-duty which was sanctioned two years ago. I am no believer in statistical conclusions either way, when they are based solely on a comparison between issues or exports and imports of salt within short corresponding periods. A better and more trustworthy proof of the privations to which the poor are reduced in parts of India is furnished by the new laws which have had to be passed preventing the use of salt-earth and similar substances for edible salt, because men do not resort to such extreme devices unless they are hard pressed to do so by the high rate which the salt-tax has now reached. I would therefore press upon the favourable consideration of Government the paramount necessity of reducing the salt-duty to a considerable extent at an early date simply as a measure of relief of poor humanity. Even if we had not been blessed with a considerable surplus this year, I should have felt it a duty to bring this matter to notice with a view to afford the required relief even by a re-adjustment of the taxes.

"One branch of the department of revenue which appears to me to have developed a side of popular demoralization is the Indian Abkari department. In the face of the voluminous records recently published with the view of proving several positions taken up by Government in defence against complaints made by temperance movements and in other quarters, it is not my intention to enter into a controversy on either side. The important question which ought to engage attention is not whether spirituous liquor was known to the people of India before the advent of the British into the country, nor yet whether a larger or smaller quantity is now poured down the Native throat as compared with what was consumed ten, fifteen or thirty years ago. These are not, in my humble opinion, questions very pertinent to the issues to be decided. The real question is whether the sense of shame, the homage which hypocrisy pays to virtue, has been gradually rubbed off from the character of our working classes who form the great bulk of the consumers of country liquor and consequently the backbone of the Abkari-revenue. The manner in which the contracts are sold, the public and hitherto respectable localities in which liquor shops are allowed to be opened and half tipsy people permitted to infest Native thoroughfares, added to the prevalence of the belief, right or wrong, that the habit of drinking is not looked down upon by the ruling class—such are among the real causes under the operation of which all sense of shame or feeling of the necessity of con-

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cealment has disappeared, and the free and open use of intoxicating liquors is becoming more and more fashionable without any immediate prospect of diminution, unless indeed the Municipalities bestir themselves, and, with the earnest and energetic help of District-officers, insist upon the removal of all liquor shops to places far away from public thoroughfares and respectable localities, and have them placed under strict police surveillance to prevent intoxicated persons prowling about the streets at dusk. With such measures to ensure respectful and temperate behaviour on the part of the people who frequent the liquor shops, the present demoralization is bound to diminish to a considerable extent, and may even disappear from among the more respectable working classes by a gradual change of fashion. In that event, the Abkari-revenue must also suffer a corresponding diminution. Even admitting the many errors of facts or statistics into which the temperance movement here and in England is believed to have fallen regarding the actual working of the Indian Abkari department, I am hopeful that careful and persistent efforts to show up the fashionable character which the habitual use of intoxicating drinks has assumed in India within the last twenty years, under the ægis of a State department, are destined ultimately to win the day in this important controversy, and therefore the time may yet come when the Hon'ble Member in charge of the Financial Department will have to count upon the Abkari-revenue becoming one of the uncertain and decreasing items of income, and to plan his annual estimates accordingly: Indeed, the signs of a better policy in this respect on the part of Government are not entirely absent from the papers recently published, as distinguished from the previous state of things, which is aptly described in a note by the compiler of a Provincial Revenue Handbook,\* attached to the section 'MORAL PRINCIPLES' which were to underlie a wise administration of the Abkari department under the orders quoted in that Chapter. He states :—

'The following excellent orders have never been cancelled, but it is needless to say that they are not now acted upon, if indeed they ever were.'

"As regards the policy of segregation I have just alluded to, I may mention a custom which was handed down from the time of the Ameers of Sind, according to which all women following a certain immoral profession had to live in a separate street by themselves at a respectful distance from the towns. To my personal knowledge, this salutary custom continued to prevail in many towns

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\* Bombay, 3rd Edition, 1884, page 293.

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for at least twenty years after the British conquest of that Province. I am unable to say whether the principle of the liberty of the subject has prevailed against the old state of things, and the persons concerned have since been allowed to live and commingle with other citizens in the midst of the towns of that interesting Province. Abstract principles of such liberty cannot be always suddenly transplanted from the West into the East without danger, in supersession of salutary checks against vice to which the people are accustomed from time immemorial; and there is no doubt that the free, public and fashionable use of intoxicants under a Government revenue monopoly is one of such abstract principles, entirely unsuited to the present condition of the masses in India. It will be noted that I make a distinction between the working classes who mainly patronise the Government liquor shops and the better educated classes among whom it is complained that intemperate habits are on the increase. I do not attribute this latter phenomenon to the Abkari policy of Government, and entirely agree with the dismal explanation of it contained in the papers lately published.

"There are other matters, such as the necessity to raise the minimum for income-tax, the actual working of the provincial contracts, with a stricter adherence to the policy of refunds to Provincial Governments on the return of better times, and some other heads of the Budget, which call for notice, but there was no time for me to take them up and be ready to discuss them at this meeting; nor is it perhaps to be regretted, because the time at our disposal is limited at this very end of the session, and there are many Hon'ble Members who, I believe, are also going to address the Council."

The Hon'ble SIR ALEXANDER WILSON said:—"My Lord,—There is a general feeling of satisfaction that the anticipations of my Hon'ble friend Sir David Barbour as regards the financial position of the country have been realized.

"The statement which he placed before the Council last week shows that not only in the past year have the finances been found on a sound and profitable basis, but it also holds out a greater measure of hopefulness for the future.

"While congratulating the Hon'ble Member on this happy state of affairs I concur very fully in those prudential remarks with which he closed his introductory statement last week.

"No doubt, when a 'surplus budget' is declared, there is a popular expectation of some corresponding reduction in taxation.

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“ But the disappointment on this occasion will, I feel sure, be tempered with the appreciation of the wisdom of the policy which declines in the first flush of prosperity to part with any of the resources of the State.

“ We have only to look back a few years to realize the fallacy of the assumption that a surplus in any one year, as in 1882, means a continuance of prosperous times, or that it can be used to make a temporary reduction of the public burdens without a danger of again subjecting the country to a period of difficulty such as we have now happily left behind us.

“ The statement we are asked to discuss to-day is at once clear and convincing, and, as far as I can learn, commands universal confidence and approbation.

“ I will not attempt to enter into any analysis of the figures, but I congratulate the Finance Department on the improved form in which these figures have been placed before us.

“ From what the comparatively short time has permitted me to see, they give a full and comprehensive summary of the financial position in a manner alike intelligible and convenient for reference.

“ The exposition of the policy in regard to the grant for famine relief will be welcomed by those who have, somewhat unreasonably I think, come to the conclusion that the provision hitherto made in this direction had been done away with ; but doubts are entertained whether, under the exceptionally favourable circumstances, the Government are justified in retaining the contribution from the Local Governments and applying it to this purpose.

“ Fortunately for the country, scarcity has not in any marked degree for some time past pressed upon the people. The great progress which has been made in opening up communication has provided a means of distributing the food resources of the country, which is in itself an insurance against a repetition of the horrors of famine experienced in the past.

“ If we have not heard so much of famine of late years, it is not because risk of short or partial rainfall, and consequent scarcity of food-grain, has disappeared, but that the people have now the means of meeting such a contingency and supplying their own needs from the resources of more fortunate parts of the country.

"In the statement now before the Council figures are given showing the number of miles of railway open to have increased from 8,382 miles in 1880 to 14,437 miles in 1890, or by more than 72 per cent. in ten years; and, though India is not yet, as regards railways, in the position sketched out by Lord Mayo, we must admit that the progress made has been a protection against the effects of scarcity over particular and special areas.

"I have read with much interest the remarks under the head of Railway Finance, and, while I acknowledge that much valuable information is given therein, I regret to find no defined policy put forward by the Government with regard to the future construction of railways.

"I quite recognise the difficulty in the face of ever-changing circumstances of laying down any hard-and-fast line of action; but I submit that the time has come when Government should be prepared to say what part it will take in the future.

"A glance at the figures shows that railways occupy no insignificant position in the Revenue accounts of India. If the Government are prepared to go on with the development and extension of railways and branch railways throughout the Empire, I do not think that the modest allotment of  $6\frac{1}{2}$  crores as provided for in the Budget will go far to keep pace with the requirements of the country. And, on the other hand, if Government is not prepared to go on with the work, I think it is incumbent that it should throw the field more widely open to private enterprise, on such terms as may seem just and reasonable.

"I would solicit for this subject the careful consideration of the Government of India; for, though the remarks of my Hon'ble friend on the currency question were exceedingly guarded, should any settlement of the relations between silver and gold be arrived at, and the uncertainty of exchange be thus modified, there would be no lack of capital offering for the extension and development of railways in India.

"Without some defined policy being laid down, however, I fear that the patience of promoters and capitalists is likely to be exhausted before any of the schemes proposed are adopted, and meanwhile the trade requirements of the country are unsatisfied.

"There is one other point I would like to touch upon, which, from all mention of it having been omitted in the statement before us, must, I presume, have been

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considered by my Hon'ble friend to have been conclusively dealt with last year, and that is the management and disposition of the Government balances.

" Mr. Steel, who occupied with far more ability the position I have now been called upon to fill, expressed as his own opinion an entire concurrence with the views then enunciated by the Hon'ble Finance Minister that these balances should not be made available to the public in the furtherance of trade.

" To what was then stated by the Hon'ble Mr. Steel, with which I quite agree, I may now add that I have the authority of the Committee of the Bengal Chamber of Commerce to say that that body supports the action of Your Lordship's Government and is not prepared to advocate a policy which would bring the Government into the money market by making its reserves available for commercial purposes.

" I hold that it is the interest of the country that large supplies of bullion be attracted here, and the only way to secure this is to permit the ordinary laws of supply and demand to operate.

" If Government balances be placed at the disposition of trade, the Banks will prefer to work on borrowed money rather than bring out specie to redress the balance of trade.

" If the Banks expect a fall in exchange, they will naturally keep as much as possible of their funds in England. We may then see a situation when the Government balances are depleted, when the Exchange Banks have no money here, and when war, famine or other causes may cause Council drafts to be stopped.

" If such a conjunction should arise, the only recourse would be to bring out silver if it were available. Meantime, merchants would be unable to cash their bills, there would be a suspension of cash payments and a general panic would be inevitable."

The Hon'ble MR. EVANS said :—" My Lord,—I congratulate the Government on a result so far better than could be looked for.

" To find a surplus of Rx. 2,733,000 after estimates for one of Rx. 106,000 is indeed good fortune.

" The Government will, I think, have the approval of the public in their general schemes for the disposal of the surplus.

“Considering the casual character of the portion of the surplus attributable to Opium and some other sources, and the heavy demands of the immediate future and the necessity for providing for the recurrence of Famine, no remission of taxation could, I think, be reasonably asked for.

“The Revenues appear to have been well and carefully administered, and the outlook is very hopeful compared with that of later years, after allowing for the changes and chances of Indian Finance.

“The expenditure for the Army and Special Defences for the coming years, over Rx. 2,253,000 (two millions and a quarter), is very heavy—so heavy that it might, had it been necessary, have properly been spread over more than one year. But our first duty to this country is to defend it, and to have our army and defences in such a state that no foe is likely to attack us. The expenditure, heavy as it is, I think necessary for future safety. Defence takes precedence even of development, and if the expense is necessary, and if we can afford to meet it with the current revenue of the year, there is no reason why we should not do so, and many reasons why we should.

“Next, it is proposed to spend Rx. 3,750,000 on Railways and Canals not chargeable to Revenue, that is, works for the development of the country which are ordinarily constructed with borrowed capital, and it is further proposed to avoid borrowing this year by devoting the surplus of the past and coming years to this purpose; and it is proposed to lend Rx. 900,000 to local bodies without borrowing.

“I am sure the Council will be glad if the Hon’ble Member in charge of the Public Works can inform them which of the works are productive and likely to pay, and which are constructed for defence or relief of Famine and are unproductive works.

“Subject to the remarks I am about to make, the use of the surplus to diminish borrowing, and thus strengthen the finances, seems wise and statesman-like.

“But excellent as the general scheme of the Budget is—providing for the two cardinal points of defence and development—there is one thing against which I most strongly protest, and in this protest I shall, I believe, express a large body of outside opinion.

“This is the manner in which the contribution of Rx. 490,000 levied from the Local Governments is dealt with.



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"This sum was demanded by the Government of India and given by the Local Governments under a complete, though innocent and excusable, mistake of fact.

"When the mistake was discovered, the money should, so far as I can see, have been handed back at the first opportunity, unless some adequate political necessity could be shown for its retention.

"It is retained without a word of explanation.

"The Local Governments can speak for themselves, so far as they are represented here: I speak for the public for whom and for whose service the Local Governments held those funds.

"Those funds in the hands of the Local Governments were applicable to Provincial improvements, improvements in the Police and in the administration of justice and other matters which touch the daily life of the people.

"They are now diverted from this purpose to Imperial purposes at a time when the Imperial finances are in a state of unusual prosperity with a hopeful outlook, and at a time when the finances of this Province at least are straitened and overburdened.

"It is necessary I should remind the Council of the principles of Provincial government. The local administration is in the hands of the Local Governments. They have to provide the people with protection for their persons and property by means of Police and Criminal Courts, and with redress for civil wrongs and enforcement of debts and contracts by the machinery of civil justice. To enable them to discharge these and the other manifold duties of local government, they have allotted to them by a five years Provincial contract certain heads of local revenue, including the whole of the receipts from the administration of justice and a certain percentage of some of the sources of Imperial revenue.

"The allotment is made on the principle of producing an exact equilibrium between expenditure and receipts at the date of the contract—whatever they can save during these five years by economy in administration, or by the expansion of their allotted sources of revenue, they are at liberty to spend in the improvement of their administration and the development of the province.

"This is the only means they have of providing money for reforms and improvements. They are obliged to keep a minimum balance—in the case of

Bèngal, I believe, 20 lakhs. These sources of revenue and the savings from them were guaranteed to the Provinces and the Provincial Governments by the contract of the Government of India for five years from 1887 to 1892.

“ But bad times came on the Government of India. The Budget Estimate framed in 1888 for 1888-89 showed a deficit of Rx. 698,000. The Revised Estimate of that year framed in March, 1889, showed a deficit of Rx. 201,700, even after imposing additional taxation. It was only by revising the Provincial contracts before their time, or, in other words, repudiating them or by getting a contribution from the Local Governments, that a deficit on the Budget of 1889-90 could be avoided.

“ This latter alternative was decided on, though I understand the former had been sanctioned by the Secretary of State in view of the supposed financial embarrassment of the Government.

“ I am not raising any objection to the principle that when there is Imperial necessity all other considerations must be set aside.

“ It was on these grounds and under these circumstances that the demand was made and complied with. Rx. 100,000 (ten lakhs) was the contribution of Bengal—small in amount, but like the widow’s mite all that she had in the way of disposable surplus.

“ How straitened the finances of Bengal have been this year owing to a bad financial year, and the loss of this disposable balance, His Honour can tell you better than I. I can only vouch for the outward and visible signs of poverty, ruthless economy and starving of all departments—all the symptoms of a painful attempt to make both ends meet. How near they have met I do not know.

“ Now the question is a plain one. Would the Government of India have taken this contribution had they known the real outturn of the year, if they had known that they would have a surplus of over two millions for Imperial purposes without it? There can be only one answer—an emphatic ‘No.’

“ Then why do they keep it when the mistake is discovered? Is there any necessity? None. It is so little wanted for this year that it is actually cut out of the accounts, leaving a surplus of Rx. 2,243,000 for this year and an estimated surplus of Rx. 304,900 for 1890-91.

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[Mr. Evans.]

“ This surplus of 1890-91 is arrived at after providing for an extraordinary expenditure of over two millions and quarter for Army and Special Defence purposes.

“ But it is proposed to leave this Rx. 490,000 to increase the surplus of 1890-91 from Rx. 304,000 to Rx. 794,000 for the purpose of partially restoring the *Famine Grant* in that year by transferring Rx. 524,500, that is, this unfortunate Rx. 490,000 plus Rx. 34,500 from the former surplus to the heading of ‘ Famine Grant ’ in 1890-91 so as to bring up this heading to Rx. 600,000. A part of the large surplus of the present year is treated in the same manner, that is, Rx. 433,000 is removed from the heading ‘ Surplus ’ and inserted under the heading ‘ Famine Grant ’ and labelled ‘ For the reduction of debt.’ I have looked carefully at the result of moving these figures from the heading ‘ Surplus ’ into the heading ‘ Famine Grant.’ To my uninstructed eye the result is—‘ Nil.’

“ The whole of the surplus of both years is devoted to the reduction of debt by diminishing borrowing.

“ These two sums of Rx. 433,000 and Rx. 524,000, after having been taken out of the surplus and exhibited as ‘ Famine Grant ’, are expended in exactly the same way as if this had been left to appear as surplus. This and the surplus are applied to the construction of Railways and Canals not chargeable to Revenue in order to avoid a loan. I can find in the transactions only words and no reality, and the so-called ‘ Famine Grant ’ in these years appears to be nothing more than a phrase. The result is that the Rx. 490,000 is practically carried on with the surplus of next year and dealt with in the same way as the rest of the surplus.

“ After the lucid exposition in the Financial Statement of the real meaning and object of what has been variously called ‘ the Famine Insurance Fund ’ and the ‘ Famine Grant ’ I had hoped we might have dispensed with these misleading terms.

“ The Hon'ble Member has made it plain that there never was intended to be any ‘ Fund ’ or ‘ Grant ’ in the strict sense of the words, and that all that was determined on was to estimate, wherever possible, for a special surplus of Rx. 1,500,000 in each year which was to be applied in reduction of debt or in avoiding borrowing or on works which tended to prevent famine ; and to provide this special surplus before any ordinary surplus available for the remission of

taxation could be considered as reached: this was based on a calculation that famine on the average would lead to a loss and a consequent borrowing of Rx. 15,000,000 in every ten years.

“ This is sound and wise policy and must command general approval.

“ Why this principle should be obscured by the use of misleading terms is not clear. I presume it is to avoid the appearance of a surplus. A misleading phrase may sometimes be practically useful, though it should be avoided, if possible. I fear I incur a charge of presumption in criticising the statement of one who is a master of the science of Finance, which I profess no knowledge of.

“ But the Financial Member has conclusively shown that, taking the two years 1889-90 and 1890-91 together, the Government have more than done their duty in this respect; for they propose to apply on the two years taken together Rx. 4,171,000 for the purposes for which the policy of a yearly special surplus of Rx. 1,500,000 was adopted.

See paragraph 20 of Statement.

“ That is, they have proposed to apply to these purposes over Rx. 4 millions instead of 3 millions in the two years.

“ Thus, if they gave back the contribution of Rx. 490,000 to the Local Governments, they would still have applied over three millions and a half to the purposes intended by the words ‘ Famine Grant.’

“ The conclusion seems to be irresistible that there is no justification to be found on the face of the Financial Statement for the retention of the contribution, but a demonstration that it is unnecessary. If so, the first principles of justice call for its refund to the Local Governments.

“ There is another important point—the taxation of litigants in the Civil Courts—which I must call the attention of the Council to.

“ The Financial Member has given some figures in the Resolution of the 11th January last. I accept these figures with the same reserve as they are offered. Taking them as correct, what do they show? They show that the administration of civil justice in India costs Rs. 2,14,27,000—over two crores and fourteen lakhs, or Rx. two millions one hundred and forty thousand.

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"Of this all but the small sum of Rs. 12 lakhs—Rx. 120,000—is obtained by taxation of the litigants.

"There is a separate provincial machinery for the administration of justice in each Province. The result is that the Bengal litigants are taxed 14 lakhs more than the total cost of civil justice in that Province. Justice in Bengal pays its own way and contributes 14 lakhs to the General Revenues.

"In Madras, the litigants pay for the machinery, but yield no surplus. In Bombay, the litigants contribute  $\frac{2}{3}$  of the cost, and the General Finances contribute the rest—10 lakhs. In other Provinces the litigants contribute a certain amount of the cost, and the Government the rest. The nett result, as I said, was that the litigants contributed 2 millions and odd, and the general public only Rx. 120,000.

"A number of serious questions arises on this state of facts—

"(1) Are the litigants unduly taxed?

"In the Statement of Objects and Reasons of Act XXVI of 1867 we find the following statement:—

'It is not contended that the expenditure on Courts of Justice should be met in full by a tax on such individuals of the community as alone resort to the Courts, because it is manifest that all classes of the community have a more or less direct interest in the administration of justice, especially of justice in the Criminal Courts. But it is only reasonable that those who resort to the Courts should contribute a larger proportion than the general public to the support of them as institutions by which they more than others are immediately benefited.'

"In 1870, in the debate on the motion for leave to introduce a Bill which became Act VII of 1870, Sir H. S. Maine said:—

'The true doctrine was that the litigants and the general tax-payers should each contribute something. Nobody denied that the litigants benefited by the Courts, and nobody would deny that the rest of the community derived some advantages. What the proportion paid by each should be was a question not of theory but of experience, to be equitably settled by Government as trustee for all.'

"The time has now come when the civil litigants over the Empire contribute the whole cost less 12 lakhs, while Madras litigants contribute the whole cost in their Province, and Bengal litigants 14 lakhs more than the whole cost in Bengal.

"The question is a serious one, and, in view of hopeful financial prospects in future, I bring it before the Government for their consideration.

"(2) Why do Bombay litigants contribute  $\frac{2}{3}$  only, and why does Bombay show a deficit of 10 lakhs and Bengal a surplus of 14?

"Is it that the Bombay establishment and expenditure is extravagant, or that the Bengal establishment is starved?

"There is something here that demands inquiry, and there ought to be a Commission of Inquiry.

"(3) Taking the Provincial judicial system as separate, it is clear that Bengal litigants, who pay so much, have special claims to have an efficient administration of justice; but the complaints on all sides are long and loud. I drew the attention of the Council to this in my remarks on the Budget last March.

"I do not desire to weary the Council by going over the same ground again. The provision of 30 Munsifs (less than half the number demanded by the High Court) has proved wholly inadequate to work off the arrears.

"The litigants of Bengal who pay more than the whole cost cannot get their cases tried. The zamindars whom the Government sells up remorselessly when they do not pay by the sunset of the appointed day cannot obtain the necessary facilities for the recovery of their rents. The Munsifs are terribly overworked, and there is much sickness among them in consequence. They still try cases in ill-ventilated huts. A Commission was appointed. The report is not out, but it is evident there must be an increase of Munsifs or an increase of summary powers.

"The rent-suits, though small in amount, involve issues momentous to the parties and to the community. What is apparently a suit for arrears of rent may involve vital questions as to area and rates of rent. The High Court has refused, and I think rightly, to allow these suits to be decided summarily like Small Cause Court cases.

"It is no doubt right to have a full enquiry before making permanent arrangements, but adequate temporary arrangements should have been made. They have not been made.

"The ministerial officers of the Courts are too few and under-paid. Much of the business is carried on gratis by apprentices or 'hangers-on' who hope to succeed to places.

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"This produces irregularity and delay and suspicion of unfairness.

"That a Province where the litigants pay all the cost of civil justice and yield a surplus of 14 lakhs to General Revenue can get no better administration of justice than this is, to say the least, unsatisfactory. This state of things has grown up gradually and is not the fault of the present Government or of any one here present, nor can it be removed by a stroke of the pen. What I complain of is that prompt measures have not been taken to alter this state of things, which was originally pointed out by the High Court, I think, in 1887. I trust no time will now be lost; but nothing can be done by the Provincial Government without funds.

"A word as to the Home Charges.

"I am not one of those who hope to get rid of them or to prevent their being very heavy. That is unavoidable in the present state of things, and I see no remedy for it. But I wish I could feel that the charges on the other side of the water were subject to the same rigid scrutiny as those on this side.

"The transport charges are very heavy. I am not certain that the charges made by English Departments for the repair of transport ships would be allowed if they had to pass the scrutiny of our Public Works Member. I should like to see the expenses of the India Office submitted to a scrutiny as close as that of our recent Finance Commission.

"I am glad to see that we are getting to the end of the charges mentioned in paragraph 56 of the Statement as 'Arrears of Home Charges on account of British Troops in India—effective.'

"If my memory serves me, this was a retrospective demand of 2 millions sterling made by the War Office, or some other English Department, on India some years ago, which has hampered us in our years of depression. I think it was stoutly resisted by the Indian Government, and that the weakness (if any) was on the other side of the water. I am glad to learn we are getting to the end of it.

"The finances of India are administered with a single-minded desire for the welfare of the country, but mistakes and shortcomings are inevitable, and those who are mainly concerned with Imperial problems which occupy the foreground of their thoughts may profit by being reminded that the bulk of the people look mainly to the concerns of their own daily life. Those concerns are mainly in the hands of the Provincial Governments, and any appeal to subordinate Provin-

cial objects to Imperial ones, except in cases of great emergency, is to most people like an appeal to subordinate the present life to dim hopes of a future one. Their first prayer is for daily bread.

"I do not ask the Imperial Government to neglect Imperial matters. I only ask them not to lose sight of our present necessities in pursuit of possibly higher objects."

The Hon'ble SIR CHARLES ELLIOTT said:—"I am glad to have the figures at hand which enable me to answer the question which has been directly put to me by my hon'ble friend Mr. Evans, and I will also take the opportunity of replying to the remarks which fell from the Hon'ble Sir Alexander Wilson, who enquired whether it is possible for the Government of India to make any statement of its policy in regard to railways. First, with regard to the Hon'ble Mr. Evans' question as to the manner in which it is proposed to appropriate the 375 lakhs which will be devoted to the construction of canals and railways during the year 1890-91. The first item in that expenditure consists of 55 lakhs devoted to canals. These are mostly large irrigation-works in the Punjab, the North-Western Provinces and Madras. In the Punjab there are two great canals in progress—the Sirsa Project, which is a branch of the West Jumna, and the Chenab Canal. Both of these works will open out large tracts of dry land which are extremely fertile if only water can be supplied. And I venture to say there is hardly any item of our expenditure which will be so remunerative as expenditure on canals in the Punjab. In the North-Western Provinces the work in hand is chiefly the extension of the distributaries of the Lower Ganges Canal, which have long been held in suspense in consequence of the failure of the Nadrai Aqueduct. In Madras the chief works they have in hand are that great engineering work, the Periyar irrigation scheme, and also the extension of the distributaries of the Godavari system. These are the main objects on which will be concentrated the expenditure of 55 lakhs, and I only wish that we could grant a larger amount of money to be spent under this head.

"Deducting 55 lakhs from 375, we are left with 320 lakhs for railway expenditure, which may be divided into three heads, namely, expenditure which is continuous, expenditure which is obligatory, and expenditure which is optional. The continuous expenditure, which recurs year after year, is the grant of 70 lakhs for what is called Open Line Capital on State Railways, that is, for extensions and improvements which the increase of traffic requires on State lines. These are improvements rather than extensions. Hardly any new mileage is added to the railway system by this expenditure. Taking 70 lakhs from 320 lakhs, 250



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lakhs remain for the construction of new lines of railway. Of this, about 184 lakhs will be obligatory expenditure in 1890-91, that is, will be devoted to works which we have begun and must finish. The principal one is the Villapuram-Guntakal line in Madras. The completion of this line will, we hope, take place about April, 1891, or soon after. This is the last of the more important of those great famine protective lines which were set agoing originally by the Report of the Famine Commission, and were taken up and brought into a regular programme in Sir Theodore Hope's time, and have all now been carried out with this exception. About 50 lakhs must be spent on military lines which we have begun and shall complete this year. We also propose to spend 50 lakhs upon the extension of the railway system in Burma, and here I may say that nothing has ever been more remunerative than the construction of the Toungoo-Mandalay Railway, which was opened about this time last year. It has not only paid its working expenses but also the interest upon the capital laid out, which, I believe, can be said of no other railway in its first year. There is good reason to hope that the extension we are now carrying out in the Mu Valley will also prove remunerative; but, whether it does so or not, the construction of this line will be of the highest importance for the development of Upper Burma and in providing for its military and administrative necessities. The Government of India propose to make this a continuous item of expenditure, and to set aside 50 lakhs every year for railway purposes in Upper Burma.

"This leaves us with only 66 lakhs out of 320 lakhs for optional expenditure during the current year on new schemes. The programme for expenditure under this head is not absolutely settled. There are a number of projects before the Government of India on which survey work is now going on. Until these surveys are completed and the estimated cost worked out, we cannot say with entire certainty which of these lines will be taken up first, or second, or third. We shall be guided very much by the survey reports in our arrangement of them according to their urgency and probable remunerativeness. As far, however, as we can see, it seems probable that we shall be able to start the East Coast Line after the rains, and possibly some other lines may be taken up; but it would be premature at present to say what will be done.

"The schemes before the Government of India which are now under survey are chiefly connected with the different sections of the rival lines which have been proposed to run between Benares and Calcutta, and for the purpose of straightening the Bengal-Nagpur line and bringing it more directly to Calcutta instead of carrying the whole of the produce of the Central Provinces round by

Assensole. The surveys of all these lines are expected to be completed and the reports to be sent in in the course of the rains; and before the working season begins the Government ought to be in a position to say which of these lines should be taken up.

“As, however, my hon’ble friend’s question probably was meant to extend beyond the year now opening, and to refer to subsequent years also, it will be well to mention that what I have called the obligatory expenditure on lines now in hand will be reduced year after year, and a larger margin left for what may be called optional expenditure on new schemes for commercial railways which we hope to take up. As compared with the 66 lakhs of the present year, we expect in 1891-92 to have rather more than 200 lakhs, and about 300 lakhs in the two years succeeding, to devote to these objects. With these sums it is hoped we shall make substantial and satisfactory progress.

“This leads me to one of the two remarks touching my Department which fell from my Hon’ble friend Sir Alexander Wilson, who said that the sum of 6½ crores set down for expenditure on railway construction in the present year is a smaller sum than is compatible with a satisfactory rate of progress in future years. His reference was apparently to the table given in the 51st paragraph of the Financial Statement. It will be observed that the details of expenditure are given in that table under three heads—(1) the construction of State railways by the State, (2) the construction of State railways in the hands of Companies, and (3) the extension and improvement of Guaranteed lines. This last head—the development of Guaranteed Railways—is of the same nature as the ‘Open Line Capital,’ which I have explained already. It meets new wants as they arise, and provides for the opening out of new stations, the increase of sidings, the larger supply of buildings and quarters, water-supply, workshops, and so on. But it does not correspond to any increase of mileage in railway construction. The figures show that on the construction of State Railways we have spent during the last eleven years 73½ crores, but out of that 34 crores and 40 lakhs have been spent in the purchase of four lines—the Eastern Bengal Railway, the Sindh, Punjab and Delhi, the Oudh and Rohilkhand Railway, and the South Indian Railway. That leaves 38 crores and 90 lakhs spent on actual construction, which, divided into eleven years, is almost exactly 3½ crores a year. This is slightly more than what we intend to spend in the coming year, namely, 3 crores and 20 lakhs, but considerably less than what we hope to spend the next year after, or 4 crores; and in the two years following, if all goes well, our Finance Minister hopes to be able to make a grant of 4½ crores for railway construction. So that, as far

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as State Railways are concerned, the progress of construction will, for the immediate future, be accelerated, and not retarded.

“The second column of the table in paragraph 51 shows the expenditure on State Railways constructed through the agency of Companies; it amounts to 22 crores in the last seven years, or about 3 crores a year. These sums have chiefly gone to the three large Companies—the South Mahratta, the Indian Midland and the Bengal-Nagpur—which were started about seven years ago. These lines were designed to traverse the areas which were most in need of protection from famine, and the Bengal-Nagpur Railway was intended to open out the most fertile part of the whole of India,—the Chhattisgarh plateau,—so as to enable food, which had hitherto been landlocked, to be exported for the consumption of the people. These railways were placed in the hands of Companies with a guarantee upon the capital—in the one case of  $3\frac{1}{2}$  per cent. and a share in the net earnings, and in the other two cases a guarantee of 4 per cent. with a share of the surplus profits. Thus, we have spent on an average, in the last 11 years,  $6\frac{1}{2}$  crores a year— $3\frac{1}{2}$  crores through the State, and 3 crores through guaranteed Companies. But these guaranteed Companies have now done their work, and the main question of importance is whether the system of guarantees should be continued or revived in the same form or under any modification or disguise.

“To answer this question would be to answer Sir A. Wilson's enquiry as to what the railway policy of this Government is; and it can hardly be expected of me at this brief notice to give a full and exhaustive statement of it. But it may be useful to touch briefly on some of the most important heads of our policy. Looking at the system of employing Guaranteed Companies of the old class, however much we may admit that the creation of these Companies was justified by the fact that it would hardly have been possible for the State at that time to have raised the whole of this capital on its own credit, it cannot be denied that it is not economical to raise money at  $3\frac{1}{2}$  or 4 per cent., through the agency of Companies, when it can be raised by the State at 3 per cent. as is the case now. Therefore, it is not the policy of Government to encourage the creation of any more Companies on terms corresponding to those I have just mentioned, by which the capital raised by the shareholders, while subject to no risk, is secure of receiving a larger rate of interest than capital would receive which was lent to the Secretary of State on the security of the Government of India. If we can borrow at 3 per cent., it seems unnecessary to go to a Company to ask it to borrow for us at  $3\frac{1}{2}$  or 4 per cent. Companies created on these terms have been called efforts of ‘private enterprise,’ but I think it

will be admitted that this term cannot properly be applied to cases where the capital is supplied on a direct or virtual guarantee of receiving a larger rate of interest than we need to offer in the open market. There is, however, another form of private enterprise which thoroughly deserves the name. I can refer to two Companies which afford an admirable example of genuine private enterprise, where the shareholders have put down their capital without any direct guarantee from the State, trusting only to the productiveness of the country and to economy in building and good management in working the lines. The Bengal and North-West Railway Company is the earliest instance of private enterprise of this kind, in which the shareholders raised the capital and constructed, and are now working, the line. The next development was that afforded by the Delhi-Kalka Company, which only constructs the line and leaves the East Indian Railway Company to work it, the shareholders receiving a fixed proportion—50 per cent.—of the gross earnings. Private enterprise of this kind the Government of India is anxious to encourage to the largest possible extent, subject to certain broad principles which must govern the selection of projects, and the sanction without which they cannot be started. It would be impossible to allow promoters to come up to Government with possibly ill-digested schemes in their hands and to obtain leave to run a line here or run a line there; it is essential that the scheme should be subjected to careful examination as to which was most likely to be useful and remunerative, and to fulfil all commercial and administrative wants. It is necessary carefully to criticise these schemes, and to apply to them certain broad principles which have been laid down after elaborate discussion. I shall mention here the four chief principles.

“The first of them is that we object to a multiplicity of Companies and aim at having a few large Companies rather than many small ones. It is easy to understand how desirable a thing it is that the staff which manages a railway should be fully employed, and not have a system of only 300 or 500 miles to work when it is capable of managing 1,000. The Delhi-Kalka Railway is an instance of an undertaking which, if it were going to depend on its own staff for its working, would be too small for economical management: it was a wise policy in the shareholders to arrange that it should be worked by the East Indian Railway Company.

“The second principle laid down is that of territorial jurisdiction. Every railway which has been started should have a prior right of supplying the whole of the tract which it serves. It cannot be tolerated that another Company should be permitted, if it finds a small and profitable tract of country adjoining

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that railway, to construct a branch or feeder line alien in interest to the main line. The first choice should be given to the railway which serves that tract, and as far as possible every railway system should have its area marked out, and every development and extension within that area should be carried out by the trunk line.

“ The third principle relates to the very vexed question of the gauge. It was laid down by the Parliamentary Committee of 1878 that the metre gauge should not be introduced into a broad gauge country, unless the probable traffic is so light that it would not pay to construct a broad gauge. This, however, is a principle which is difficult of application. Hardly any project of a new railway could be considered, and, as a matter of fact, hardly any project has been considered, as to which arguments could not be used, and have not been used, in favour of one or other gauge. The question has been very much discussed, and our object has been, as far as possible, to fix the areas to which the metre gauge and the broad gauge system should respectively be confined. As regards the metre gauge, we have one tract in the south and south-west of India where the Southern India and Southern Mahratta Companies (both metre gauge lines) are in possession, and there it is but natural that any extensions now made should be of that gauge. Similarly, north of the Gogra, we have the Bengal and North-West Railway, the Tirhoot and Northern Bengal Railways; and there, too, the metre gauge has been established. But on the great central part of the peninsula of India there has been considerable admixture of the two gauges, and the feeling has grown in strength that the break of gauge involved in this admixture is a serious evil, and will be more and more an evil as traffic increases. Very strong and valid reasons will be required to get over this objection to the extension of the metre gauge or the construction of new metre gauge lines within this central area. The question is still under consideration, but we hope we shall be able to lay down definite rules as to the tracts of country to which the broad gauge should be entirely confined, so that when a new project comes up for sanction the question of the gauge should be eliminated, and we should no longer have first of all to fight out the dispute on what gauge it is to be constructed.

“ The fourth principle is one which is somewhat akin to that which I mentioned first—the objection to the multiplication of small Companies. It is, that a Company should not be allowed to take up only the best and most remunerative part of a large scheme. It should not, so to speak, be allowed to occupy the neck of the bottle, and compel the traffic of a whole tract to pass over it, without giving it any assistance. It must take the whole scheme, and not select a part of it. As an instance of what I mean I may refer to a project which begins to

[*Sir Charles Elliott; Rájá Durga Charn Laha.*] [28TH MARCH,

assume a somewhat prosperous appearance—the railway from Chittagong to Assam. Several promoters have seen that the southern portion of that country between Sylhet and Chittagong will probably prove profitable, because it runs through populous and productive tracts of country. But every one can see that the northern portion must be very much less productive, and the Government of India has steadily refused to give to those promoters the southern portion alone unless they agreed to take the northern portion also.

“These four broad principles are the most important of those which have been laid down by the Government of India for its guidance. And the railway policy of the Government may be briefly described as a policy of carrying out the extension of the railway system, subject to these principles, and mainly in two ways—first, by pushing on the construction of new lines through the Railway Department of the Government with State funds; and, secondly, by giving all possible encouragement to genuine private enterprise, using the term in the manner and with the limitations which I have already described.”

The Hon'ble RÁJÁ DURGA CHARN LAHA said :—“I spoke last year, on an occasion similar to this, rather despondingly of the future, not knowing what might arise to disturb the financial equilibrium in such a vast concern as the Government of India. Happily, however, not only no such disturbance occurred, but almost every source of revenue showed improvement beyond expectation, and I am glad that the Hon'ble Finance Minister has thus been enabled to produce a most successful balance-sheet.

“He said last year that his deliberate conclusion was that while there was every need for economy and for husbanding the revenue there was no ground for despondent or pessimist views. ‘Unless some unforeseen disaster occurs,’ he added, ‘there is every reason to hope that the lapse of two or three years will show a decided improvement in the financial position of the Government of India.’ His anticipations, I am happy to find, have to a great extent been realised this year; and, with his decided expression of opinion as to the need for economy and for husbanding the resources, it would be unnecessary on my part to ask him to continue his watchfulness in these respects in the future, as he has so ably done in the past.

“The Hon'ble Finance Minister proposes to partially restore the Famine Grant, and has stated the importance which is attached by the Government of India and the Secretary of State to the maintenance of such a provision. To my mind the name ‘Famine Grant’ is a misnomer. It is this name which has

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misled the public mind. People naturally thought that the object of the Grant was the provision of funds for the actual relief in time of famine of persons who were in distress. This has never been the exclusive object of the Grant, as I can testify from my personal knowledge, having been at one time one of the Commissioners connected with the fund. When the policy of strengthening the finances in connection with Famine was originally adopted, it was intended to employ a portion of the surplus every year in the direction of reducing debt. This policy was slightly changed in subsequent years, and it was decided that one-half of the Grant should be devoted to the construction of railways and canals, which would protect the country from famine, and the other half applied to the reduction of public debt. There was a further departure from the original policy when it was determined that the Grant should be appropriated to meet loss arising from Protective Railways, and that the interest charge on certain Railways should also be a charge against the Grant. All this shows that the views regarding the Grant have been constantly changing, and there is no wonder that there should be misapprehensions in the public mind regarding its nature and effects. The complaints which have been frequently made regarding its misappropriation have arisen from such misapprehensions, and it would be as well to remove the cause in which they had their origin. The main object being simply reduction of debt, and construction of Protective Works, where is the necessity for calling the present appropriation of the surplus by the name of 'Grant for Famine Relief and Insurance?' So far as I understand it, it is nothing but a Reserve Fund. 'In practice,' to use the words of the Finance Minister, 'it is an insurance against temporary financial disaster of any kind.' I should, therefore, think that if a name must be given to it I would suggest that it should be called simply a 'Reserve Fund.' If the Finance Minister would in a prosperous year lay by Rx. 1,500,000 and apply a certain portion of this amount to the reduction of public debt, and the balance to the construction of Protective Works, the object aimed at would be attained without creating mistaken ideas in the public mind. If at times of financial difficulties no surplus could be reserved for this purpose, or if public exigencies required that the Grant should be employed in a different direction, no valid complaints could then be made for misappropriation of a Grant which, under an inappropriate name, has so long misled the public.

"It is very satisfactory to note that there has been a large improvement, under some of the principal heads of Civil Revenue, of a permanent nature. The increase shown under Land-revenue can be always depended upon as certain and safe. It is a matter for rejoicing that all Provinces participate in this

\*[*Rājā Durga Charn Laha; Syud Ameer Hossein.*] [28TH MARCH,

improvement. Burma is contributing her share, and the Central Provinces, the North-Western Provinces, Oudh and the Punjab are showing large increases. The system of periodical settlements in these Provinces accounts for this improvement, and I observe that fresh settlement-operations are showing increase of revenue. Without entering into the question as to the advantages or disadvantages of periodic settlements as compared with a permanent settlement, I am bound to say that great caution ought to be exercised by Settlement-officers in assessing land. Some of them are carried away by the idea that a revised settlement carries with it a necessity for an increase of revenue, and in the name of improvement great hardship is sometimes inflicted on landholders in the shape of over-assessment of their estates. It is certainly a source of satisfaction that there should be increase under Land-revenue, because this is a source of income from which elements of uncertainty can to a great extent be eliminated; but whenever I hear of a large and rapid improvement I feel a certain amount of doubt as to whether this has been effected without inflicting hardship on the landed classes.

"The estimates of income, I find, have been prepared with moderation. Nothing approaching to any certainty, however, can be said regarding Opium and Exchange. They are subject to such fluctuations that it is extremely difficult to make any satisfactory estimate regarding them. Opium has been taken at Rs. 1,650 per chest and Exchange at 1s. 4.552d. These I consider safe figures, and, however great the fluctuations may be, the net results in all probability will be satisfactory.

"I must recognise the immense difficulty of preparing a Budget Statement for a country like this, where the financial conditions are constantly fluctuating. The one before this Hon'ble Council appears, however, to have been framed with great care and judgment, from data to which no exception could be taken, and I congratulate the Hon'ble Finance Member on the marked success which has attended his financial management of the Empire.

"It is too early yet to speak of any remission of taxation. There will be time enough next year to think of it, if the position of affairs continues to be prosperous."

"The Hon'ble SYUD AMEER HOSSEIN said :—"My Lord,—One cannot but rejoice at the hopeful condition of the Budget that is before us. I entirely share the satisfaction which has been expressed thereat by the exponents of public opinion in this country, and I must congratulate the Hon'ble Finance Minister upon his careful management of this very important department of the State, no



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[*Syud Ameer Hossein ; the Lieutenant-Governor.*]

less than on his masterly exposition and happy forecast of the financial position of the Empire.

"It will no doubt be gratifying to Your Excellency's Government to have already been able partially to restore the Famine Grant, with the prospect of the complete restoration within no immeasurable distance of time. Indeed, by the light of the explanation which occurs in paragraph 20 of the Financial Statement, one may not unreasonably expect that the Famine Grant for the years 1889-90 and 1890-91 will be more than restored by the end of the next financial year.

"My Lord, it will be in the recollection of Your Excellency that last year from my place in this Council I addressed a prayer for the relief of such taxpayers of all denominations under the Income-tax Act whose annual income varies from Rs. 500 to Rs. 1,000. I fully explained how hard the tax pressed on these poor people. That prayer did not meet with a favourable response, and I should have hesitated much before I could gather courage to renew my appeal; but, with the present Financial Statement before me and the happy augury for the future, I once more venture to renew my application. It is particularly encouraging to note the following paragraph in the Financial Statement:—

'There are therefore strong grounds for holding that in 1891-92 we shall at least find ourselves in a position of comparative ease, with a surplus in hand, moderate in amount, but sufficient to allow of some improvement in financial conditions.'

"I sincerely hope that no unforeseen event or adverse circumstance may overtake these expectations and the surplus of the coming year may grow with the same leaps and bounds as in the present year. In the full belief in the justice of the cause I have undertaken to advocate, and in the moderation of my request, I earnestly implore that Your Excellency's Government will be pleased to grant the relief I have asked for, by taking an early opportunity to exempt all annual income below Rs. 1,000 from the operation of the Income-tax Law."

His Honour THE LIEUTENANT-GOVERNOR said:—"I have to join the general chorus of congratulation to the Hon'ble the Financial Member on the successful Budget which he has laid before the Council, and on the exceeding lucidity with which he has explained it; but I hope he will not take it ill if I introduce the little rift in the lute upon one single point in which I am glad to find that I have already been to a very great extent discounted by the Hon'ble Mr. Evans. I need not tell you that I refer to the contributions—the enforced benevolences—which were taken from the Provincial Governments during the current year. It is scarcely necessary I should remind the Council of the state of affairs which led to this contribution. This time last year the expectations founded upon the regular estimates of the year then current, and upon the Budget esti-

mates of the year which is now closing, were both rather sad. It was supposed that it was difficult to make both ends meet, and a sum of nearly fifty lakhs had to be levied by contributions from the Provincial Governments, and even including that contribution the estimated surplus was only £106,000. Well, under the circumstances, the Local Governments were called upon to contribute, and they did contribute. The share of the Bengal Government was ten lakhs, and, as I had occasion to say, it was contributed with very great difficulty. Our contract had not proved a very profitable one, that is to say, we have had extreme difficulties to contend with in Bengal. We have spent large sums of money in famine expenses, and our receipts, specially in the department of excise, have diminished very considerably; and the result is we were able only with considerable difficulty, by refusing the most reasonable requests, by, as my Hon'ble friend said, starving the administration, to show in our Budget the necessary surplus which the Secretary of State does not allow us to fall below, namely, twenty lakhs. In other words, we have had nothing absolutely to spend upon any fresh developments, or anything beyond the maintenance of things as they are. It was no doubt perfectly right and proper that, in the state of affairs as they were then described, the Local Governments all round should be called upon to assist the Imperial Government. I think it was generally accepted, and I do not know whether there was a dissentient voice; but it was just and proper only because the state of affairs in which the Government of India stood financially seemed to be a very grave and difficult one. Now, the whole forecast of that period has been happily dispelled. Instead of a nominal surplus of £106,000, we look forward to an actual surplus of 2½ millions. Under these circumstances I certainly should have expected that the first thing which would occur to my Hon'ble friend in charge of the finances would be to consider, 'ought we not to give back the money we have taken from the Provincial Governments?' I find in his Budget Statement nothing which shows this, nothing to show that the idea of restitution had ever come under his consideration: on the contrary, the whole amount is deliberately retained to swell a surplus already so large that for very decency it is spread over two years, and the money is to be devoted to reviving the policy of what is called the Famine Grant, and partly to assist in paying in one year, for the very large cost of re-arming the army. Now, what I venture to say is that, had the state of things which exists now been known a year ago, had my Hon'ble friend known that he would have this huge surplus, and that, so far from wanting to make both ends meet, it would seem difficult to dispose of the surplus, I feel sure it would never have occurred to him to ask for this contribution from the Local

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[*The Lieutenant-Governor.*]

Governments; because, though it is perfectly right that those Governments should contribute in times of grave crisis to the Imperial Government, yet it must be admitted that to take a contribution under any circumstances from a Provincial Government during the period of contract cuts at the basis on which that contract system is founded. The theory of the contract is that certain charges and receipts are made over to a Local Government in such a way as to balance each other, and, if the Government by good management or other circumstances succeeds in saving anything on one side, it is at liberty to devote that sum to developing and improving its administration on the other. Consequently, when under the stress of necessity the Imperial Government comes down upon the Local Government and takes away its small accumulations, it breaks down the whole object for which this contract system was established. It takes away from the Local Government all impulse for accumulating its reserves when it finds that, as soon as it has done that, the money is spent upon some other purpose with which it has no concern. Therefore, I think I may say without hesitation that it would not have occurred to the Hon'ble the Financial Member, had the circumstances as they now are been foreseen a year ago, to have asked for this contribution; and, if that is so, there is no reason why the money, which was taken under one set of circumstances, should not under another set be now returned, and that that which was taken under a misapprehension, which is now made clear, restored. It may be said that there will be inconvenience in doing this. I am not, of course, in the best position to judge of the force of this argument, but I think that, so far as the money devoted to the Famine Grant is concerned, the inconvenience is not very serious. As to the Famine Grant—here I may be allowed to offer my congratulations to the Hon'ble the Finance Member for having done much to dissipate the absurd ideas which still float about occasionally in the Press as to the meaning and history of the Grant, and to render it impossible for any one to talk hereafter about malversation and misappropriation, as if the money was put into a separate purse—I fully appreciate the policy of devoting in times of surplus sums of money both to diminishing debt and also to expenditure upon unproductive but protective railways. Still I do not think that, when a sum of four millions is so devoted, there should be much difficulty in restoring the half million which was substantially received from the Local Governments. I can only ask the Hon'ble Member to recollect that the loss of the sum which was contributed by my Government is a very serious deficiency indeed, and puts us to grave inconvenience. It prevents us from doing much that we ought to do. We want every rupee we can collect, for, as matters stand, we are prevented by our poverty

[*The Lieutenant-Governor ; Mr. Hutchins.*] [28TH MARCH,

from answering the complaint of the High Court as to the paucity of Judges and the want of judicial establishments. We are prevented from improving the police in the way the Government of India have asked us to improve it, and are unable even to maintain our necessary public works in a proper state of repair. I can only therefore ask the Hon'ble Member to consider the possibility of restoring to us the contribution which we have made, and I can assure him that it will be an important boon at least to the Government over which I preside.

"There was another point which was alluded to by the Hon'ble Mr. Evans, and on which I should be glad if I were able to give him the information he wants. It was in reference to the Commission which was appointed to enquire into the sufficiency of Munsifs and judicial establishments. The Commission was divided into two parts—one to enquire into the sufficiency of Munsifs, and the other into the needs of judicial establishments. The report on the first point was sent in to the High Court a few months ago, but has not yet come to me, and the enquiry into the other is still going on, and is not yet complete. It is therefore out of my power to give any information as to what has been recommended, but I can assure him that we shall be quite ready to carry out any recommendations that may be approved and may be financially feasible, without any avoidable delay."

The Hon'ble MR. HUTCHINS said :—"The Hon'ble Mr. Evans was good enough to inform me that he would again draw attention, as he did last year, to the obligation which attaches to the Government to supply more tribunals to cope with the ever-increasing litigation of Bengal. I have therefore on this occasion brought with me the Resolution on the subject which the Government of India issued early in March of last year. At that time the High Court had reported that a large number of additional Courts were required—as many as 66 Munsifs and 6 Subordinate Judges. Their representations had been referred to the Local Government, and His Honour had questioned the conclusiveness of the statistical argument by which the High Court supported its demand,

'and, while not withholding his concurrence from the view that some increase in the Civil Judicial staff was necessary, has called attention to the expense which would be entailed by increasing the staff in proportion to the 'progressive fecundity of litigation' and to the necessity to which this consideration pointed of devising some other methods of coping with the increased judicial business of the country.'

"The letter containing these remarks bears date 24th October, 1888, that is to say, some months before the Conference at which it was decided, among

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other things, that the existing contracts should not be interfered with and that Bengal should contribute to Imperial funds a lump sum, of 10 lakhs. I took up this financial objection first, and the Resolution deals with it in these terms :—

‘The first question was of a preliminary character, namely, the question whether, in point of fact, substantial grounds existed for the apprehension felt by the Bengal Government that the provision of Courts in proportion to the growth of legal business would throw upon the Provincial Revenues an undue financial burden. An examination of this matter has satisfied His Excellency in Council that there is at the present time no substantial basis for any such apprehension in Bengal. An addition to the number of Courts in proportion to the work to be done has hitherto been beneficial to the provincial finances in Bengal, while it has also been advantageous to the people, and the Governor General in Council sees in the circumstances disclosed in this correspondence no reason to think that, for some time to come at all events, this state of things should not continue. Apart from this consideration, however, it is, in the opinion of the Government of India, the duty of the Local Government to provide as many Courts as may be proved to be necessary for the disposal of the business brought before them.’

In other words, we came to the conclusion that probably every additional Court would go far to pay its expenses, and that, whether this may be so or not, whatever number of Courts is really required must be supplied. It will be evident, therefore, that it was no mere financial consideration which stood in the way of an immediate concession of all that the High Court demanded, but, after examining the grounds upon which that demand was based, I was not satisfied that there was not in many Districts a considerable waste of judicial power, and that their necessities, as the Resolution puts it,

‘could not be met more economically by investing the existing or even in some cases a less number of Courts with extended or more summary powers, or by dividing the time of Subordinate or Additional Judges between two or more districts.’

“I was not without experience in such matters, as I had been through a very similar phase of controversy in the Madras Presidency, and I found that in many places in Bengal ordinary Small Causes were still tried with all the elaborate procedure applicable to regular suits, that the statutory power to confer higher jurisdiction on selected Munsifs had never been exercised, and that the power to authorize the summary disposal, as Small Causes, of suits relating to rent had also remained a dead letter. I am quite aware that, as my Hon’ble friend has stated, some rent-suits may raise difficult questions, but at all events in many of the districts the great majority are of the simplest character possible. This was just one of the questions which the Commissioner was appointed to con-

sider—are there no Districts in which rent-suits can safely be tried as Small Causes and with a summary procedure?

“In these circumstances the Government of India could not but admit that His Honour had some ground for hesitating to accept the High Court’s estimate of actual requirements, and we resolved to appoint a special officer of experience, selected by the Court, to aid the Chief Justice and Judges by carrying out that detailed scrutiny of the position and wants of different districts for which their Lordships themselves could not possibly find time, having regard to their other arduous and important functions. Meanwhile and, as His Honour explained last year, as a provisional arrangement, simply to keep down arrears pending the enquiry, we sanctioned the continuous employment first of 30 additional Munsifs and 3 Subordinate Judges, and subsequently of 6 more Munsifs besides 4 Subordinate Judges for different temporary periods. In other words, we have given 36 Munsifs and 7 Subordinate Judges against the High Court’s estimate of 66 Munsifs and 6 Subordinate Judges and against the Lieutenant-Governor’s offer of 33 Munsifs and 5 Subordinate Judges as the utmost to which he could see his way to consent.

“I regret quite as much as the Hon’ble Mr. Evans that the final settlement of this matter is still in abeyance. The report of the special officer was submitted to the High Court in November last, but, as I have already observed, their Lordships’ ordinary work is of a very engrossing character and the report raises a number of local questions. Pending their consideration of the report and pending the submission of the remarks which I have reason to expect the High Court will make on the necessity of large expenditure on Court buildings and other accessories, I cannot discuss the matter further; but I may mention that the report so far justifies our anticipations that, although it seems to me to have been framed on liberal lines, it calculates the present need to be 52 Munsifs and 3 Subordinate Judges against the original estimate of 66 Munsifs and 6 Subordinate Judges, although it includes 5 Munsifs for places at which the High Court, writing in August, 1887, had not considered that further assistance was necessary. If then the report is accepted by the High Court, 16 new Munsifs will be required and the immediate additional cost will be about Rs. 7,000 monthly, a great part, if not the whole, of which will be met by additional fees on the new suits instituted. The Hon’ble Member has remarked on the inefficiency of the subordinate establishments. As has been explained by His Honour, the same Commissioner with an executive officer has been ordered to examine into this matter also; but I do not think his report has yet been submitted. All I can say is that no one can

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possibly feel more strongly than myself, as every one in Madras well knows, that judicial establishments ought to be strengthened and made as effective as possible. My Hon'ble friend also suggested that we might have allowed more than the 36 Munsifs in the interval pending consideration of the report. I am, however, glad to say that arrears have not increased in this interval, but rather the reverse. So at least I gathered from the report at a first and somewhat cursory perusal.

"Perhaps I may add a few more words with reference to what has fallen from the Hon'ble Mr. Nulkar on the subject of uncovenanted pensions. The Government of India has all along consistently maintained (1) that the Uncovenanted Service has no legal ground whatever for demanding sterling pensions, and (2) that if they have any equitable ground for complaint their grievances ought to be laid before Parliament and, if necessary, investigated by a Select Committee. The absolute correctness of our opinion on the legal merits of the case has now been admitted on all sides. It would be obviously improper for any member of the Government of India at the present time to enter into any discussion of the other grounds on which the claim now stands. These are *sub judice*, and before long will be fully heard and considered by an impartial Parliamentary Committee. I have no doubt that the Hon'ble Member's observations will be read by every member of the Committee, and will receive from them all the consideration which they may be thought to deserve. The Hon'ble Member made some further remarks on the result of the Public Service Commission, but I did not quite see how they were appropriate to this occasion; indeed, I rather think they were out of order. For that reason I do not propose to discuss that subject at present, but will content myself with saying that I think the instructions received from the Secretary of State will bring about, tentatively and by degrees, very nearly the same state of things which the Commission desired to introduce by an alteration of the law."

The Hon'ble SIR DAVID BARBOUR said:—"The Hon'ble Mr. Nulkar has complained of the very limited information given in the Financial Statement regarding the Home expenditure, which is under the direct control of the Secretary of State. He has said that the information given in the Statement is confined to two vague entries of 'Bills drawn by the Secretary of State' and 'paid'. In this there is some misapprehension. The information given in the Financial Statement regarding the Home expenditure is precisely as full as the information given regarding the expenditure in India. If the Hon'ble Mr. Nulkar will turn to Statement B he will find the whole of the English expenditure classified

under the very same heads under which the Indian expenditure is classified. It is quite true that neither the Indian nor the English expenditure is set out in great detail in the Financial Statement, but it was never intended that this should be done, and it would be very inconvenient to do so. As it is, the Financial Statement is sufficiently bulky and complex, and I should be sorry to do anything that would add to the difficulty of mastering it. But, though I cannot undertake to set out either the Indian or the English accounts in detail in the Financial Statement, it is, of course, essential that full information on the subject should be available for the public. As matters now stand, such information is available. The Indian accounts will be found in detail in the Finance and Revenue Accounts of the Government of India, a book commonly known as the Yellow Book, published every year, and comprising nearly 250 pages of printed matter of foolscap size. The accounts and estimates of the Home expenditure, which are presented to Parliament and are published as a Parliamentary paper, contain complete information regarding the revenue and expenditure in England. They are published in May of each year, and are received in this country in June or July. They are quite as voluminous as the whole of the present Financial Statement, and they can be consulted by anybody who takes an interest in them.

“ Another complaint made by the Hon'ble Mr. Nulkar is that he has not had sufficient time to study the Financial Statement so as to criticise it effectively. The object of the Financial Statement is to explain the general financial position, to set forth the financial policy of Government, and to indicate the nature of any changes which it is proposed to make, and which have a bearing on the finances. It does not profess to set forth the accounts in full detail, or to contain complete information on every branch of the administration. For criticising the general financial position and policy of Government, and the expediency of any new measures which it is proposed to take, a week's study of the Statement appears to me ample, and more than ample. But of course it is not sufficient to enable a person who is new to the subject to master the whole question of the Home charges. The question of the adjustment between the Indian and the English Governments of charges in connection with the portion of the British Army employed in India is excessively complicated and difficult, and the literature of the subject is very extensive. Many Committees have dealt with this question in the past; it has repeatedly been the subject of lengthy correspondence between the Government of India and the Secretary of State, and it is continually under discussion by the India Office, the War Office and the Treasury.



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"I should be glad if the Hon'ble Mr. Nulkar could find time to go into the question thoroughly, but for any proper discussion it is necessary that he should be thoroughly acquainted with the question beforehand, and not begin the study at the last moment when the Financial Statement is presented. It is needless to say that it would be a very acceptable result if his labours should lead to a material reduction of the charges made against India on account of the portion of the British Army employed in India. The question has been discussed again and again by men of great ability and special knowledge of the subject during the last thirty years. Since 1879 a Commission has been considering it under the presidency of Lord Northbrook, whose presence on the Committee is a guarantee that the interests of India are not being neglected.

"The Hon'ble Mr. Evans has referred to certain arrear charges which we have had to meet on account of British troops. I am speaking from recollection merely, but I do not think these charges arose in the way in which he supposes. I do not think it is the case that a change was made in the mode of calculating the charge, that the change was applied retrospectively, and that consequently we were called upon to pay in respect of years of which the accounts had been closed.

"I believe the arrears arose in this way. The calculations by which the charges are determined are extremely complicated. It was impossible to determine the amount of these charges before the close of the years to which they referred. Consequently, the India Office only paid certain sums on account, and when the calculations were completed it was found that the sums paid on account did not suffice to meet the charges. In this way the arrears arose. What the Hon'ble Mr. Nulkar has said this year, and what the Hon'ble Mr. Evans has said both this year and last year, show that a considerable interest is taken in the Home charges. The question of the adjustments on account of British troops employed in India is one of the most difficult with which I have ever had to deal, but I will look through the correspondence, and if I find that there is any correspondence or other papers that might with advantage be made public, I will propose, with Your Excellency's permission, that they be published in the Gazette of India.

"The Hon'ble Mr. Evans and the Hon'ble Sir Steuart Bayley have urged with much ingenuity and great earnestness that the contribution of ten lakhs given by Bengal should be restored. It is probably true, as they urge, that, if we could have foreseen last year that 1889-90 would end with a considerable

surplus, we should not have asked for these contributions; but I do not think it necessarily follows that they should now be restored. In the first place, the value to the Bengal Government of the ten lakhs which it contributed appears to me to be exaggerated. It was not a contribution of ten lakhs yearly, but of ten lakhs once for all, or say 1,000,000 of rupees. Bengal contains about 70,000,000 of inhabitants, and I really do not think that an addition to the resources of the Bengal Government of a sum of one rupee for every 70 inhabitants would have added so much to the welfare and happiness of the people as appears to be supposed. The total amount is less than one pice per head of population, and I do not think that the loss of such a sum could materially affect the well-being of the people or the efficiency of the administration. In particular, I do not think that the Bengal Government has been prevented from carrying out the recommendations of the High Court by the want of this money. I have always understood that the question of money did not stand in the way, and that the recommendations were not adopted fully and at once because it was not admitted that the whole of the changes proposed were necessary. I may be mistaken, but the question would assume an entirely new aspect if it were understood that the recommendations were just and proper in every way, and that they had not been completely carried out simply because there was no money.

“But, whether the amount be great or small, the question is really one of principle, and as such I am content to deal with it.

“I am afraid that in politics memories are short and gratitude not common. I would ask the Council to recall what was the position some sixteen months ago. It was then not a question of exacting a contribution once for all, but of tearing up the existing contracts, demanding a yearly contribution from each Local Government and introducing a system under which the Local Governments would be called on to contribute, as a matter of course, in case of need, to the wants of the Government of India, while the Government of India was to be in the comfortable position of deciding for itself when the period of need had arrived. Strong objections to this change were raised by the Local Governments. As a compromise, it was arranged that the Local Government should pay certain sums once for all, and that the other questions should stand over for future discussion and settlement. All prospect of any such interference with Local Governments as was proposed 16 months ago has now disappeared. I am glad that this is the case, and I think the Local Governments have gained greatly thereby. I think we may fairly look on the payment made by Bengal, as a payment made by way of compromise, and not as a payment made under a misap-

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prehension. By that compromise Local Governments have obtained very great advantages. The representatives of these Governments should recollect that they have not been deprived of their share of the recent prosperity. Their revenues have increased, and they are no longer in danger as regards their contracts. Bengal is the only Government whose finances, so far as I am aware, are not in a flourishing position, but I would ask the Bengal Government to recollect that the payment it had to make was comparatively light, much smaller than that of Madras or Bombay, and that Bengal is the most lightly-taxed province in the empire.

"I look upon the gradual strengthening of the Local Governments as the most important of the future reforms in Indian administration. It is in my opinion an evil of the first magnitude when the provincial contracts are interfered with, and I hope no such interference will ever take place except on grounds of clear necessity. I do not wonder that Local Governments object to such interference, and it would be a portent of evil omen when they ceased to do so, because it would show that they had ceased to take an interest in the provinces committed to their charge. And as I am opposed to any hasty interference with Local Governments, so I am opposed to any reversal of such interference when it has once taken place. The exaction of a contribution from a Local Government is too serious a matter to be lightly undertaken when the Government of India is in want and as lightly reversed when things take a turn for the better.

"It must also be recollected that, if we had returned their contributions to Local Governments, we could not have taken credit in 1890-91 for the sum of Rx. 490,000, which has just enabled us to restore partially the Famine Grant in that year. I think this is a consideration to which weight must be attached. It was very desirable to make a beginning in this matter and thereby formally commit Government to the carrying out, as soon as possible, of a policy which has met with general approbation.

"The Hon'ble Mr. Evans expressed some diffidence as to his judgment on matters of finance. I think this was unnecessary. I have never known anybody who more clearly apprehended the fact that the Famine Grant was simply a surplus, and I have never known the case stated more accurately, or as clearly as he stated it to-day. I unreservedly accept his argument on this point, but at the same time I do not agree with him in holding that the Famine Grant ought to disappear and that we should simply show a large surplus. A somewhat

similar opinion was expressed by the Hon'ble Rájá Durga Charn Laha when he said that the Famine Grant should be simply called a Reserve Fund or Grant to be drawn on whenever the difficulties of the Government of India rendered it expedient to do so.

"The Hon'ble Rájá Durga Charn Laha speaks from experience of the nature of the Famine Grant, and his opinion has great weight with me.

"In principle I accept the soundness of his argument, and of that of the Hon'ble Mr. Evans, but there are certain infirmities of human nature which in practice make it expedient to maintain the Famine Grant. If we showed a large surplus every year, I am afraid we could not resist the attacks that would be made on it. The most convincing arguments would be brought forward to show that this or that proposed scheme for expenditure was of the most valuable character, and sooner or later, and probably sooner rather than later, the surplus would be eaten away.

"And if we called the Famine Grant a Reserve Fund, and acknowledged that it might be broken into when difficulties arose, I am afraid difficulties would be of very common occurrence, and might even be created for the purpose of getting hold of the money. It seems to me that the safest and only method of safeguarding our surplus is to call it a Famine Grant, and in this way to ensure that its absorption shall not be effected except as a deliberate act of State policy which will attract public attention, and must be justified by very strong arguments.

"For this reason I am opposed to any change in the existing practice.

"In the Financial Statement I used the following words :—

"There are, therefore, strong grounds for holding that in 1891-92 we shall at least find ourselves in a position of comparative ease, with a surplus on hand, moderate in amount, but sufficient to allow of some improvement in financial conditions."

"It has been assumed in some quarters that these words foreshadowed a remission of taxation in 1891-92. I am sorry to dispel so pleasing an illusion, but I think it necessary to say that to the best of my judgment we shall not be in a position to remit taxation in 1891-92.

"The words I have quoted refer to the possibility of our being able to maintain in 1891-92 the partial restoration of the Famine Grant which has been carried out this year, and it may be to go a little further in the same direction. It is

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known to the Members of this Council that the special credit of Rx. 490,000 which we are to receive in 1890-91 will not be forthcoming in 1891-92, and, in order to maintain in 1891-92 the Famine Grant at the amount fixed for 1890-91, there must be an improvement within twelve months of Rx. 490,000, while in order to raise the Famine Grant in 1891-92 to the full amount of Rx. 1,500,000 there must be a further improvement of Rx. 467,200. The total improvement required to admit of the Famine Grant being raised to its full amount in 1891-92 is, consequently, Rx. 957,200. I doubt if the improvement will be so much, and, in any case, it would be rash in the extreme to assume that the improvement will exceed this amount, and yet, unless the improvement materially exceeds Rx. 957,200, there can be no remission of taxation in 1891-92.

"I am afraid that the state of things I have just described would of itself be fatal to the appeal so earnestly made by the Hon'ble Syud Ameer Hossein that all incomes below Rs. 1,000 should be exempted from the income-tax; but, apart from this aspect of the question, I should like to make a few remarks on the merits of the case. In the first place, I would observe that the Government of India has not got an inexhaustible treasury on which it can draw at discretion for the purpose of remitting taxation. If taxation is remitted for one class, either an equal amount of taxation must be imposed on some other class, or a class which would otherwise have been relieved must continue to bear its burden. Judging by the standard of this country, I cannot admit that persons having an income of from Rs. 500 to Rs. 1,000 are poor people in the sense of being people who ought to be relieved from moderate taxation on the ground of their extreme poverty. Their income is from Rs. 40 to Rs. 80 a month, and I am afraid that that is a comparatively good income in this country. The question, then, becomes a very simple one. Is it desirable to raise the assessable minimum of income and to retain the salt-tax at its present figure? In other words, should we relieve the men whose incomes range from Rs. 40 to Rs. 80 a month, and throw the burden on men whose incomes range from Rs. 4 to Rs. 8 a month? There can, I think, be but one answer to such a question, and, highly as I value the opinion of my Hon'ble friend, I am afraid the proposal he makes is not within the range of practical politics at the present time.

"There is, however, one good argument in favour of the course he suggests. To raise the limit to Rs. 1,000 would avoid the necessity of making a very great number of assessments without proportionately reducing the revenue. I quite admit the force of this argument, and can only regret that other considerations prevent the Government from looking on it as conclusive.

"There is another point on which I desire to offer a word of explanation. It has been alleged that certain information leaked out of the Government offices in connection with the Financial Statement, and that unscrupulous persons took unfair advantage of the information which they had acquired by improper means. There can be no doubt that information has more than once leaked out of Government offices, but it is most difficult to prevent this from happening. More than one newspaper has published information which was improperly obtained and which it knew to be improperly obtained, and I am afraid that there does not exist in some quarters a very high sense of honour in such matters. In the present case it has been alleged that information was improperly obtained regarding the fact that there would be no loan in India next year, and regarding the proposal to raise the rate of duty on imported spirits. Taking the second of these matters in the first place, I wish to mention that the proposal to raise the rate of duty was made a good many months ago by the Secretary of State. The question was considered by all the Local Governments and their responsible advisers in such matters, and rumours of the proposal found their way into the Press. When a proposal has to be discussed by every Local Government in India and by the officials subordinate to each Government, I am afraid there is not much chance of preserving complete secrecy. I first noticed the rumours in a paper published at Lahore. But much harm was not done, because it had not then been decided at what date the duty would be raised, or whether it would be raised at all or not. The decision to raise the duty at once was only arrived at quite recently. It had to be communicated to the Secretary of State, and the amount of revenue expected had to be entered in the estimates, but special precautions to ensure secrecy were taken. I cannot say if they were completely successful, but I have ascertained from the Collector of Customs that very little spirit was taken out of bond before the duty was raised. In fact, only one firm appears to have withdrawn spirit largely just before the duty was raised. The amount so withdrawn was 1,498 gallons, but, as there were 26,121 gallons of spirit, excluding liqueurs, in bond at the time, it would seem that the secret was not badly kept. I cannot say whether the firm in question received information unfairly or not. It may have had such information, or it may have noticed the rumour that appeared in the Press long before, and have withdrawn the spirit on speculation. Assuming that it received information unfairly, the loss of revenue is about Rs. 1,500. I regret that even this amount of revenue should be lost owing to underhand practices, but, considering that the change in the rate of duty will bring in nine lakhs yearly, that rumours of a proposed increase of duty had appeared in the Press some

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[*Sir David Barbour ; the President.*]

months ago, and that we might have lost the extra duty on the whole of the spirit in bond, which would have amounted to about Rs. 26,000 in Calcutta alone, I think we have some reason to congratulate ourselves on the result.

"In the case of the loan it was more difficult to preserve the secret. The high cash balances naturally attracted the attention of speculators to the matter ; and a speculator who had been paying attention to the state of the Secretary of State's drawings, to the high cash balance, and to the published accounts of revenue and expenditure, could have inferred, with some confidence, that either there would be no loan in India or that it would be a small one. The calculation by which it is finally decided whether a loan is necessary or not is an intricate one in the preparation of which a number of officers take part. When a decision has been come to on the question it is necessary to make the proper entries in the estimates. The estimates pass through a number of hands, and have to be printed, and consequently information may be given by any one of a number of officers, if anybody is so dishonourable as to be willing to do so. I do not, however, think that much harm, if any, was done in the present case, as the decision not to borrow was come to only a short time before the fact was publicly announced, and I apprehend that dealers in Government paper are rather cautious in their dealings just before the Financial Statement is issued, while those who speculate at such a time do so with their eyes open to the risks they run. I can only say that, if the charge of giving information for purposes of speculation is brought home to any official, he will not be given an opportunity of betraying the trust reposed in him a second time."

His Excellency THE PRESIDENT said :—

"We have again taken advantage of the passing of a small and comparatively unimportant measure affecting the Imperial Finances in order to give Hon'ble Members an opportunity of considering and criticising the general financial policy of the Government of India. It will be in the recollection of the Council that, when, twelve months ago, a similar opportunity was contrived, I was able to state that, in our opinion, the time had come when the right of discussing the Budget should be secured to the Legislative Council, and when the exercise of that right should no longer depend upon casual facilities such as we have been able to afford this year and last. I stated that this view was shared by Her Majesty's Government, and that the Secretary of State had expressed his concurrence in our proposal that there should be an annual, instead of an occasional,

discussion of the Budget in Council. I added that this subject appeared to us, and also to Her Majesty's Government, to be closely connected with another, namely, the propriety of giving to Members of the Legislative Council of the Government of India, under proper safeguards, the right of addressing questions to the Government upon matters of public interest, and I stated that this subject also was engaging our attention and that of the Secretary of State. Since I made this announcement, steps have been taken to make good the assurance which I was then able to give. I was not without hopes that the legislation necessary for the purpose of carrying out these important constitutional changes might have been passed last year, and that we might, ere now, have been engaged in the task of considering the regulations under which these newly-acquired rights might be exercised. The Secretary of State was fully prepared to introduce the measure during the Parliamentary session of 1889. Hon'ble Members, however, are aware of the difficulties which attend Imperial legislation, and cannot have been surprised, even if they were disappointed, to find that the attempt to pass a Councils Bill during the session of 1889 was abandoned. A Bill is, as Hon'ble Members are aware, now before Parliament. It contains provisions which will be effectual for the purpose of redeeming the pledges given last year, and I earnestly trust that it may become law before the session terminates. This is, I need not say, not a proper occasion for discussing the other provisions of the Bill, with which Hon'ble Members are no doubt familiar—provisions which affect the composition of this and of the Provincial Legislative Councils. I venture, however, to express my hope that too much credence will not be attached to the wholly unauthorized rumours, which are circulated from time to time, in regard to the attitude of the present Government of India towards this most important constitutional question. For the opinions expressed by us in the correspondence which the Secretary of State has thought proper to lay before Parliament we accept the fullest responsibility. For other opinions, confidently attributed to us, but not, so far as I am aware, disclosed in any statement of our views, official or unofficial, which has been given to the public, we disclaim all responsibility.

"I will only add that I earnestly trust that even those who would themselves desire to see a scheme more ambitious and far-reaching than that of the Secretary of State adopted by the Government of India and by Her Majesty's Government will not, for that reason, allow themselves to be led to disparage unjustly the measure which has lately been passed by the House of Lords—a measure which I honestly believe marks one of the greatest advances which has



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[*The President.*]

been made for many years past in the direction of a liberal reform of our institutions.

“It will not be necessary for me to take up the time of the Council with any lengthened observations upon the Financial Statement of the Hon'ble Member. I feel sure that I am only expressing the opinion of my colleagues when I say that we have listened to it with feelings of much satisfaction. I should be sorry to allow myself to be drawn into an over-sanguine estimate of our financial situation in the future. Such anticipations are always dangerous; they are particularly dangerous in India, a country in which a portion at all events of the population can never be regarded as wholly beyond the reach of disasters involving the financial position of the Government for the time being. I think, however, that we may, without erring in this respect, say that our present situation is eminently hopeful, and that signs are not wanting to show that we are at last emerging from that series of lean years through which we have travelled with so much anxiety of late. The steady increase in the volume of our trade, in the amount of the receipts from most of our railways, and in our income from land-revenue and from the principal heads of taxation, all point to the approach of a time when we shall have less cause for anxiety than we have had for some time past.

“The proposals of the Hon'ble the Financial Member are simple and intelligible. There is no occasion for seeking new sources of Imperial revenue. The measure now before us, which adds a comparatively insignificant sum to our income, is to be justified on political, rather than on financial, grounds.

“Some complaint has been made of us because we have not at once taken advantage of the first symptoms of returning prosperity in order to remit taxation. Those by whom this complaint is made can, I venture to think, not have thoroughly realised our position. The Hon'ble Mr. Nulkar referred to the reduction of the Salt-duty and to the question of raising the minimum at which incomes are liable to be taxed. The reduction of the Salt-duty by 8 annas to Rs. 2, the rate at which it stood until the beginning of 1888, would involve a sacrifice of revenue to the extent of about Rx. 1,500,000. The raising of the taxable minimum of incomes from Rs. 500 to Rs. 1,000 would cost us about Rx. 300,000. It might perhaps have been possible for us to reduce taxation under one or other of these heads, and yet to make both ends meet in the financial year upon which we are about to enter. I hope, however, it will not be contended in this room that it is the duty of the Government of India

at once to remove taxation merely because it happens for the moment to have at its command resources which would permit it to adopt such a course. The removal of an existing tax is very nearly as serious a matter as the imposition of a new one. A Government has no right to abandon revenue until it has a reasonable certainty that, at all events as far as it is able to foresee the future, it will be able to dispense with that revenue. A policy which would impose taxes one year and remove them the next because there was a break in the clouds, with the prospect of being compelled to re-impose them immediately afterwards, is not worthy of the name of a policy, and would be fatal not only to the stability of our finances but to the comfort and convenience of the public. We are, I believe, not yet in a position permanently to abandon revenue to the extent involved in any of the above proposals. It may be that the time will come when we shall be able to consider them favourably, and when that time comes the Hon'ble the Financial Member will no doubt bear in mind the recommendations to which we have listened. That time has, however, not come yet.

"I venture, however, to go further and to say that, even if our prospects were better assured than I believe them to be, even if we were in no doubt as to the future of Exchange, even if our income from Opium were less precarious than it unfortunately is, the Hon'ble the Financial Member deserves to be supported in his determination to give the first place, not to small remissions of taxation, but to the restoration of the annual provision which, under the arrangement come to twelve years ago, it was decided to make as a national insurance against famine. It has always seemed to me that that was an eminently sound and prudent policy, in pursuance of which the Government of India determined to make every year a fixed provision for the purpose of enabling the country to meet the recurrent strain to which its finances have from time to time been exposed from failure of crops involving failure of revenue, or direct expenditure in relief. It is not necessary for me to add to what the Hon'ble Member has said in regard to the misconceptions into which the public mind has fallen—misconceptions which, I am afraid, have not been yet entirely removed—in regard to the nature of this arrangement and the uses to which the funds provided under it may legitimately be put. I wish, however, to express my adhesion to the principle upon which the Hon'ble Member has acted, and to say that I think with him that, now that we find ourselves able to dispose of surplus revenues, our first duty is to use them for the purpose of restoring the annual Famine grant. I trust that nothing may occur to prevent those who are respon-

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sible for the Government of India from henceforth giving effect to the wise intentions of our predecessors, and so regulating the income and expenditure of the Imperial Government that the pressure of the bad years may always be to some extent relieved out of the affluence of the good. It was only in consequence of exceptional pressure, only because its poverty, and not its will, consented, that the Government of India found itself constrained during the last few years to cease from making this annual provision; and, considering the nature of the taxation to which it had become necessary to resort, I do not think it will seriously be argued that, in preferring a temporary suspension of the arrangements for insurance against famine to the imposition of additional taxation, Lord Dufferin's Government did not exercise a wise choice. Our first duty, now that we find ourselves face to face with a more promising condition of affairs, is to revert to the sound policy instituted by our predecessors, and to endeavour in each year to provide out of our current revenues a substantial sum to be applied towards the alleviation of the permanent financial liabilities of the State. I trust that a considerable portion at all events of the sum thus appropriated may be applied to the construction of railways which, under less fortunate circumstances, might have remained unbuilt, or for which it might have been necessary to provide capital out of borrowed funds—railways the construction of which will not only bring a direct return to the national Exchequer, but also afford increased security to a part of the people of this country against risk from famine. I was not able to follow exactly the argument of the Hon'ble Mr. Evans, which had reference rather to the manner in which this portion of the accounts was shown. I venture, however, to think that, if we have regard to the essence of the transaction, we are entitled to say that by thus applying our revenues either in diminution of existing debt, or in avoiding the necessity of adding to it, we shall permanently strengthen our finances and, in the truest sense of the word, make provision for insurance against famine.

“Of the duties which the Government of India owes to the tax-payers of the country, the duty of, as far as possible, avoiding an increase of the national indebtedness is one of the most binding. Whatever may be our apprehensions with regard to the future, we have at least the consolation of knowing that the indebtedness of India has, up to the present, been kept within the most moderate limits, and that the burden of that indebtedness is fortunately tending to diminish, and not to increase. I do not know whether Hon'ble Members have had time to refer to the extremely interesting paragraph which appears under the heading of 'Interest on Debt' at page 25 of the Statement which lies upon the table. If they have done so, they will no doubt have observed the following facts which appear to me to deserve special attention.

"Our total indebtedness in sterling at the end of the present year amounts in round numbers to 98 millions sterling, of which no less than 32 millions was borrowed on account of Railways and other profitable enterprises. When we remember that, of the 66 millions which remain, between 40 and 50 millions were incurred at the time of the Mutiny, we shall, I think, congratulate ourselves that the obligations which we have inherited are not heavier.

"Turning from the sterling debt to our indebtedness in rupees, it appears from the statistics given at page 26 that by far the greater portion of that debt, or Rx. 96 millions out of Rx. 113 millions, is represented by Railways and Irrigation Works. Of the interest for which we shall be liable next year, and which will amount altogether to Rx. 4,671,000, Rx. 4,000,000 in round numbers are chargeable to interest on Railways and Irrigation Works: in other words, considerably more than three-quarters of the whole of our rupee debt represents expenditure upon remunerative enterprises for which the State obtains a fair return, or for which, at all events, we have valuable assets to show. The balance, which may be stated in round numbers at Rx. 700,000, represents the ordinary rupee debt of India. This, however, includes sums which have from time to time been advanced by the Government of India to public bodies, or sums held by the Government as currency investments. The amount annually recovered from the persons or Corporations to whom money has thus been advanced has, year after year, tended to bear a larger proportion to that for which the Government of India has itself been liable, and this increase has gone on until the amount so recovered, which in 1882-83 represented little more than one-third of the total charge for interest, will, in the year upon which we are about to enter, actually exceed the total charge which we shall have to meet.

"These are facts to which, amid much that it is doubtful and precarious, we can look with unqualified satisfaction. Whatever be the trials which may await us in the future, whatever be the strain to which in years to come our financial resources may be subjected from war, or scarcity, or failure of revenue, we shall be able to encounter that strain in proportion as we have during years of peace and sufficiency strengthened our finances and refrained from adding to the burden of our public liabilities.

"In another respect the accounts of the year which has just come to a close must be most gratifying to us. I refer to the proof which they afford of the continuous and rapid improvement of the recently acquired Province of Upper Burma. The revenue of the Province, which has doubled during the last three years, now exceeds a crore of rupees, it is said to be collected without difficulty, and the Chief Commissioner reports that he has every

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reason to believe that it will continue to expand. Other indications are equally favourable. The receipts from the Upper Burma Railway are highly satisfactory, and will, we expect, exceed the working expenses by 'Rx. 50,000 next year. It may perhaps be interesting to Hon'ble Members to know that the only item of Burmese revenue which does not tend to increase is that derived from Excise, the diminution of which we shall no doubt look upon with tolerant eyes. The country is rapidly settling down; in fact, if we exclude from consideration the operations in progress in the Chin-Lushai country, there has been no employment of troops, except in the district of Magwe and on the Wuntho border, where there has always been a certain amount of turbulence. Concurrently with the general return of the population to peaceful pursuits there has been a rapid falling off in serious crime and in the number of admissions to jail. These have, I learn from Sir Charles Crosthwaite, fallen from 2,500 in the month of May last to 1,500 in the month of December. This fortunate state of things has enabled the Chief Commissioner to recommend a decrease in the Military Police Force employed in the country, and there is little doubt that further reductions will prove practicable before long. I ventured last year to cite, as an indication of the improvement which the country was undergoing, the increase in the number of households under assessment to the Thathameda or house-tax. The number of those thus assessed has, I understand, increased by nearly 30,000 in the past twelve months—an increase which, although partly explained by the closer supervision exercised by the local authorities, is certainly due in the main to the manner in which families at one time either absent from the country, or in hiding, are now settling down peaceably in their homesteads. Considering that little more than four years have passed since Upper Burma became a part of the British Empire, we are, I think, justified in regarding with satisfaction the state of things which I have described.

“I wish, before I leave off, to say a very few words with regard to another item of expenditure—I mean that incurred on our military operations against the Chin-Lushai tribes. The amount spent in connection with this during the past year was certainly larger than we had any reason to anticipate. I feel, however, no doubt that the money thus laid out, as well as whatever additional expenditure may be incurred during the coming year, will prove to have been well spent. The British occupation of Upper Burma has entirely changed the character of our relations with the inhabitants of the mountainous Alsatia which lies between Burma and Chittagong. It would have been absolutely impossible for us, now that it is flanked on each side by British territory, to allow the tribes which inhabit it to continue the lawless and predatory existence which they have till now followed.

The operations which, as far as the present season is concerned, are now coming to a close, do not deserve to be classed amongst the ordinary punitive expeditions which have, I regret to say, been so common upon the frontiers of India—expeditions which, for any permanent results achieved by them, might in many cases as well never have taken place. We are satisfied that, in the case of the Chin-Lushai country, the establishment of through communications from the Burmese to the Bengal side, and also with Assam, the construction of roads and of lines of telegraph, together with the exhibition of strength which has resulted from the combined operations of the different columns employed, will effect the permanent pacification of these inaccessible tracts. Should this prove to be the case, the 50 lakhs, at the cost of which this result will have been obtained (I include the amounts taken in the accounts of this year, and that provided in the Budget for 1890-91) will certainly not have been thrown away. In considering this point it is worth while to bear in mind the expenditure which has been already incurred in these regions—I will not say entirely without effect, but without anything approaching to such a result as that for which we have now a right to look. I find, on reference to the official records, that the Lushai Expedition of 1871-72 cost over 22 lakhs, and the Naga Expedition of 1879-80 17½ lakhs, while an expenditure of nearly 5 lakhs was incurred on a punitive expedition against the Lushai tribes in 1888. The operations now in progress, which have been carried out with the greatest skill and courage by the officers entrusted with their direction, and which, but for the large amount of sickness experienced by our troops in a singularly malarious country, have been conducted at scarcely any cost in casualties, will, there is every reason to believe, prevent the recurrence of outbreaks, such as those which provoked the expeditions to which I have just referred, and will, once for all, convince these lawless tribes that it is for their own advantage to adopt peaceful pursuits and to cease from molesting their neighbours."

The Motion was put and agreed to.

The Council adjourned *sine die*.

S. HARVEY JAMES,

*Secretary to the Govt. of India,*

*Legislative Department.*

FORT WILLIAM;

*The 14th April, 1890.*