

*Tuesday,
27th March, 1894*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XXXIII

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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,

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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 Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., cap. 67, and 55 & 56 Vict., cap. 14).

The Council met at Government House on Tuesday, the 27th March, 1894.

PRESENT :

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

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

The Hon'ble Sir A. E. Miller, K.T., Q.C.

The Hon'ble Lieutenant-General H. Brackenbury, C.B., R.A.

The Hon'ble J. Westland, C.S.I.

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

The Hon'ble Dr. Rashbehary Ghose.

The Hon'ble Sir G. H. P. Evans, K.C.I.E.

The Hon'ble Fazulbhai Vishram.

The Hon'ble C. C. Stevens.

The Hon'ble Sir Luchmessur Singh, K.C.I.E., Mahārājā Bahadur Dur-
bhanga.

The Hon'ble Gangadhar Rao Madhav Chitnavis.

The Hon'ble H. F. Clogstoun, C.S.I.

The Hon'ble W. Lee-Warner, C.S.I.

The Hon'ble P. Playfair.

The Hon'ble Mahārājā Partāb Narayan Singh of Ajudhiā.

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1894-95.

The Hon'ble MR. PLAYFAIR said :—" My Lord, I feel compelled to express regret that the Government of India has not been able to afford to the Members of Your Excellency's Council a longer time to consider the very voluminous statements of financial affairs presented to the Council on the 22nd instant by the Hon'ble Member in charge of the finances. Owing to the intervention of Easter-tide there has been practically only one day of business between then and now, in which interval it has been impossible to obtain the deliberate opinion of the mercantile community upon the Budget.

"My Lord, at the present time no one can take into consideration an Indian Budget without dealing with questions relating to the army. The Hon'ble the Finance Member gives the satisfactory assurance that the measures for the defence of the country have been nearly completed, but he does not enlarge upon the remarks on the army made in paragraph 21 of his statement presented to this Council on the 10th instant. There are many who would have been glad if he had met with some degree of fulness the arguments raised in certain quarters for the reduction of military expenditure. I am not, my Lord, inclined to treat the army as a financial reserve, and I hold that the security for peace within, as well as without, our borders must be the first consideration of the State. Having before me the Hon'ble Mr. Westland's observations, I shall await with much interest the remarks of my hon'ble friend the Military Member of Your Excellency's Council on this important subject.

"The accounts of the past year increase the apprehension that income from opium is a diminishing factor in the revenues of India. Unusual influences appear to have been at work during the year. A small crop and restricted sales have been associated with low prices, which is contrary to previous experience. It would be interesting to know how far the Hon'ble Member in charge of the finances attributes this result to the operations of the Currency Act of June last, to which a slight allusion has been made in paragraph 135 of his statement, and how far his low estimate of the value of the crop of the current year is based upon the anticipated effects of that Act. It would be further of interest to know whether the successive failure of crops is attributable to climatic influences, or whether there are grounds for the apprehension that the price now paid to the cultivators of Rs. 5 per seer for opium of standard consistency has become unattractive in being too low.

"The public in India have been waiting with keen expectation for a further expression of the views of the Government of India on the currency question, and especially the effects, financial and economic, of the working of the currency measure introduced on 26th June last; but here again the Hon'ble Member in charge of the finances is reticent. Even more immediate in its bearing upon the present Financial Statement would have been an exposition of the grounds on which in paragraph 133, in the face of market rates which are apparently being still dragged down by the continuing depreciation in the value of silver, he has assumed 1s. 2d. as the rate of exchange for the Budget of 1894-95.

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"A year ago the Finance Member of Your Excellency's Council claimed to be excused for budgeting for a deficit pending the receipt by Government of the report of the Committee headed by the Lord Chancellor of England upon the financial situation. The tone of his remarks indicated that it was not a desirable conclusion to budget for a deficiency. In the estimates for the ensuing year the figures that have now been placed before the Council result in a deficiency of Rx. 302,000, which is arrived at, after additional import-duties have been taken into account, by the absorption of the famine railway expenditure, and after Provincial Governments have been called upon to surrender a portion of their balances. The prospective deficit of 1894-95 follows upon an estimated deficiency of Rx. 1,793,000 in the accounts of 1893-94. This review of the situation is certainly not exhilarating, but I am relieved to find that, in addition to the elastic character of the revenues of India, which it is again a pleasure in connection with this Budget to observe, a closer examination of the expenditure to a certain extent shows that the position of the accounts of the Empire is not so bad as it may on the surface appear to be. Revised estimates for 1893-94 show a deficit of Rx. 1,793,000, being worse than the Budget by Rx. 198,000. I find, however, that the whole of the Home payments during the year have been converted, as customary, into Rx. at the actual exchange rate realized upon the remittances of the year, namely, 1s. 2'6d., resulting in a total charge of Rx. 10,243,100 in the Expenditure and Revenue account, while the Secretary of State's drawings have not amounted to the sterling payments but have fallen short of the estimate of last March by £9,300,000, and therefore the total charge of Rx. 10,243,100 has not been actual expenditure. In other words, the true loss by exchange during the year has been Rx. 5,027,500 on Revenue and Rx. 512,500 on Capital account, making a total of Rx. 5,540,000, and not Rx. 10,634,800 as stated in these accounts. The balance appears to be adjusted under the heading 'Exchange on Remittance Account' as a sub-head under 'Deposits and Advances,' page 62 of the Statement, by the credit entry Rx. 5,094,800. With due submission I think this involves an error in book-keeping. All subordinate headings which properly come under 'Deposit and Advances' close to balance, but Exchange is a sub-heading which closes to Profit and Loss; therefore the adjusting credit entry of Rx. 5,049,800 should be removed from 'Deposits and Advances' and be pushed up to the Profit and Loss, *i.e.*, into the Income and Expenditure portion, of the account. On this being done, it appears to me that the amount of Rx. 5,094,800 would either be deducted from the expenditure or be added to the revenue. The result then would be a visible surplus for the year 1893-94 of Rx. 3,301,800 instead of

a deficit, as set forth, of Rx. 1,793,000. There is, therefore, a surplus and not a deficit on the revised estimates of 1893-94. In the same manner, if the adjusting credit entry Rx. 413,400 under the sub-heading 'Exchange on Remittance Account' of the Budget Estimate of 1894-95 be transferred to its proper place in the Income and Expenditure Account, the result will be a surplus of Rx. 111,400 instead of a deficit as shown of Rx. 302,000. I would submit therefore that I am justified in the remark that the Accounts are not so bad as they at first sight appear. It would afford relief to commerce were the Secretary of State to definitely decide how his arrears are finally to be dealt with. At present they hang over the country like the sword of Damocles.

"I fully recognise the readiness, and the soundness of the principle, with which the Government of India has addressed itself to the requirements of the future to meet the probable deficiency in the accounts of 1894-95, if Home payments have to be met in full at the present, or even a lower, rate of exchange. And I think it is necessary, as well as very desirable, that the Government should have reviewed the Imperial and Provincial expenditure with the object of endeavouring, where possible, to counteract extravagance or stop unnecessary outlay. But when the method of supplementing revenues results in an intrusion upon reserve funds and upon resources upheld for the development and protection of the country, and curtails the scanty means at the disposal of Provincial Governments, I think such means of balancing income and expenditure must be approached with very grave and serious anxiety.

"To meet the financial obligations of the ensuing year it is proposed to absorb Rx. 1,076,200 of the Famine Grant, to take from the Local Governments Rx. 405,000, and to obtain from new import-duties Rx. 1,140,000, making a total of Rx. 2,621,200. With regard to the absorption of the Famine Grant, I understand the original idea in connection with this compelled surplus was that the Government of India should have always a margin of revenue to be instantly applied to the relief of famine as it arose, but if this margin were not so applied during any one year it was not to be brought into general revenues, as it might then be used to the reduction of taxation, but was to be spent in taking precautions against famine by the construction of preventive and protective works, and latterly in addition to the meeting of interest payments on the capital of certain railways declared by the Secretary of State to be protective in their character. In the minute issued on 12th March, 1878, by a predecessor of Your Excellency, Lord Lytton, he stated that the sole justification for the increased taxation placed upon the people of India for the purpose of

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insuring the Empire against the calamities of future famine was the pledge that a sum of not less than a million and-a-half sterling shall be annually applied to it, and His Lordship explained that an additional revenue raised by the new taxes was required not for the luxuries but for the necessities of the State, not for general purposes but for the construction of a particular class of public works, and that a pledge had been given by the Government of India not to spend one rupee of the special resources thus created upon works of a different character. And finally Lord Lytton remarked—I use his own words—‘to carry out adequately the engagement, thus publicly contracted, immediate, consistent and persistent adherence to certain lines of conduct on the part of the Central Government is absolutely necessary.’

“My Lord, I do not know that the public revenue can be applied to a better purpose than to that of saving the lives of those who pay it. The assurances of Lord Lytton, speaking with all the great authority of the Viceroy, were received by the whole country as a satisfactory and just settlement of that controversy as to the application of the Famine Insurance Fund, which it was felt on all hands had placed the Government in an invidious and undesirable position towards the people of India. Confirmed by Your Excellency’s distinguished predecessor, Lord Lansdowne, successive budgets have shown that the Government has acted up to Lord Lytton’s pledges.

“Unless, therefore, the Government of India is now prepared to say—and I presume it is not—that an adequate net-work of subsidiary railways has been completed throughout the Empire, and that the precautions initiated for the protection of the people from the financial, as well as from the material, consequences of famine have been completed, the proposal now made to trespass upon this Famine Fund for purposes other than that for which it was created appears to me to be a regrettable deviation from a policy that was wisely adopted and carried out by the Government of India.

“Had the Government of India no alternative, there might be no option but to make use of this reserve fund. But if there is at hand another and more appropriate method of meeting the requirements of the revenue by an equitable and convenient system of taxation to which the community at large would not object, it appears to me that in the interests of the State resort should be had thereto.

“If the absorption of the Famine Fund and the contribution of Rs. 405,000 required from the Local Governments means a reduction in expenditure of the

Public Works Department, I presume it must imply not only the postponement of the construction of railways, roads and canals, but also the throwing out of employment of a large body of servants and labourers, and the imposition of enforced idleness upon the Department, which must be prejudicial alike to the Department and to the best interests of the State. The gravamen is not even confined to this view of the matter. This requisition of Rx. 405,000 follows upon the retrenchment effected two years ago when the renewal of Provincial Contracts brought back to the Government of India the annual sum of Rx. 466,300 from Provincial Funds, a measure made necessary by the financial pressure which was deplored by the Supreme Government as contracting the resources of the Local Governments by an equal amount, curtailing expenditure on the improvement of the internal administration of the several Provinces in India, and restricting the progress of useful Provincial expenditure. Adding to these sums the estimated cost of exchange compensation payable by Provincial Governments, amounting to Rx. 232,100 for 1893-94 and to Rx. 400,400 for 1894-95, we have a cash demand upon the Provincial Governments within three years of no less a sum than Rx. 2,436,400. Of this amount the finances of 1894-95 are called upon to contribute Rx. 1,271,700. Such a sum cannot be withdrawn without injustice to the Local Governments, compelling them to arrest useful and necessary works, and probably crippling their advances to agriculturists. I feel justified in adding that such a policy partakes rather of parsimony than economy and diminishes the available resources of the people, so that the result may restrict the commercial transactions between India and England far more seriously than that erroneously feared as a possible result of the imposition of cotton-duties. If Government determines to pursue this policy, the only hope I can express in the interests of these Provinces is that, following the example set after the termination of hostilities with Afghanistan, the sums now taken from the Local Governments will be restored to them when the finances admit.

“ My Lord, stagnation is already upon the country. During the past year sanction has been given to the construction of only 136½ miles of additional railways, which can be characterised as nothing short of starvation allowance to the wants of this great Empire. This year, it is to be presumed, no additions will be sanctioned and apparently no railway surveys of importance are contemplated. Nothing will be done but that which the Government cannot refrain from doing. Among the important decreases of expenditure set forth under paragraph 122 of the Financial Statement are included ‘Construction of Protective Railways Rx. 1,054,300, Construction of Railways Rx. 50,700,

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Civil Works Rx. 408,600, making a total of Rx. 1,513,600, and implying a direct and most forcible restriction upon the trading and protective development of the country. On the other hand, I find there are some among the mercantile community who, looking at the closing cash balance in India of Rx. 21,684,256 in the Budget for 1894-95, advance the suggestion that from this cash balance the Government has the means to enlarge the expenditure not charged to Revenue for the construction of additional lines of railway by a sum of about Rx. 5,000,000. This indicated surplus represents part of the Secretary of State's borrowings, and therefore Capital, and unless employed for the benefit of the country must lie idle, while incurring interest payable at Home. It has been more than once admitted that with the growth of their railway enterprises the Government of India is becoming more and more deeply concerned in the development and progress of Indian trade. To keep pace with the development of trade and the course of commerce throughout the world, and to admit of rivalry with the great producing countries in the far West, the Government of India should study to keep India in such a position as will enable her to compete successfully. As a contrast to India we may look to the activity of the United States of America, where the length of railways amounts to 170,000 miles, compared with the 18,000 miles in India, and where progress has been made at a rate, not of $136\frac{3}{4}$ miles a year, but of 5,200 miles per annum during the past five years. The better equipment of rolling stock on these Western lines also [permits of the transport of a much larger proportionate quantity of goods or produce, per mile of railroad, than it is possible for our well managed but scantily equipped railways in India to undertake—I refer here to goods trucks and locomotives, and not to passenger cars, a comparison of coaching returns being in favour of the Indian railways.—As these Western countries are competitors with India in the transport of produce to England, and as there is an increasing demand for cheaper carriage throughout the world, India may be left standing if she does not determine to move with the times, of which movement, however, the present Budget gives but faint hopes. Within our own border, and with a population growing at the rate of three millions per annum, there is an increased struggle for existence, as well as a struggle with other countries for trade; and not only does this give cause for serious consideration in the event of failure of crops, but is a reason why the attention of the Government should be devoted to the further development of the resources of the country, the means of promoting that development being under their control. Considering such circumstances I cannot but deplore the fact that the Government should have resolved for any reason whatsoever to divert the money, in

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itself not too large an amount, set apart for the construction of railroads to protect the people from the consequences of famine, and by so doing to arrest a series of measures recognised by the people to be indispensable to their welfare. This decision, my Lord, is further to be regretted, when the Government have at hand, as I think they have, and as I endeavoured in this Council on the 10th of this month to place within their power, a measure for strengthening the finances of the country by imposing that duty upon imported cotton goods which, in itself, according to the declaration made by the Hon'ble Finance Member, would almost provide the sum of money the Government now proposes to take from the Famine Insurance Fund and from the Local Governments. Successive Financial Members of Your Excellency's Council have most willingly borne testimony to the elastic and progressive character of the internal finances of India, and the Hon'ble Mr. Westland has repeated his appreciation of India's capabilities, but, as this desirable result has been attained by a liberal and progressive treatment of the country, it cannot be expected to continue when that policy is reversed, as it has been in the present Budget. The outlook of the future is, on this account, depressing."

The Hon'ble GANGADHAR RAO MADHAV CHITNAVIS said :—"My Lord, it seems specially unfortunate that on the occasion of a new and sympathetic Viceroy we should have to encounter a position of financial difficulty which must render almost impossible such measures of administration as he would doubtless wish to promote during his term of office.

"The difficult position of the Hon'ble Finance Minister also cannot but evoke sympathy from all parts of the country. He is like a man who has to swim with his hands and feet tied. With freedom of action, there would be not only the hope but the possibility of success. He is not permitted to adopt the measures which in the opinion of those most competent to judge are necessary in the circumstances, though not perhaps from abstract theory. The finances should be placed in a solvent state, and the administration freed from the embarrassment which is a bar to the successful government of the country. But we are face to face with difficulties which must be met, and the question is whether the means proposed by the Finance Minister are such as to best meet the requirements of the position, or commend themselves to the public on whom the burden of taxation falls. The means proposed are, however, not in the opinion of some sufficient to establish the desired equilibrium between income and expenditure, and are confessedly only of the order of expediency imperfectly indicated, under the plea of the year being a 'transition period.'

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"The measures adopted to meet the requirements of the position are of two kinds : one is the diversion of a fund that should not be diverted according to promises made by successive rulers, and the other is the refusal to adopt available and legitimate means to replenish the exchequer, not by questionable temporary expedients, but by imposts of a permanent character not objectionable on any ground as regards the people of this country. One of the measures adopted to meet the financial situation is the resumption of the Famine Fund. This proposal has evoked, I respectfully submit, strong feeling throughout the country, because, besides weakening the assurance against famine, it is a direct violation of promises on the part of the Government, which even the exigencies of the Government at the present time must in the eyes of many fail to justify.

"The object of that fund and the pledged word of the Government have invested it with a sacredness which should save it from violation for a 'period of transition,' inasmuch as even this so-called temporary policy of one year may become the precedent of permanent alienation. The Famine Fund was instituted in 1877, and, to make assurance doubly sure, the Viceroy and the Finance Minister of the period were at pains to meet the objection that such a fund might be diverted as is now proposed.

"Lord Lytton, the Viceroy, is said to have used the following language in connection with this fund :—

'We have explained to the people of this country that the additional revenue raised by new taxes is required not for the luxuries but for the necessities of the State,—not for general purposes, but for the construction of a particular class of public works,—and we have pledged ourselves not to spend one rupee of the special resources thus created upon works of a different character.'

(The italics are mine.)

"Lord Lytton, the Viceroy, further declared that it was a calumny for any one to even insinuate that the fund would ever be used for any other purpose than the one declared. How in the face of these pledges, and the moral obligation which they impose on the Government, the fund can be alienated as proposed it is impossible for many who have studied the matter to conceive.

"The second resource of the Hon'ble the Finance Minister is the call upon the Provincial Governments for increased contributions. This the Hon'ble Member says is to force upon them severe economies and appropriate the results to Imperial account. This is a mild way of representing the Imperial

method of crippling the Local Administrations, while it is by no means clear that the possible scope of economy in Imperial expenditure has been realised. On the contrary, there is a widespread belief that there are many items of expenditure unwarrantably high and increased charge rather than reduction intimated (as, for example, in printing and stationery, etc., which charges are said to have grown to an extravagant extent and ought to be reduced). It may seem an easy thing to squeeze the Local Governments, but such a course simply means the weakening of the administration in matters that come more directly in contact with the people, and would be more felt by them than the action of the Imperial Government. And it may drive the Local Administrations either to the imposition of fresh burdens or to neglect of duties and postponement of the performance of other improvements which it is their province to discharge.

"It is the Local Governments who are primarily responsible for the good administration of their respective Provinces, and when they find that the Imperial Government must not only have to be supplied annually with a large fixed allotment, but also that—to use the Hon'ble the Finance Member's words—'all the fruits of careful administration must be surrendered to fill the yawning gulf of our sterling payments,'—when I say the Local Governments find themselves in such an unenviable position, the only alternative left to them is to exhaust the taxable resources of the people immediately under their charge.

"It was, as the Finance Minister says, only two years ago that the present contracts were entered into with the Local Governments, and no measure of apology would, in the opinion of many, justify a revision of those contracts so soon again. Such a revision means—I use the words of the Finance Minister again—the stoppage of all administrative improvements. Education is already starved, at least in my Province, and who knows that further curtailments of educational grants in the country will not be the order of the day? Prison reforms, so long begun as in the year 1838, will still have to be postponed till a future date. The Police is already undermanned, and in some instances even underpaid—I mean of course the lower ranks of it; and any attempts to cut down the number or pay of the constabulary is likely to lead to loss of protection of the people and introduce still greater corruptions in the service. I do not know whether it will be possible to cut down the grants to the Medical Department. Roads and communications require to be looked after and require further developments, and I do not quite see which of the various branches under their control the Local Governments mean to starve. If the Local Governments are to be thus denuded of their

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resources, the effect can only be disheartening, even though apparently submitted to with loyal compliance.

“ In a Province where settlements are in progress the people have rightly or wrongly to fear a good deal under the force of such a policy. They always entertain the idea that attempts will be made to increase their burdens and thus increase the resources of the State, to enable the Local Governments to furnish their full quota. Their apprehensions may be wrong and ill-founded, but I have ventured to state what the feeling is likely to be under the circumstances. The position of the executive officers who have to work out these settlements and take the whole blame on their heads is a most unenviable one.

“ The third resource of the Finance Minister for meeting the deficit is the re-imposition of import-duties. This is a legitimate source of revenue, and is adopted by most countries. I do not propose to enter at length into the subject of the exemption of cotton fabrics, as that has been fully discussed, with the consensus of opinion of all impartial authorities that such exemption is altogether without justification; and, after the intimation of the Secretary of State as to the possibility of reconsideration, I shall, in common with the majority of my fellow-subjects, regret if further consideration be not given and the exemption removed. Such a course would meet the exigencies of the present financial position, and, with other measures that are deemed practicable, might obviate the assumed necessity of alienating the Famine Fund, and even afford relief in other respects.

“ The public are by no means assured that economy in the Imperial expenditure has been carried as far as it might be without the least detriment to the efficiency of the service. It is even thought possible—though it is in my opinion a mistake—that increased efficiency might be obtained at less cost. The Famine Fund might be used for its legitimate purposes, with every advantage to the country from its expenditure, without using it as a makeshift for a ‘period of transition,’ while there is no prospect of a like sum being yearly available, as there would be in the income from import-duties.

“ Another matter in which there seems considerable room for retrenchment is the Home charges. Though a large portion of these may not admit of reduction, as the interest on loans, pensions and fixed charges, there is a considerable percentage of expenditure for stores which might be supplied either locally or on commercial terms much more advantageously than through departmental agency. And there are certain charges made exclusively against India which might more equitably be paid or at least shared by England; nor is it altogether

equitable that the charges for frontier wars should be met so largely from the Indian treasury.

“Again, the question occurs to many as to whether it is clear that the financial policy of the Government of India has been conducted on economic principles. There have been references to the ‘unprecedented treasury balance of over twenty-six crores of rupees.’ The loan of three millions issued last year has simply had the effect of swelling the balance, with a loss by discount on issue of Rx. 133,000 and the interest that had accrued on the loan since its issue. This is a considerable item to pay for holding money unfruitful in the treasury, and it is only poor compensation to be told that ‘the three-and-a-half per cents. are now above par.’ The only advantage of the loan seems to have been to show that the credit of the Government of India has not yet collapsed. In this respect, too, something might be said of the needless and unjustifiable purchase of large quantities of silver imported for speculative competition with the bills of the Secretary of State; and also respecting the tardy imposition of the inadequate duty which is now imposed. The obvious object of these importations was to compete as a means of remittance against Council bills, and the effect has been to seriously lower the rate of exchange and to necessitate the increase of taxation—unless use can be made of some portion of the treasury balance to obviate the necessity. Now, why should not some of the needlessly large treasury balance be utilized instead of appropriating the Famine Fund? Of course, it is needful to hold a sufficient treasury reserve to ensure the convertibility of the paper currency. But it has been asserted again and again that about a third of the present enormous balances would suffice for that purpose; and, even admitting that there must be money kept to meet the drawings of the Secretary of State, there appears ample margin for that, if not also to afford some relief from taxation, instead of seeking means of increasing it. The public would be grateful for a modification of the income-tax, especially in the lower scale of its incidence, which is always the means of oppression which the poor are least able to resist or escape. Of course, after the finances resume their normal state, I would submit, if the whole of that obnoxious impost could be removed, the greater would be the satisfaction to its unfortunate and hard-worked victims. The income-tax, if I may be allowed to say so, is in my individual opinion quite unsuited to the circumstances of this country. In the case of some it is a tax which presses very heavily, as they cannot afford to escape from it; while, in the case of others, it, I make bold to say, is an incentive to dishonesty.

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“In connection with the above impost, I shall only be expressing the views of the non-official community in saying that it is likely to be felt a hardship that the product of that impost should be absorbed by the grant of compensation to the services for loss by exchange. They admit that it is a hardship upon the members that their incomes should be diminished by loss in exchange. It must also be admitted that the public servants are rendering good and noble service to the country at a great sacrifice of their health, intelligence, energy and personal comfort, and the people are greatly beholden to them for the great administrative improvements they have been able to confer upon them, and surely the State is also bound to give them some relief; but whether some distinction should not have been made, and a line drawn between the older officers and others, and those who have to make remittances, or not, is a question.

“Looking at the position generally, all the classes referred to are presently in need of the greatest sympathy—the Ruler of the country claims our respectful sympathy in the embarrassment of a very difficult position, his Council between the two fires of their consciences and the orders of the Secretary of State, the Provincial Government in their crippled resources blighting their hopes and aspirations, the services with their salaries practically reduced, the commercial and trading communities in a state of uncertainty, the landholding classes always in dread of short and recurring settlements and over-assessments, and the general public the final victims of all these uncertainties, the position is really not a happy one. But our duty is plain to offer to the Government our most loyal support, to give them such advice as our limited experience may suggest in the modification of their measures, and the application of them to the requirements of the country. I have thus respectfully ventured to make certain suggestions which I believe would be beneficial, and which I hope will be taken in the spirit in which they have been submitted, and at the same time would become acceptable to the people. I trust that what has been suggested will commend itself alike to the judgment of your Excellency, and the Council and the Government, here and in England.”

The Hon'ble THE MAHARAJA OF AJUDHIA said:—“My Lord, I approach the subject of the Budget with considerable diffidence. It is full of details with which I am unfamiliar. Fortunately there is no necessity for me to weary Your Excellency and the Council with criticisms of these matters, which I can safely leave to more experienced hands. But there are also connected with the Budget large questions of principle as to which

every one possessing self-respect should be able to sustain the opinion he may himself hold. To me then the Budget is not a mere official statement of the revenue of the Empire ; it is the one measure which, recurring year by year, presents to the people of India a standard by which to measure the devotion of the rulers to the interests of the ruled. My Lord, if there is one thing of which Englishmen should be proud, it is the testimony borne almost invariably by a long series of Budgets to their comprehension of India's needs and their earnest wish to satisfy those needs in an adequate manner. If there have been exceptions, I should be inclined to regard the present Budget and those of 1878 and 1882 as most open to animadversion. Before, however, touching on that matter I would crave Your Lordship's indulgence if I dwell briefly on what appear to me to be the chief defects of the Statement before the Council.

" My Lord, we all know how keen and resolute a controversy has raged in this country on the closing of the Mints and on the continued fall in exchange. In relation to these matters and speaking for the people of my own Province, I may say that what is wanted is GUIDANCE. There is a widespread alarm at the way things are drifting. The people are unable to accurately appraise their reserved resources. They wonder what the value of their silver may be, and whether they should retain their gold or convert it into a depreciated substitute. The Budget says as little as possible on these two interesting questions. It does not say enough to establish confidence, or to give the public an assurance which may encourage them to believe in the wisdom of patience.

" Then again, my Lord, in Oudh the people have a direct interest in Opium. I confess I am not encouraged by what the Hon'ble the Finance Minister has said about the Opium Revenue. In fact, I may go further and say I am distinctly discouraged at the prospects of this branch of the Revenue. I admit that there might be an excuse for reticence in the fact that a Royal Commission on Opium has yet to submit its Report ; but the excuse, it seems to me, is overridden by the crisis in which the Government finds itself. Is the falling off in the income from Opium due to a permanent defect of the Indian drug, to the encouragement of the growth of the poppy by the Government of China, or to causes within India itself, within the competency of Government to remove ? The present Budget, my Lord, is nowhere a budget of hope, but as regards Opium it is almost a budget of despair.

" I notice also that the Provincial Governments have been called upon to contribute from their balances towards the necessities of the Central Government. This is a policy all thinking men will deprecate unless the need is of so urgent

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a character as to make it imperative that those balances should be appropriated in order to stave off the infliction of some new burden. In the present case this rule will not apply, and the Provincial balances are drawn upon in order to enable the Government to abstain from placing an import-duty on cotton goods.

" This, my Lord, brings me to the real subject of my remarks upon the Budget. It is in a sense peculiar and unusual, a historical document. It brings forward in a pronounced form a policy enunciated in 1878 and 1882, and which then startled the country and led to loud protests the echoes of which were heard in the discussions which took place in this Council. Then, my Lord, the cry was for Free Trade, but that cry must now be abandoned when it is openly urged in England that the claims of Manchester must be regarded even at the expense of this country. On the 10th March, 1882, my honoured friend Mahārājā Sir Jotendro Mohun Tagore spoke of the 'neglect of justice to India in consideration of the interests of Manchester manufacturers.' I am quoting the interpretation put upon my friend's speech by Lord Ripon. His Lordship in meeting that charge declared—'from the earliest period of my public life I have been an earnest and consistent advocate of the fiscal principles of the Free Trade party, and I have been so because I believe these principles are principles of general application calculated to confer the largest benefits upon the great mass of the community of any nation to which they may be applied.' Holding such views Lord Ripon declared himself desirous 'of having a hand in conferring upon the people of India the benefit of the application of principles which I believe to be calculated to conduce to their permanent advantage and prosperity.' Here, my Lord, the policy of Government was declared in emphatic language by its Head and Chief. But Lord Ripon went further than this. He declared the financial interest of India, that which Sir John Strachey, quoted recently by my hon'ble friend Mr. Playfair, called 'the financial independence of India,' to be an object of which Government should never lose sight. He said:—

'And I can say that if I did not entertain that opinion, if I thought that the course which the Government is about to take with respect to these Customs-duties was a course that would benefit England at the expense of India, I would not have been induced by any consideration to be a party to such a proceeding. I desire, so long as I may hold the position I have now the honour to fill, to govern India in the interests of India and for the benefit of her people, and I would not consent to be a party to any measures which I did not honestly believe would conduce to that great end.'

" My Lord, it is conceivable that a crisis may arise when India may be called upon to undertake sacrifices for the benefit not of herself alone but of the

Empire at large of which she is proud to form so important a part. Should such a crisis ever compel the Government to appeal for such a reason to the people, the appeal would be loyally and cheerfully responded to. No such necessity has, however, arisen. The fall in the value of the Rupee has caused serious embarrassment to this country. There is an urgent demand for an increase to the revenue, a demand so urgent as to compel the Government to reverse the Free Trade policy so strongly recommended to the country twelve years ago by Lord Ripon. And what is the result? India, which because of that Free Trade policy abolished her import-duties, has had to submit to that most distasteful of all fiscal measures—direct taxation, now finds herself compelled to look to import-duties as a permanent relief to her distresses. The principle of Free Trade is abandoned, and, rather than admit this all round, the Famine Insurance Fund controversy is reopened, railways are suspended, Provincial balances are drawn upon, and worst of all the special advocacy of Indian interests no longer forms a feature of the discussions on the Budget. An Hon'ble Member on a recent occasion assured Your Lordship that the masses of the people never heard of the debates in this Council. That is true in part, but only in part. The masses may not follow debates, the eloquence of which they would not appreciate, but they do follow the measures of the Government. These measures are discussed far and wide. The principles on which they are based are, it may be, above the heads of the masses, but for all that they are talked of much more frequently than might seem possible in every market-place and gathering in the country. It is this fact which distresses me most in regard to the defect I have pointed out in the Budget. It is this fact which forces me and all who comprehend the real influence of English rule to deplore the exemption granted to cotton goods. There is a real public opinion in India, and the result on opinion of this most mistaken exemption will be at once regrettable and disastrous. The effect upon the power and influence of the Government may be slow in making itself felt, but will be beyond question mischievous and deplorable, because, to quote from a speech in this Council delivered by Lord Ripon on the 7th of January, 1884—‘that power and that influence rest upon the conviction of our good faith more than upon any other foundation, ay more than upon the valour of our soldiers and the reputation of our armies.’

“ At a time when, in connection with this question of import-duties on cotton goods, the Press in England has indulged in speculations as to the “ SPELL ” which binds this noble dependency to the United Kingdom, I may be pardoned if I make another reference to the speech of that great statesman, Lord Ripon, from which

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I have just quoted. Replying to the question of the Hon'ble Mr. Thomas—
'Was there ever a nation which retained her supremacy by the righteousness of her laws?'—His Excellency said:

'My study of history has led me to the conclusion that it is not by the force of her arms or the might of her soldiery that a great empire is permanently maintained, but it is by the righteousness of her laws, and by her respect for the principles of justice.'

"In these words is described more eloquently than anywhere else the secret of the SPELL of British rule in India. My Lord, I feel that I may be forgiven when I express the hope that the essential character of that spell may be maintained; when I give utterance to the wishes of my countrymen that the end of the crisis which has come so suddenly upon India may be to convince all men throughout the length and breadth of the land that Lord Ripon's words are still true, and still faithfully depict the policy and the hope, the object and the endeavour, of the Government of India."

The Hon'ble FAZULBHAI VISHRAM said:—"Your Excellency, I do not propose to detain the Council long with the few remarks which I have to offer on the Financial Statement of the ensuing year. It is a sober exposition of solid facts and figures, which, however, I am afraid, will not remove from the minds of a critical observant public the impression that the Government has no definite policy for the solution of the difficulties in which the country has for some time been involved owing entirely to the depreciation of its currency. No doubt the frank confession of helplessness, which seems to be the keynote of the Statement, disarms criticism. We realize and appreciate the ability with which the financial forecast for 1894-95 has been made. We recognise that the programme sketched is 'a programme of retrenchment and vigilance intended to take the Government over a transition period.' And yet the country will be entitled to ask, how long is this hand-to-mouth policy to continue? I shall not venture to travel over the same ground as in the course of the debate on the Tariff Bill, but it seems to me that the apprehensions which we entertained regarding the course of events have been fully justified by the Statement. The country at large asked the Government to include imported cotton goods in the Tariff Bill with the object of assisting it in its difficulties in the easiest manner possible under the circumstances. It is a peculiar fact that, whilst additional taxation is always objectionable to the people, in this instance there was a consensus of opinion that Government might fairly and wisely raise sufficient revenue to meet at least half its deficit by imposing a small duty, such

as has been imposed upon other commodities, on cotton goods imported into the country. The voice of the people, who were and are willing to bear the burden, was overruled on grounds the speciousness and hollowness of which are now sufficiently exposed by the recent enunciations, journalistic and otherwise, in England. I endeavoured to show in my remarks on the Tariff Bill that the idea of protection involved in the imposition of a small duty on fine yarns and fine cotton goods imported from England is chimerical, and I adhere to that opinion. What is the result of adopting that course? My hon'ble friend the Finance Minister has been obliged to include in the Budget the Famine Insurance Fund for meeting the deficit; he is compelled also to starve the Local Administrations of various funds applicable for the better carrying on of the administration. Can anything be more disastrous than the absorption of the Famine Fund for the purpose of meeting a deficit? It might as well be thrown into the sea so far as any good to the country is concerned. I may venture, my Lord, to say that the country is still in the hope that your Lordship's Government will be able to induce Her Majesty's Secretary of State to reconsider the position and sanction the duty on imported cotton goods. As regards the demand for a countervailing excise-duty upon cotton goods manufactured in India, had there been any parity between the goods upon which we suggest a duty should be imposed and the goods manufactured in India, and had even the levying of such an excise-duty been practicable, the suggestion would be unworthy of the greatest nation of the world towards its almost bankrupt dependency. In order, however, to do away with a wrong to the country which results in the appropriation of the Famine Grant and other items ordinarily applicable for the improvement of provincial administration, I, for one, speaking as a millowner, would be willing to support the levying of an excise-duty on cotton goods manufactured in India, assuming, of course, that such an impost can be practically levied without injustice and serious trouble. Whatever view may be entertained in this matter, I submit that no effort should be spared in obtaining the sanction for the re-imposition of the cotton-duties, for, in my opinion, the revenue derived from this source will not be the only benefit to the country. It would, as I ventured to indicate before, help to a certain extent in creating that desirable balance of trade in our favour on which so many people build their hopes of seeing a solution of the financial difficulties of India. That this hope is not altogether unfounded must be apparent to every one who has closely observed the circumstances that transpired before and after the introduction of the Tariff Bill. It requires little knowledge of economics to see that with our enormous gold liabilities to England,

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and a large import trade with gold-using countries, an export trade, the value of which must necessarily be appraised in silver, must assume vast dimensions in order to create a balance of trade in our favour so as to compensate for the loss caused by the depreciation in the value of our currency without some such extraneous assistance as has been suggested. In my humble judgment no amount of retrenchment or vigilance exercised in the present or in the future can possibly cope with the gravity of our situation, unless and until an attempt is made to deal with it radically. Speaking with all respect, I beg to say that the currency legislation of last year has hardly received a fair trial. The enormous introduction of silver, which mainly contributed to annihilate the anticipations of Government regarding an immediate, stable exchange, took place under circumstances which leave little room for doubt that the silver imports were made by speculators, Native and European, not to meet a *bond fide* demand amongst the masses of the country, as is commonly supposed, but merely for purposes of speculation. And this brings me to the suggestion which has been made to Government from another quarter, namely, of making silver a Government monopoly. So far as I can see, there seems to be no objection, economic or otherwise, to adopting that course.

“As regards immediate remedial measures, I understand that on the Revenue side the mint receipts, amounting to about fourteen lakhs of rupees, are considered to be lost. Is there any objection to the Government working the mints on their own account? Considering the low value of silver and the great margin between the respective prices of bullion and the rupee, would not Government by manufacturing rupees for itself make sufficient profit to meet at least a substantial portion of the present deficit? It seems to me to be a legitimate source of revenue and one capable of materially easing our finances. I would venture to ask the Hon'ble Mr. Westland for an elucidation of this point. I understand that Government do not allow the free coinage of the copper currency, but they manufacture the coin on their own account, which leaves them a substantial profit. I have seen it stated that the metal in a rupee worth of pice is valued at about six annas only! In the same manner it is said that the margin of profit between the respective values of bullion and the rupee is about 25 per cent. exclusive of all charges and the duty. In the year 1892-93 about ten crores of rupees were coined in the Bombay mint alone, and, if Government were to do the same now, the operation should bring them an enormous profit.

"I further see that the Treasury balances are given at 26 crores and at over 21 crores at the end of the ensuing official year. Of course, nobody expects the Government to manipulate this large sum as a private individual, but again I see no reason why this great balance should not be invested either in its own paper at 4 per cent., which would relieve the finances to the extent of 84 lakhs per annum, or why even half of it should not be invested in English or other stock so as to yield a substantial income in sterling to meet sterling liabilities. Such a course would appear to be all the more desirable when the Secretary of State will be issuing a sterling loan of about 8 millions to replenish his treasury, and heavy demands for interest thereon must be met. In fact, there must already have been a large charge under the head of interest on the temporary borrowings in London this year, and it cannot be less than a quarter of a million sterling in the ensuing one, which can be easily covered by a judicious investment of funds on this side. Another opening for the large balances would be the construction, or rather continuing the construction, therefrom of what are called the 'trade railways' already sanctioned. They are proved to be productive constructive works and besides help to keep the balance of exports in favour of India, which is besides the only chance of success for our currency scheme. Last year I had the honour to suggest that the new loan for 300 lakhs might be issued at $3\frac{1}{2}$ per cent. instead of 4, and it happened to be so issued. It was placed on the market at a discount, but its present rate is over par, and the annual saving to Government is $1\frac{1}{2}$ lakhs in point of interest. They can secure a further saving by converting a portion of their 4 per cent. loan to $3\frac{1}{2}$ per cent. by giving the usual notice.

"I will not dwell upon the Home charges and the Military expenditure, especially after what has already been said about them by the other speakers ; they are more or less beyond the control of this Government ; but I must, before concluding, say that I entirely sympathise with those that object to a constant increase under these heads, and urge a reduction thereof in the present crippled state of our finances."

The Hon'ble SIR GRIFFITH EVANS said :—"I do not think that, since I first sat in this Council in December, 1877, I have listened to a Budget which gives rise to graver reflections than the present one, although there are points about it which bring some hope for the future. The look-out is uncertain and unsatisfactory.

"The leading features of the situation are that, although the number of rupees composing the revenues of India are increasing steadily, yet their ex-

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change value in respect of gold has been falling, out of all proportion to the increase in their number, and that there are symptoms that their purchasing power in this country is falling also.

"Next, we find that the expenditure is steadily increasing, and I fear to a great extent necessarily so. We cannot hope that, although there may be savings made here and there by a vigilant Finance Member and Members of the various Departments, there will not be an increase constantly going on which will out-balance these savings. Take, first of all, the general administration of the country. I do not think that it can be hoped that in a country which is so constantly improving as this is, and in regard to which we are constantly aiming at a higher standard, one can expect to have a diminution in what we might call charges for general administration which would include Police, Law, Justice and many other similar matters.

"Next, take charges connected with development of the country. In this country, where the population is increasing by leaps and bounds, at the rate of about three millions a year under the security of life and property given by the rule of England, it is evident that it becomes absolutely necessary to do what can be done in order to meet this constantly and largely increasing population. One of the things that is specially to be done is to attend to Irrigation, and thus increase the fertile area, increase production and diminish the chances of failure of crops.

"Next in the matter of development come Railways and Roads, to cheapen transport, to encourage exports and to enable the country to bring out her produce into the markets of the world and generally to stimulate trade. Unless this is done, it is quite plain that the population must become in excess of the powers of the soil, and must starve and dwindle, unless they emigrate. For food determines population. Therefore these charges are absolutely necessary, and we cannot expect them to decrease whatever economies he may make in detail.

"Then comes the other great matter in the case of an Empire like this, and that is its defence. If one looks at the extent of this enormous Empire and sees how much of its Frontier is bordered by tribes and nations quite as fierce and martial as any of those barbarians who beset the Roman Empire in its latter days, when one looks at that and sees in addition the close approach of two first class European Empires, when one reflects upon what human nature is and that one never knew an Empire when it saw a chance of overthrowing another not to take advantage of that chance, when one looks at

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the lessons of history, one feels bound to recognize the necessity for maintaining a large efficient army. The more so that this immense Empire is full of titanic forces of disruption barely kept in a state of unstable equilibrium by a foreign element. Looking at this Budget one sees that, so long as the army is kept at its present strength, and unless some reduction is possible,—regarding which I shall have something to say hereafter,—it seems pretty plain that one cannot expect very much of a decrease in the expenditure. The same thing may be said here as I have said in regard to the civil administration. A vigilant Financial Member, co-operating with the Military Member, may knock off a lakh here and a lakh there, but with the increased expenses of the munitions of war and arms of precision, with the increase of prices and the rise of wages, one does not see that there is likely to be any great diminution of the expenses. On the contrary, one sees that it is very much more likely that some day or another the question may arise even as regards the increase of the pay of the Native soldier and to the necessity for more British officers for each Native regiment. Eight is a small number to begin a campaign with.

“From the very nature of our Empire we have to make large gold payments to England, because England is a gold-using country and we get our European army from England—which army is absolutely necessary for the maintenance of our possession of this country; so much so that if it were taken away the Empire would disappear to-morrow; it follows that there must be a very heavy gold charge with regard to pensions and pay, and also with regard to the necessary materials of war and railways, and so on, which must be got from gold-using countries, because they cannot be obtained in India. Under these circumstances there is this crushing fall in exchange which upsets all the financial schemes devised, and makes it difficult for us to bear the burden of increased expenses of administration and defence which otherwise we might easily afford. It is in respect of the 16 or 17 millions a year that we have to pay in gold that the pressure is so crushing. The result has been, as shown in the Budget Statement, fresh taxation to meet a deficit of nearly Rx. 3,000,000, reduced, by desperate attempts at retrenchment, to an estimated deficit at the end, of Rx. 301,000. We have a deficit of Rx. 1,792,000 in the past year (1893-94) and Rx. 833,000 for 1892-93, and now Rx. 2,923,000 in the present year.

“Under these circumstances it is quite evident that fresh taxation of some sort must be resorted to, for, notwithstanding that it is said to be a period of

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transition, yet the Financial Member said in his Statement that it is a position, whether transient or not, which compels us to look for money and provide for it by some permanent source of revenue.

“ Now, before I pass on to consider what that ought to be, I wish to say a word in regard to Exchange Compensation. This is really raising the rupee salaries to partially meet the fall in exchange. This has been very bitterly attacked outside, but the observations made about it in the Council here so far have been comparatively mild. That is to say, it has been protested against in a certain way, with a feeling that something ought to be done if possible—if we could afford it. I will not go into the details of that measure, but I would put it simply on the broad ground that it is absolutely necessary if there is to be an English Empire maintained here. We must have a British army, and that army must be paid, and that involves adequate payments for their pay and pensions. The next thing is that you must have a certain number of Englishmen here to administer the Empire. I am not speaking of how many there ought to be or how few there ought to be, but it is quite necessary that they should be here, and if you want to have men of the right sort it is also certain that you must give them adequate pay, and that, when they have laboured here for a number of years, they should feel that they have something to fall back upon in their own country, and the charges connected with all these services are absolutely necessary for the maintenance of the Empire. It is also necessary to have a certain number of Europeans in other branches of the administration—the railways, and so on; and if you have these men out they too must be adequately paid.

“ Now, what has happened ? I take the Civil Service. I will not go into too much detail as regards all the rest, but I take the Civil Service as an example. Years ago the Civil Service was placed upon a certain basis of payment in the rupee. Why was this done ? Was it on account of some great liberality or of some desire to place these men in a position of unnecessary opulence ? Not at all. It was because they came out here to administer a great Empire under many hardships and difficulties. They had to educate their children, they had to send their wives home when ill, they had to go home themselves when ill to recruit, and it was quite evident that you could not expect the kind of service that you wanted unless they were reasonably paid. The reform on the old system of Writers on small salaries with free quarters was intended to place the service in a position in which the State could expect devotion and sacrifice

from them considering that they were, on the other hand, well remunerated if they happened to live through their term. Now, what happened? The exchange fell and fell until 40 per cent. went off the income of these people, and the evidence that was available before the orders were issued with regard to Exchange Compensation showed most clearly the distress and the utter change in the position of these men that had taken place. It showed that a feeling of discontent was growing up, and it indicated a state of things which really meant the demoralisation of the service. We all know what the record of the Civil Service has been, how the Empire has been governed, and what a wonderful spectacle it is that it should have been governed in the way it has been. One knows that, when the history of the Civil Service comes to be written, it will command the admiration of posterity. Faults they have had in plenty, but the service has as a body shown earnestness and capacity and devotion to their work to a rare degree, and they have been allowed by their worst enemies to be free from suspicion of corruption. There were certain fundamental matters that had to be considered. As far back as the times of the old Egyptians and the period of the Pharaohs it was laid down as an axiom that a Judge must be well paid and put out of the reach of all temptation of being bribed by the litigants. The same is true of the Rulers of Provinces. To get Englishmen to govern districts in the East (which elsewhere would be Provinces or Kingdoms) with incomes so reduced that they could not provide for their families in England and live in such reasonable comfort and freedom from petty money worries as is essential for their position and health is mere folly. But we stood in this position, that the service was becoming impatient and discontented, and it became plain that it was time to act and absolutely necessary that something should be done. I speak in this way on this subject, and you may ask what have I got to do with it? I have nothing to do with it. Since I came to the country I have not drawn one single rupee of Government pay, nor have I any relations in the Civil Service. I have no reason for expressing anything but my own personal opinion, and I am very free to do so. I have seen this change going on for twenty-five years now, and I say that the attempt to alleviate the pressure was made not one day too soon. It is said, but why make it in a time of such financial difficulty? It is because the very reasons that brought about the financial pressure on the Government also caused this dire financial pressure on the service. When we came to look into the matter there were two things to consider—they were the European army and the European service, and they had to be paid for. That is the fact of the matter, and if the payment is heavy it is a necessary payment, and it is well worth making it. If

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you were to put it to the people of this country now—if you put it ‘Would you like to have the European army withdrawn and be free of the expense?’ there is not one single sane Native with anything to lose who would not lift up his hands in absolute horror at such a suggestion; they would be as horrified as the people of ancient Gaul (the modern France) were when the Roman army was withdrawn and the German barbarians flocked to the loot of that flourishing Province—their cry would be bitter and hopeless. Under these circumstances, while one would not wish to do anything in the way of expense that could be avoided, we should be failing altogether in our duty if we did not incur the necessary expense for the maintenance of these two services in a state of efficiency. I have spoken thus as regards the Exchange Compensation in order to explain why, as far as I am personally concerned, I agree in the necessity for that expenditure.

“I will not go over again the ground covered by the debate on the Tariff Bill.

“I will take it as clear that the general import-duties exempting cotton are inequitable and capricious in action as well as inadequate in result, and that, whether the sum required is one or two millions, it should be raised by equitable and not by inequitable taxation.

“What I propose to do now is to examine the Budget as to see how India stands and what is her financial position. What I wish to dwell upon is this: the Secretary of State is reported to have announced that in his view there was no sufficient financial pressure on India as yet to justify him in reconsidering the subject of the cotton-duties. That was before the last debate in Council, but I think, when the Secretary of State sees this Budget and marks what is done in India, he ought to be satisfied that the ‘pressure’ is sufficient.

“Every one has observed that the estimated deficit on the 2nd March was about 3½ millions, whereas the deficit appearing on the Budget of the 27th March is Rx. 2,923,100. The difference is principally due to the reduction of Rx. 370,700 for roads and buildings, as stated in paragraph 24 of the Statement. There are other stringent retrenchments of smaller amounts.

“But turning to paragraph 19 we find that the Rx. 370,700 is made up of Rx. 194,200 cut from Military works and Rx. 176,500 from Imperial works on the civil side—all forced upon the Government by financial pressure. The total is Rx. 370,700, cut out Public works not because they are not necessary, but simply because the money is not forthcoming.

"Add this to the present deficit Rx. 2,923,100 and we get roughly Rx. 3,3000.00 as the amount at which the deficit would have stood had not these ruthless cuttings been made. It is not suggested that these works are not necessary or that this expenditure can be permanently avoided—paragraph 19 is clear as to that and the same thing is shewn by paragraphs 127, 128 and 129. These are the measures adopted to bring the deficit down to Rx. 2,923,100. I ask your attention to the meaning of this. It means a total arrest of development.

"As to Rx. 194,200. What does this mean? The barracks required in Upper Burma will not be built, the sanitary measures required for the army in India will not be carried out, and worst of all the proposed improved arrangements for water-supply for the troops all over India must stand over—this means preventible sickness and preventible deaths among our troops. The dreadful scourge of enteric fever is to run its course unchecked.

"All this to enable cotton goods to be exempted from the tax!!"

"Yet all this is not 'sufficient pressure' to induce the Secretary of State to reconsider the matter!

"As to the cutting out of Rx. 176,500, it seems *inter alia* the stoppage of new post offices, telegraph offices and other useful works.

"But it does not stop here. When the general import-duties minus the cotton-duties have been put on, yielding Rx. 1,140,000, there is still left a deficit of Rx. 1,783,100. To meet this the Famine surplus, Rx. 1,076,200, is diverted from its special purpose and used as ordinary revenue.

"I am not one of those who have any superstitions about the Famine surplus, as if it were 'taboo' protected by oaths and the wrath of the Gods from sacrilege. But it represents a definite line of policy which is shortly this. As famines are recurrent in India sound finance requires that we should make provision for them as certainly as a owner of house-property has to set aside a margin from his rents for repairs.

"This policy was announced by Lord Northbrook in 1874, put into operation by Sir John Strachey under Lord Lytton in 1877. The rule finally laid down was that this special surplus should be budgetted for and spent either in protective works so as to avoid borrowing or reduction of debt. More than once this special surplus has been suspended from necessity, but always re-

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established as soon as possible, and it is to be remembered that it was originally raised by special taxation for the purpose.

"The diversion of this special surplus to ordinary revenue is only permissible during severe temporary pressure. It must be restored before our finances are in a sound state.

"This goes into the yawning chasm of the deficit and the Secretary of State still says 'insufficient pressure.' There still remains Rx. 706,900 of deficit; what next will the Financial Member throw in? Rx. 405,000 taken as it were by force from the Local Governments—a widow's mite, but all that they had. The piteous story is told in paragraphs 27 and 28; the details are in paragraph 97—the administration crippled and the heart taken out of the Local Governments.

"Is this not pressure enough? In paragraph 128 we are told these sums are obtained from the Local Governments mainly by cutting down civil works which were badly needed. How severe the retrenchment has been may be imagined from the case of Burma. It is said one of the items there is a lakh of rupees or thereabouts for a light-ship. Danger to shipping, yet insufficient pressure! It seems a pity that the Secretary of State cannot be sent for a cruise off that coast on a dark night.

"See what has been done. Rx. 370,700 cut out of the Imperial Budget for Civil and Military public works and Rx. 405,000 from Provincial works; total from necessary public works Rx. 775,000, at the expense of the development of the country and the health of the army. Substitute the cotton-duties for these retrenchments and even then you would have had to take the Famine surplus to make up the Rx. 3,300,000, and the Budget would have roughly stood thus—deficit Rx. 3,300,000 as against Rx. 3,316,000 (from cotton-duties taking them at the low figure of Rx. 1,100,000, the present duties and the famine surplus, *i.e.*, Rx. 1,100,000 + 1,140,000 + 1,076,200) = surplus Rx. 16,000. Even this would be a temporary arrangement as the Famine surplus must be restored as soon as possible. Railways and irrigation would have lost for a time the Rx. 1,076,000 of the Famine surplus. It is said this is a temporary situation or may turn out to be so, but the Financial Member has told us that it is a situation which imperatively calls for a new source of revenue of a permanent character and that general import-duties have been deliberately chosen for that purpose.

"If so, justice and expediency alike demand that, with or without a counter-vailing excise, cotton goods should be included. The Financial Member evi-

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dently thinks it should be without excise-duty and so do most people in India, but the enemy is strong and it may be well to make terms with him while he is yet on the way.

"My Lord, on reading the account of the Lancashire deputation one feels that the position of the Secretary of State was not a pleasant one. After a few stock phrases about disinterested concern for the poor Indian, they showed their teeth and gave him to understand very plainly that they would do their best to turn out any Ministry that opposed what they considered the interest of the trade, and pointed out that Lancashire was strong enough to win any fight she went into in earnest. His answer in effect was 'that he had decided to yield for the present.'

"The Secretary of State was between the devil and the deep sea. The tempter was close at hand, while the deep sea of Indian discontent was moaning sullenly in the distance. He told the deputation the sound was always in his ears. It is much louder now.

"It is a great deal louder now, and I can only hope that this matter will be settled without delay, for, as your Lordship will perceive from what has been said to-day and what may be heard outside, it is clear there is no change in the attitude of the public with regard to this matter, and it is exceedingly desirable, for reasons which have been laid before the Council on the last occasion, that no time should be lost in settling it.

"I pass on then from this to consider whether any, and, if so, what savings are possible in the Indian expenditure. The Council will see from what has been said that I do not anticipate any very great savings. I do not see that the main expenses are at all likely to decrease, and therefore the matter stands in this way that the only place in which reductions would appear to be in any way possible is the army. Now, with regard to that I would only say that, looking at the Budget and with such figures as I have had access to, I do not think that you can reduce expenditure very much so long as the army is at its present strength. Savings may perhaps be effected by the strenuous efforts of the Financial Member in connection with the Military Department. But no one but an expert can deal with that mass of details. There are, however, one or two items to which I should like to call the attention of the Council. One is the Commissariat. Commissariat charges are always increasing—there are twelve lakhs more charged for the Commissariat this year, and former years show a strong tendency to increase. I have tried to

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discover how this has come about, but it is too mysterious a subject for an outsider like myself. As far as I can gather, there are one or two elements in it which involve some amount of uncertainty. There is a system of compensation for food in the Native army by which there is an allowance made to the men when the bazar rate for certain provisions or grains goes above a certain point, and this, so far as I can make out, appears to be based upon certain price-currents certified to by the Commanding Officer. How this price-current is made is not very clear to me; for the Commanding Officer may not always be a very great authority on the subject of prices, and also, if he is a good Commanding Officer and considerate to his men, which is only very natural, he may not be much inclined to be as hard upon them as the Account Department or some of those other Departments which are said to be devoid of any human feeling whatever—I have very often found them disputing about a pice, and I have known a long official correspondence to have taken place in which the amount involved did not exceed two annas. What I wish to say is that Commanding Officers generally are not men of a close-fisted disposition and it is possible they may not revise these price-currents very accurately. I admit that the Commissariat estimates must increase to some extent, because prices have risen, but the question is, whether the increase is not going up too fast. That, however, is comparatively a small matter.

“And now I should like to make a few remarks on a graver and more important subject.

“My Lord, I am perfectly sensible that the question of the reduction of the army is not a question to be taken in hand as a temporary measure to meet a deficit. More than that, I also understand, very well understand, that if you made any reduction, it would not operate as a reduction in that particular year, and that it would not come into effect for some considerable time. I am also further aware that this matter of reduction is an Imperial one and that it is a matter of high State policy. It is one of the ‘arcana of Empire’ and is not a matter to be debated on the housetops, and therefore I do not propose to offer any views of my own on the matter at all. I would only say this, that, so far as I can see, unless the Native troops can be diminished in number there will not be any great reduction in the cost of the army. Whether that can be done or not I do not propose to discuss, but I think I am within my right in saying that, so far as I can see from this Budget, unless this is possible there will be no great reduction in expense. It will be of little profit to howl at the Military Member and urge him to look at and reduce all this enormous ex-

penditure. But I have no doubt that the Financial Member will stir him up to as much reduction as it is possible to effect. One thing is clear, that whatever reduction may be made there is no reduction possible in the British army in India. That, my Lord, even at present is standing below the proportion which was considered by the Commission which sat after the Mutiny to be the safe one, and therefore no question can arise on this point. The question of reducing the Native troops is one upon which I do not offer an opinion. Nor will I say anything more as to the reduction of numbers than that it is the only way in which any large saving can be effected.

"Then there are two or three small points to which I should like to refer to. I observe that Rx. 50,000 or 5 lakhs have been set apart for the Afghan delimitation. This is a very moderate estimate. I only hope it may prove approximately correct. But I think the Financial Member will be a very fortunate man if he effects the delimitation of the Afghan Frontier for this sum. I should not like to take the contract.

"The next thing I observe with great satisfaction is the smaller provision for charges for special expeditions: this saving amounts to Rx. 132,000: this is very encouraging and a thing to be grateful for. The only thing is that the Financial Member may have his hand forced by circumstances in spite of his good intentions.

"On the whole it is a Budget in which the main blot is the non-inclusion of cotton goods in the new taxation, but it is one contingent upon so many things—the absence of small wars, the absence of famine and above all the maintenance of the rupee at 1s. 2d. while its intrinsic value is 10½d., that the Financial Member can do little more than watch the expenditure and pray for a rise in the rupee.

"There is one other subject of meditation which I would take the liberty of suggesting to my hon'ble friend during his sojourn in Simla, and that is succession or death-duties.

"These duties are very unobjectionable in principle and are paid at a time when the person taxed has just received an accession of property through no exertion of his own. There are no doubt practical difficulties, but I expect they could be got over and the tax would be a very productive one. The present position as to succession-duties is very anomalous. The estates of Europeans, Eurasians, Jews, Native Christians and others not being Hindus, Sikhs, Jains, Buddhists or

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Parsis are by the combined effect of the Succession Act and Court-fees Act subject to a succession or death-duty of 2 per cent. including the land. The Hindu who makes a will in Bengal is in the same position. The rest of the inhabitants only pay 2 per cent. under the Succession Certificate Act, 1889, on debts they are obliged to collect through the Court or which the debtors refuse to pay. The Jews are few, and, roughly speaking, it may be said that there is a tax on Christianity in this country, while what the missionaries term the 'heathen' go free. It is time some of the great societies who devote themselves to the religious welfare of this country should raise the cry of free trade in religion. I am aware that this state of things has grown from natural causes so to speak with no intention on the part of Government to favour any religion or nationality. The history of it will be found in the debates of 1889. But this is the present result.

"I now pass on to my last topic, the Home Charges.

"Most of the Home charges, interest on debt, railway guarantees and pensions—are irreducible. Of the £4,000,000 of military expenditure, most of it is in the same position. The charge for stores is being looked to and reduced by getting what can be got in India. But there are old grievances as to past over-payments as regards the army, and this is a chronic irritation as to the charges coming under the head of 'Army effective' amounting to about £800,000.

"This matter was the subject of very serious debates in the House of Lords on the 15th May, 1893, and the 3rd July of that year. They are reported in the 12th and 14th volumes of Hansard for that year. They are very painful reading. They show that the India Office has for over thirty years been systematically overborne by the War Office and the Treasury, that there are old grievances to be redressed as well as the future effective charges to be settled on a more equitable basis.

"We find Lord Northbrook, Lord Cross and the Duke of Argyle (an ex-Viceroy and ex-Secretaries of State for India) going out through the long tale of remonstrances disregarded and charges imposed against their will—the Persian and Chinese contribution, the use of Indian troops for Imperial purposes without payment, and the impossibility of getting a fair adjustment of the charges made in respect of the prior training of British soldiers sent to India.

"Lord Northbrook even went to the length of suggesting that the Secretary of State and his Council should refuse to pay certain of the charges as

being contrary to the Act, which compels him to appropriate the revenues of India to 'the purposes of India alone'.

"I will not repeat what the noble Lords have so ably expressed. It has made a deep impression in this country. People had long known that there was something wrong, but it was impossible to get the details. In the debate of March, 1890, in this Council (Proceedings, page 155), Sir David Barbour promised to look through the correspondence and said that 'if he found that there was any correspondence or other paper which might with advantage be made public he would propose, with His Excellency's permission, that they be published in the Gazette of India.' No such papers have been produced or published. I would suggest to my hon'ble friend that he should cause the material part of the correspondence to be published or explain why this is not done.

"I fear that the debate in the House of Lords gives the key to it. Lord Kimberley then agreed with the other noble Lords and he sought their aid in this unequal fight against possible further demands. But for the rest he said that the able men who advised him in the India Office were against taking steps to refer the matter to any Commission lest it should result in further demands and charges. He has not moved so far as can be seen since that time.

"Some of the papers mentioned in that debate—letters of 1872 and 1874—have been published and show the strong but unavailing fight then made by the Duke of Argyle and Lord Northbrook.

"But the two later papers mentioned by Lord Northbrook, which bring the discussion up to date, have not been published. They are the 'long and able despatch' from the Government of India of the 25th March, 1890, enclosing a note by the Military Secretary, and the Secretary of State's despatch to the Government of India of the 18th August, 1892.

"As to the India despatch of 1890, stating the principles according to which the Government of India consider these charges ought to be settled, Lord Northbrook said: 'His hon'ble friend (Lord Kimberley) the other day expressed a doubt whether the despatch could with advantage be laid before the House, and, on that ground, he would abstain from moving for it. But if at the end of the present session nothing had been done in the matter, it was only fair that that despatch and other despatches sent by his noble and gallant friend to the Government of India should be produced in order that public opinion might

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be brought somehow or other to support and strengthen the Secretary of State in the difficult position he was now placed."

"The Secretary of State is apparently still afraid to move, but the matter cannot be left here. People in India must be given the means of making up their minds whether they will sit down under what all those noble Lords, and apparently the Government of India, consider to be unfair charges or take the verdict of Parliament.

"The charges in question are mainly comprised under the head Army Effective charges, which amount to between £800,000 and a million. There are also shown the Political charges for Persia, China, etc., which ought to be reduced if not done away, and if fixed should be fixed in silver and not in gold, being Eastern charges. Some of the Non-effective charges are also challenged. The rest of the Home Military expenditure or most of it is, as I have said, irreducible except so far as we can buy our stores in India.

"Now, the Secretary of State and his able advisers may be right in thinking they will get no redress but only fresh claims. But, so long as those noble Lords who spoke in the debate and the Government of India are of opinion that the charges are not fair, public opinion here, so far as I can gather, is unanimous that the matter must be decided and that it is better that it should be fought out rather than it should be said that it is hopeless to urge any claim of India which touches British pockets. Had the Secretary of State known the invincible tendency of the natives of India to carry every matter up to the ultimate Court of appeal, he would not have resolved on this course. He would have bethought him of the Madras litigant who petitioned in vain up to the Secretary of State and had many petitions returned as not having come through the proper channel, and who wound up with a last despairing petition to 'Almighty God, care of the Governor of Madras.' With all our faults as a nation, I hold to the belief that there is a strong spirit of justice and fair play underlying the British character which will answer to a clear and ringing appeal. I do not doubt the desire of the House of Commons, the ultimate arbiter, to do justice; the fear is that the case is too complicated and the issues may get confused. The risk must be faced and the controversy decided one way or another. It is a political necessity it should be. I hope the result will not show us, like the worshippers of Baal, crying to deaf ears while the Secretary of State and his able advisers in the India Office mock us, saying 'cry louder; peradventure he is asleep or on a journey.'

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“The feeling of injustice has been intensified by the exemption of the cotton goods. People say—‘you demand gold from us which competent authorities say you are not entitled to in equity or law, and you refuse to allow us to impose equitable taxation to pay it.’

“For the rest, I am glad to see there is a diminution in the Secretary of State's Budget for the year in respect of salaries—some redundant officials have disappeared—*inter alia* a ‘senior supernumerary clerk’ and an ‘Assistant Private Secretary.’ There is a saving made of a little over £4,000 in India Office salaries. The pensions appear, however, to be very heavy and on a very liberal scale, though I have not sufficient information as to the principle on which they are granted to comment upon them, except that Indian officials, who already have Indian pensions, seem to get fresh pensions from the India Office, and that India contributes to the pension of the Chairman of the Board of Inland Revenue because of his former services as Deputy Director of Military Accounts at the India Office.

“As to those ancient pachyderms the War Office and Treasury, they guard each their own interests and look at nothing else. The more charges they can throw on India to their own relief, the better they are pleased. As to getting a refund from them, it is like trying to get a pat of butter out of a dog's mouth.”

The Hon'ble DR. RASHBEHARY GHOSE said :—“My Lord, the spectacle of a Finance Minister struggling against adversity cannot fail to call forth our respectful sympathy, and Mr. Westland has shown that, although he is obliged to pursue the wrong, he both sees the right and condemns the wrong he is doomed to pursue. My labours have, I am glad to say, been considerably simplified by the previous speakers, who have spoken with an authority and experience which I cannot pretend to possess. I will, therefore, confine my observations only to one or two features of the Budget we are met to discuss. I am sorry to say, my lord, that the Financial Statement which has been placed before us confirms the worst misgivings felt by the public when cotton goods were excluded from the Tariff Act. The bulk of the Famine Insurance Fund has been appropriated to the purposes of general administration, while the Provincial Governments have been also called upon for contributions out of their not over-abundant means. In the words of the Hon'ble Finance Member, this last measure ‘practically means the stoppage for the time of all administrative improvement, a measure which they feel must take all the heart out of Provincial Governments, by making them surrender all the fruits of careful administration to fill the yawning gulf of our sterling payments.’ The suspension of the

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Famine Grant, or the Famine Insurance Fund, as it is generally and properly called, is a still more serious matter, the gravity of which cannot be over-estimated. In introducing the Tariff Bill, the Hon'ble Mr. Westland said—

‘The next head—that of FAMINE—includes, besides what is usually a small amount of actual famine expenditure, the grant which we make out of our surplus revenues, when we have any, towards protective irrigation and protective railways. We have at present a compulsory expenditure under the last category of about Rx. 380,000 towards the loss accruing to Government on account of the Bengal-Nagpur and Indian Midland Railways. This amount is now shown in the Railway account, but the balance of Rx. 1,500,000, after this loss is met, is used, when we are able to afford it, for actual construction of railways and canals.’

“Now this language can hardly, I venture to think, be reconciled with the declarations of Government when the fund was first created out of the proceeds of certain taxes which were imposed for the first time in 1878 by the Government of Lord Lytton. The previous speakers have already referred to the pledge repeatedly given by his Lordship and I need not further dwell upon it.

“On the 27th December, 1877, Sir John Strachey, in laying the Financial Statement of the coming year before the Council, thus explained the objects of the fund:—

‘Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.’

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‘I feel confident that I shall be able to satisfy the Council and the public that the resolution which the Government has proclaimed will be faithfully carried out, and the proceeds of these new taxes will be expended for the purpose of providing what I have called an insurance against famine, and for no other purpose whatever.’

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‘The object which I thus stated is a perfectly simple one. These new taxes are required for the sole purpose of giving us, year by year, a sufficient surplus of income over expenditure, to meet these famine charges, which had not hitherto been taken into consideration in our yearly accounts.’

„It is true that some Finance Ministers have since declared that in their opinion the Famine Insurance Fund could be resumed a case of imperative necessity, but these declarations are opposed to the solemn pledge given by

Lord Lytton as the representative of the Queen-Empress in India. But suppose, in a very exceptional case, to avoid exasperating sacrifices or the imposition of extravagant burdens, to use the language of Sir Auckland Colvin, the Famine Insurance Fund may be trenched upon, has any such case been made out in the present instance? I submit not, and I fear, my Lord, the public would continue to believe that the fund which was created for the purpose of developing the resources of the country and of saving the lives of millions from famine has been sacrificed for the purpose of serving the interests of a few English manufacturers. And this brings me to another question—the exchange compensation allowance—a subject on which I will only say that opinion is very much divided. Now, the question will be asked, even by moderate men, at this moment whether it is either fair or just that the taxes raised for the purpose of protecting the people from famine should be applied to increasing the salaries of the European servants of the Government. I find that the Hon'ble Mr. Westland in his speech in introducing the Tariff Act said :—

‘There is another serious burden, arising from this same fall in the value of the rupee, which we have to bear, namely, the compensation which we have to pay to our European services for the fall in the exchange value of their salaries. The necessity for this had been pressing itself upon the Government for some time, and it was only with some hesitation that the Government decided, when the Budget Estimates last year were under consideration, that the decision on the question must be put off until the settlement of the currency measures then under consideration of the Herschell Committee. When these measures were settled, the announcement was made that an allowance would be made to the class of Government officers to which I have referred, of which the amount would be equivalent to the remittance of half their salaries (up to a maximum of £1,000), at an exchange of 1s. 6d.

‘In justification of the necessity and policy of this measure of limited compensation I wish to quote two or three weighty opinions, carefully guarding myself against any mere official utterance, which might under the circumstances be considered to be affected by personal considerations. The first is an extract from the address of the spokesman of the deputation to Lord Lansdowne of February 3rd, 1893, which declared itself as representing merchants, traders, shipowners, bankers, landowners, producers, manufacturers, importers and exporters, and which certainly did not contain a single European official member :—

“My Lord, we freely confess to a strong feeling of sympathy with the servants of Government who find their incomes daily dwindling, and who in consequence are in some cases put to severe straits, such as are calculated to do serious injury to the efficiency of the administration. We realise, in fact, that it will be absolutely impossible for Government to carry on the administration on the present terms. We are strongly convinced, however, that the adjustment of salaries and all other adjustments can only be properly effected by the reform of a currency system which has gradually, but with increasing rapidity, brought the country to the present pass.”

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'The Herschell Committee, whose standpoint was a purely impartial one, reported on the same subject as follows :—

" 17. The difficulties which the Indian Government have in meeting the Home charges are aggravated by the fact that the fall in exchange has led to claims on the part of their officers, civil and military, who receive salaries in rupees, to some compensation for the loss which they sustain owing to the fall in exchange. Many of those officials are under the necessity of remitting a considerable portion of their income to this country for the support of their families and the education of their children. It has been said that prices have fallen in this country during the last fifteen years, and that a smaller sterling remittance will now purchase more than formerly. This is no doubt to some extent true, but it does not apply to all prices. It is a matter of dispute how far the fall of prices in this country compensates for the smaller sterling remittance which the same number of rupees will procure ; but it is certain that, when due allowance has been made for this, the purchasing power of the incomes of Indian officials has been largely reduced.

" 18. It appears that some European employers have felt themselves bound to make an allowance to the Europeans in their service in India sufficient to counterbalance to some extent the loss which they experience owing to the fall of the rupee ; and there can be little doubt that even in existing circumstances, and still more if the fall of exchange continues, the Government of India cannot turn a deaf ear to the appeals of their servants for similar treatment without the danger of engendering serious discontent, apart from the question whether such appeals are just and reasonable."

" We have here, if I may say so without offence, presented to us only one side of the question. With regard to the address of the spokesman of the deputation to Lord Lansdowne, we cannot shut our eyes to the fact that they represented what is known as the Currency Association, and that all that they meant to convey was that the reform in the currency system which they were advocating would put an end to the demand for exchange compensation by the European servants of the Government. With regard to the recommendation of the Herschell Committee, it is to be observed that while conceding that prices have fallen in England during the last fifteen years to some extent it is asserted that some European employers have felt themselves bound to make an allowance to their European servants as compensation for the fall in the value of the rupee, an example it is suggested the Government of India might well follow. I am, however, bound to say that, although I have made enquiries in the matter, I have not heard of any such allowance being made by private employers of Europeans in this country. As I have already said, there is another side to the question which derives peculiar importance at this time from our present financial condition. That view has been presented to Government by the Press, by public speakers, as well as the different political associations in the country. I will here, with the permission of the Council, read a passage from a memorial submitted to Government by the Puna Sarvajanic Association. After pointing out that the supply of educated men in England has increased considerably since the salaries of European servants

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in this country were settled on their present basis, the Association goes on to say :—

‘ The Committee would further submit that the present scale of the salaries of the European officials in this country was fixed at a time when it took six months to go from here to England and when those that came out to India had practically to live the life of exiles, when periodical trips to England could not be thought of, and when, owing to the absence of railways and other conveniences, the Europeans serving in this country had to live for the most part in complete isolation from one another. All these unfavourable conditions of life have, however, now changed for the better. In these days of cheap communication, when railways and steamers have annihilated distance, residence in India cannot be so irksome or costly to the European as it must have been in old times. Under these circumstances, privileged rates of remittances constituted nearly the whole of the indulgence which European officers of Government who had to make such remittances could claim equitably. The present scale of Indian salaries, in the higher grades especially, as compared with the English and Colonial scales, is again so excessively high that, even with silver low as it is, these salaries cannot fail to be a great attraction to English youths. As a matter of fact, competition for Indian posts has not been found to be less keen than ever it was before.

‘ The Committee of the Sabha would, therefore, respectfully pray that, for the reasons stated above, His Excellency the Viceroy in Council will be pleased to reconsider these rules with a view to introduce such modifications in them as would (1) prevent retrospective effect from being given to them; (2) limit the privilege to actual remitters up to certain amount; and (3) exclude Eurasians, who presumably have no English domicile; and (4) lastly, that His Excellency the Governor General in Council will order that no officer who has entered Government service during the last five years, or who may enter it hereafter, should be entitled to the special privilege secured by these rules.’

“ But even allowing every weight to the recommendation of the Herschell Committee, the question now is not whether the Government of India can fairly turn a deaf ear to the appeals of their servants for compensation for the loss sustained by them owing to the fall of the rupee, or whether such appeals are in themselves from an abstract point of view just and reasonable. That is not the question; that is not the issue now. The question is whether, having regard to the present condition of our finances, when, in the words of Mr. Westland, we must follow a programme of retrenchment and of vigilance, intended to tide us over a transition period, the Famine grant should be suspended, even for one year, instead of the compensation allowance. The question now is whether, in order that such allowance should be paid, all administrative improvements should be suspended and even a few lakhs of rupees wrung out of the Provincial Governments out of the fruits of careful administration. In other words, the question is whether, in view of the imperious necessity of filling up the ‘ yawning gulf ’ in our finances, the

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compensation allowance should not either be abolished, reduced or modified, or at least suspended during the period of transition, in preference to the mode which has been adopted for restoring the equilibrium of our finances. In conclusion, I must say that we are all sensible of the difficulty in which the Government of India has been placed owing to the opposition of Her Majesty's Government to the re-imposition of the cotton duties—an opposition which has driven the Government of India to take measures which would seriously retard the improvement of the country, cripple the resources of the Local Governments, and may possibly, in the event of a famine overtaking us, result in the loss of thousands or even millions of lives among the poorer people in this country."

The Hon'ble LIEUTENANT-GENERAL BRACKENBURY said:—"I came into this Council room prepared to answer in detail or in bulk any criticisms that might be made upon military expenditure, and I must say that I have been most agreeably surprised to find how slight those criticisms have been. My hon'ble friend Mr. Playfair said that he did not look on the army as a financial reserve for the Government of India. I welcome that statement, and I think it is an expression of the sound commonsense which is the characteristic of the commercial community in this country. My hon'ble friend Sir Griffith Evans has strengthened the hands of the Government of India in recognizing that it is necessary to keep up a strong British army in this country, and he has generously said that he believes that, if the strength of the army is to be maintained, it cannot be maintained more cheaply than it is now. He has suggested one or two points of criticism to which I shall gladly presently reply, and he has again strengthened our hands, I hope, for the future in pointing out how difficult it would be to maintain such a reduction as that made this year in military works. He has certainly done more for us by that statement than he has done against us by his criticisms in regard to the Commissariat and the numbers of the Native troops, which I am sure I shall be able to meet to his satisfaction. But my hon'ble friend Mr. Playfair invited me to 'meet with the same degree of fulness the arguments raised in certain quarters for the reduction of the military expenditure.' My Lord, I have never seen such arguments. I have seen denunciations, I have seen invectives, I have seen statements and assertions, and I have seen appeals to the Government of India to reduce expenditure, but I have never yet seen one single argument. I have seen no argument put forward by anybody to show that military expenditure in this country could reasonably be reduced. I think that the absence of intelligent criticism may partly be due to the fact that very few people who question the causes of this military expenditure are properly informed, because our military estimates are not, as a rule, explained in this Council in the manner they are in the Parliaments of other

nations ; and I think it is desirable, in the face of the appeal which has been made by my hon'ble friend Mr. Playfair, that I should state as briefly as I can what is the nature of our military expenditure, how that military expenditure is divided between home and this country, and why that military expenditure cannot be reduced. In doing this I will deal with the estimates of the present year as compared with the estimates of the past year, and I wish openly to state here that the Government of India has nothing to conceal in this matter, that it courts the fullest publicity as regards its military expenditure, and that it welcomes and will always welcome any practical suggestions made to it in the direction of economy.

" Our military expenditure may, first of all, be classed under two heads—expenditure in India and expenditure at home. Over expenditure in India your Excellency's Government exercises practically direct control. Over expenditure at home, except as it is affected by India's demand for stores, the Secretary of State exercises entire control. Now, I would first deal with military expenditure in India. Military expenditure in India comes under three separate heads. First, there are what are called the Indian Budget Estimates ; second, the Military Works Estimates ; and, third, the Special Defence Estimates. Taking the Indian Budget Estimates first, these contain provision for the general administration of the army in India, British and Native troops, for the pay of the troops, for feeding them, for clothing them, for the provision of horses for the mounted troops and for army transport, for medical and surgical attendance on men and horses, and for the provision of all the weapons and material of war. Last year, in speaking in this Council, I pointed out that from 1884-85, which was the year when military expenditure had touched its lowest after the Afghan War, there was a great jump in the year 1885-86. That year was a year in which the army, both European and Native, was largely increased and resolutions were taken to prepare for mobilization, and to have the army at all times fully equipped and ready for war. I showed that between 1885-86 and 1893-94 there had been a rise of Rs. 62,00,000 in the Military Budget Estimates ; but that, of this Rs. 62,00,000, Rs. 57,50,000 were due to the fall in exchange, and that the actual increase in all those years, apart from what was due to fall in exchange, was only Rs. 4,50,000. Now, we have almost exactly the same tale to tell this year. It is essential that I should deal with net figures in dealing with military expenditure, for our receipts in many items rise directly with our expenditure. The net figures of the Budget of 1893-94 that is, last year, were Rs. 14,98,16,000. The net figures for 1894-95, that is, the present year, are Rs. 15,41,67,000, showing a rise of Rs. 43,51,000.

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Of this, Rs. 39,00,000 are due to exchange, leaving as due to other causes a rise of Rs. 4,50,000 this year. This rise of Rs. 39,00,000, to explain it more closely, is made up in this way. There is a sum of Rs. 46,50,000 for exchange compensation, and there is on the other side as against that the sum of Rs. 7,50,000 due to the British soldier's pay, which is taken, subject to revision, at 1s. 3½d. instead of 1s. 2¾d. Now, we have, as I have said, in our estimates a sum of Rs. 46,50,000 for exchange compensation allowance. That exchange compensation allowance has been attacked to-day in this Council, and I will endeavour to show why I think it is absolutely necessary that it should be given to all the officers of the army. The pay and allowances of the officers of the Hon'ble East India Company's service were fixed in the last century. They were composed of two parts. They included British pay, converted into Indian currency at the rate of 2s. 6d. to the rupee, together with certain allowances fixed in rupees. We have three classes of officers now; first, the officers of the Indian army. The few of them who still remain receive exactly the same pay and allowances as in the old Company's days. Secondly, the British officers. The pay and allowances of the British officers were fixed in the days of the Hon'ble East India Company. The principle followed was to make their pay and allowances, as a whole, equal to those of officers of corresponding rank in the Company's service: this equalization was carried out in 1797 and 1811. While as regards the third class of officers, that is, the officers of the Staff Corps, their pay was fixed in 1861 at identically the rates of the lower scale which had for many years been in force for infantry officers of both the Hon'ble East India Company's service and the British service when not in the field and when serving within two hundred miles of the seat of the Government of each presidency. Thus, the basis of pay of all the military officers serving in India is the pay of the same ranks in England converted at the rate of 2s. 6d. to the rupee, and the allowances in rupees were fixed at a time when the commercial value of the rupee had never, I believe, fallen below 1s. 11d. and when the Government rate of exchange had never fallen below two shillings. Now, with a rupee at or below 1s. 3d., as it now is, it is evident that the sterling value of the allowances of these officers has fallen 50 per cent. and that the sterling value of their pay has fallen 37½ per cent., while I think that no one can deny that the cost to a British officer of living in India has risen rather than fallen, that there has been a general rise in the price of British goods, and that there is ample evidence to show that prices in India are rising rather than falling as apart from British goods. Under these circumstances, the rate of their pay having fallen 50 per cent. and of their allowances 37½ per cent., so great was the

hardship from which officers were suffering that some measure of relief had become not only an act of the most elementary justice but an act of absolute necessity.

"Now, turning from the exchange compensation allowance to the question of the Military Budget Estimates, I said that, setting aside the differences due solely to exchange, there is a rise this year over last year of Rs. 4,50,000 in the estimates which has to be accounted for. One item alone, and a very unforeseen item, very nearly accounts for it. We had a very bad fire at Peshawar last autumn, and Commissariat godowns, containing great quantities of stores and equipment, were burnt to the ground. The replacing of these stores will alone cost over Rs. 3,80,000. The second item—an incidental item it may be called—is this. Last year, by a mere chance, one of our cavalry regiments was absent for half the year, having been sent to Egypt, and therefore we only took into account in last year's estimates the maintenance of that cavalry regiment for half a year. This year we have to take it for the whole year. That gives Rs. 3,10,000, making, with the above sum of Rs. 3,80,000, on these two items alone a sum of Rs. 6,90,000 as against our total rise of only Rs. 4,50,000.

"The estimates vary in their items and details very much from year to year. Increases in one part of the estimate are met by decreases in another. Decreases, I am sorry to say, are generally more than balanced by increases. I do not wish to trouble the Council with details, but there is one item of increase which I think it is necessary to speak about, and the more so because it is one of those which formed the subject of criticism by my hon'ble friend Sir Griffith Evans. And that is the question of the Commissariat accounts. These show in the estimates for this year an increase of Rs. 4,90,000 due to rise in the price of food. There was also an increase last year due to the same cause. I made this the subject of a special enquiry and was furnished by the Commercial branch of the Finance Department, through the Commissary General, with some figures as to prices in India which I think Hon'ble Members of this Council will find, as I did, somewhat startling. The number of seers of different articles of food which can be purchased for a rupee at different stations, and certain characteristic stations, were taken, and going back to the year 1884, the lowest, as already explained, in military expenditure, since the Afghan War, I find that the price of rice has risen 38 per cent. between 1884 and 1892 on the average of Madras and Rangoon; wheat, which we have taken for seven stations, has risen 72 per cent. between 1884 and 1892; barley, which is one of our most important items as food for horses, has risen 85 per cent. between 1884

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and 1892; and the price of gram has increased 49 per cent. between 1884 and 1892, taking such stations as Cawnpore, Delhi, Rawalpindi and Karachi. Now, this is a very remarkable fact, and when my hon'ble friend Sir Griffith Evans asked whether we would enquire whether the Commissariat prices have not risen a little too fast, I am happy to inform him that the Commissariat prices have not risen so fast as the prices given to us by the Commercial Branch of the Finance Department.

"I now come to another subject of friendly criticism by my hon'ble friend Sir Griffith Evans,—the question of compensation for dearness of food to Native soldiers and the compensation for forage also given to Native soldiers in the silladar cavalry regiments. Sir Griffith Evans seems to think that the rates of compensation were solely dependent on the certificate of the Commanding Officer. That is not so. It is perfectly true that a certificate is sent in by the Commanding Officer that these were the ruling rates in the bazar at the time, and that upon that the claim for compensation is admitted. But that claim is subject to what I consider a most important check. It is subject to audit in the Controller's office, it is subject to check by what is known as the *nirik* prices, which are not prepared by the Commissariat Department or by the Commanding Officer, but by the Civil Officer of the district, and which are certified to by him; and that is the check upon any possibility of collusion between the Commanding Officer or his men, which would be very unlikely, or between any one in the Commissariat Department and the men. That is, I consider, a most necessary, separate and independent check.

"I do not know that, as regards these Indian Budget Estimates, I need trouble the Council any further. I have shown that, apart from exchange, there is a rise of Rs. 4,50,000 this year which is due to circumstances over which we have no control.

"The next matter to which I will refer is the Indian Military Works Estimates. These estimates provide for the construction and maintenance of all military buildings for British troops, and in certain places for the barracks for Native troops, for military roads, for the maintenance of all our defensive works, and for the construction of all such works, other than some to which I shall presently allude, that have been provided for in the Special Defences Estimates. Upon these Military Works Estimates fall the cost of water-supply and drainage of our cantonments and all barrack establishments, also the construction and

maintenance of military hospitals. Those of this year show a reduction of Rs. 19,42,000 over last year. Now, I may say at once—and in doing so I am speaking for the Government of India as well as for the Commander-in-Chief and myself—that we have agreed to a reduction this year to meet a financial difficulty; but it will be very easy for me to show how impossible it would be for such a reduction as this to be continued. The system of devoting a fixed grant to military works was settled in 1880, and it was then arranged to give one crore of rupees for military works. That was 21 per cent. below the average expenditure of the previous five years, which had varied from Rs. 1,18,00,000 to Rs. 1,33,00,000 per annum. And therefore the fixed grant given in 1880 was 21 per cent. below the average expenditure of the previous five years. Since that time all the following additional causes of expenditure have been thrown upon the crore :—there has been an increase of 10,000 British troops; Baluchistan has been occupied and barracks for the troops have been built; Upper Burma has been annexed and barracks for the troops have been built there; and in addition to that the great demands of sanitary science have compelled us, and rightly compelled us, to do a great deal more for the health of the troops than had been done previously; a water-supply—above all, a pure water-supply—is one of those things which we have endeavoured to obtain for the troops. In 1880 also it was only to the needs of British troops that this crore was applied, but since then we have had to send Native troops to out-of-the-way places like Baluchistan, where they have to live in severely cold climates, where such huts as they can build with unskilled labour are utterly insufficient, and consequently we have been obliged to build lines for them; and this again and the maintenance of these buildings are drawn from the crore. Last, but not least—the straw that breaks our back—there has come this year upon the crore the charge for exchange compensation allowance for the establishments maintained by that crore. The result is that, though we have agreed to this temporary reduction to meet a financial difficulty, it means practically the undertaking of no new works, the diminution of the amount for repairs desirable to military roads and buildings, and I would say an almost complete stoppage of all sanitary improvements.

“I now turn to the Special Defence Estimates. These Indian Special Defence Estimates contain provision for the original works of certain special defences, such as the defences of the seaports of Calcutta, Bombay, Madras, Rangoon, Karachi and Aden, and the defences of the passages of the Indus and the defences of Quetta. The maintenance of these special defence works will fall again upon the Military Works Budget.

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The Special Defence Estimates are only for the original works. In 1890-91 the Special Defence Estimates in India were Rs. 53,66,000; for 1894-95 they are only Rs. 15,23,000; so that there is a diminution here of Rs. 38,43,000. This is due to the fact that the expenditure on original works is coming to an end, and also that we have taken as little as possible this year of the amount remaining to be spent.

"Thus, taking all these different estimates, as far as India is concerned, there is an increase of Rs. 43,51,000 on the Military Budget Estimates as against a decrease of Rs. 57,85,000 on the Military Works and Special Defence Estimates, which gives a total reduction as compared with last year of Rs. 14,34,000, a reduction which, had it not been for the exchange compensation, would have been Rs. 60,91,000.

"I will next speak of expenditure at home. Expenditure at home comes under three different estimates. These are what may be called the Army Estimates for Effective Services; the Army Estimates for Non-Effective Services; and lastly, the Special Defence Estimates. In 1893-94 the Effective Army Estimates were £2,244,100. This year they are £2,069,200. There is therefore a reduction in the Effective Army Estimates at home of £174,900 this year. Of this reduction we can really only claim here in India the credit for £10,000. We have made our demands for stores this year less by £10,000 than they were last year. The remainder is due to a regulation of payments between the Secretary of State for India and the Secretary of State for War. It is always a complicated business, and we never can know how much we shall have to pay in one year and how much will hang over for the next; but I can only say that the whole of those effective estimates are due to payments under the orders of the Secretary of State which it is very difficult indeed for us to check. As regards the Non-Effective Estimates, those for 1893-94 were £2,253,400; those for 1894-95 were £2,351,600; giving an increase this year of £98,200. That increase has as yet been scarcely explained to us by the Secretary of State. We cannot control that. It is practically a question of our share of pensions, deferred pay, and so on, for the British army, and it is a question of pensions also to the officers of the Indian Services. The rise or fall in it is automatic and practically out of the control of the Government of India.

"Next, as to the Special Defence Estimates at home. Last year, that is, 1893-94, they amounted to £174,700. This year they are £22,600, showing a

decrease of £152,100. Now, whereas the special defences in India are for works, the special defences at home are for armaments, and these home Special Defence Estimates show this great reduction for the same reason that the Indian ones do, namely, that the works and the armaments are coming to an end.

"The summary of all this is that on the whole the Home Military estimates this year as compared with those of last year show a total reduction of £228,800, or something like Rs. 39,00,000 at 1s. 3d. exchange. The total reduction upon the whole estimates at home and here amounts to Rs. 53,34,000, and that after taking into account exchange compensation allowance, but for which there would have been a decrease of a crore.

"I have thus shown that we have effected this year a very considerable decrease in our military expenditure both in India and at home.

"And now I wish to say a few words on the general question of military expenditure. First of all, as regards those home charges to which my hon'ble friend Sir Griffith Evans has alluded. It is well known that the Government of India has long held that the home charges were greater than the Government of India thought that they ought to be. The Government of India has made repeated representations on that subject to the Secretary of State, and the Secretary of State has,—there is not the slightest doubt,—given to those representations his most earnest attention. The question of outstanding accounts between ourselves and the War Office had attracted a great deal of attention, and a committee was formed with Lord Northbrook as president which took the question of these payments into account. The result was a very considerable diminution on the recommendation by Lord Northbrook's Committee of the amount which India had to pay to England, and the fixing for the future of a capitation grant of so much per head per man to be paid to the War Office in lieu of the old system of assessing those charges year by year. That no doubt has effected a considerable reduction in our expenditure. But we were still not satisfied; and not long ago—my hon'ble friend Sir Griffith Evans has quoted the date of the Despatch as having been mentioned in the House of Lords—we did in 1892 address the Secretary of State and ask him to have this question still further taken into consideration by a Royal Commission; but the Secretary of State has replied to that Despatch, and he says that he does not consider that the questions at issue are such as can be taken into consideration by a Royal Commission; that they involve questions of great

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Imperial policy, and therefore he does not think it desirable to adopt our suggestion. It will still be open to us, I presume, on any particular points, to press for any change or to invite reconsideration by the Secretary of State.

- “As regards Indian charges, that is to say, military expenditure in India, with which I am of course more directly concerned than with the home expenditure, the position of the Military Member of Your Excellency's Council is always a very difficult one. He has, as it were, a double responsibility. He is jointly responsible with the Commander-in-Chief for the efficiency of the army; for under him (the Military Member of Council) are those great services the Commissariat and Transport Department, the Ordnance Department, the Military Works, the Remount Department, on the efficiency of which the efficiency of the army very largely depends. He has, therefore, a joint responsibility with the Commander-in-Chief for the efficiency of the army and also that great responsibility which he shares with every member of Your Excellency's Council—the responsibility for economy and in such a time as this the responsibility for keeping expenditure down as low as possible. It is never an easy task. In times of financial pressure it is a most onerous task: My hon'ble friend Sir Griffith Evans spoke in the recent debate on the Tariff Bill of my hon'ble Financial colleague grovelling in the dust-heaps among fish-maws and shark-fins to meet a deficit of $3\frac{1}{2}$ crores. I think, if he were to see the Military Secretary, Sir Edwin Collen, and myself wrestling with such questions as whether we should allow another kerosine lamp in the ward of a hospital or another sweeper in a camp in the hills, or whether we should allow British soldiers in the hills to have hob-nails for their boots, I think he would extend the same pity to us as he has extended to our Financial colleague. I can only say that it is only possible to carry out this task if the Military Member has, as I have had, a Financial colleague who wisely recognises that there is a point beyond which it is impossible to effect reduction; and a Commander-in-Chief who, with broad and statesmanlike views, has accepted the difficulty of the financial situation and has been willing to aid me in reducing expenditure. But I think that if my hon'ble friend had seen the Commander-in-Chief and myself with a long list of items before us—items every one of which we had accepted for consideration in the estimates, recognizing that each one would either improve the efficiency of the army or the health or the comfort of the soldier—and if he had seen us ruthlessly compelled to strike out these items one after another, some of them amounting to a few rupees, some of them to lakhs of rupees, because of the financial situation, I think he might have used another scriptural simile and might have rightly compared us to two fond and loving fathers of families who were ordered by Herod to take part in the massacre of the innocents.

"My Lord, the fact of the matter is that the bulk of the Indian Military Budget Estimates cannot be touched. These Estimates are based upon fixed numbers of troops, fixed rates of pay and allowances, fixed scales of food and clothing, fixed armaments and fixed reserves of stores. The establishments are kept as low as it is possible to keep them, and there are only three possible methods of effecting a reduction of military expenditure. These are (1) either reducing the number of troops, or (2) reducing the pay of the troops, or (3) reducing the reserves of stores. Now, I will deal with the last first. There is hardly anything more easy than to effect a reduction of military expenditure by reducing the reserves of stores. It is so easy that there is great temptation to do this whenever a Government finds itself in financial difficulty; but I believe it to be the most wicked and the most wasteful thing which can be done, especially in India. I was a member in England a few years ago of a Royal Commission of which Lord Hartington was chairman on the military and naval administration of the United Kingdom. Lord Hartington had been Secretary of State for War and Secretary of State for India. Other members of that Commission were Mr. Smith, who was at the time First Lord of the Treasury and had been Secretary of State for War; Lord Randolph Churchill, who had been Chancellor of the Exchequer and Secretary of State for India; and Mr. Campbell-Bannerman, who had been previously, and now is, Secretary of State for War. On many points we may have differed, but on one point we were absolutely unanimous, and that was that we thought it so dangerous, even in England—this temptation of Governments to reduce their reserve of stores in order to get money in time of emergency—that we unanimously agreed that it should be an instruction to Secretaries of State to publish to Parliament what was the authorized reserve of stores and how far the reserve in every department corresponded with the authorised reserves, in order to put it out of their power to reduce these reserves without its being known to the public. If that course be so wasteful and dangerous at home, where you have all the great manufacturing establishments in England at your disposal, how infinitely more dangerous and wasteful would it be in India, where we are dependent upon England for the greater portion of our materials of war? The second method which I have indicated is that of reducing the pay of the British troops. You cannot reduce the pay of the British soldier. It is based on contract and is untouchable by you. It would be most unjust and you cannot do it. And, as regards the Native troops, I would wish to point out that here, as in England, ours is the only one nation in the world whose proud boast it is that every soldier in the army is a volunteer. We have

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no conscription, and if you are to keep up a volunteer army you must go into the market and pay such a rate as will get you the right class of recruit. All my information goes to prove that it would be quite impossible to reduce the pay of the infantry soldier of the Native army below what it now is, and we have only recently had to raise the pay of the soldiers of the silladar cavalry in order to get the right men.

“I come at last to this question, can the numbers of the army in India be reduced? That is not a question on which I would personally wish to express an opinion, for this reason, that the strength and number of the troops as they now are have been definitely fixed by the Government of India and the Secretary of State. After reviewing the condition of India, they have been fixed according to what is considered necessary for safety against external and internal danger. That strength is reviewed by the Government of India from time to time, and has recently been reviewed by us and by the Secretary of State, and no reduction of the army in India can be made by the Governor General in Council alone. No reduction can be made except on well-considered grounds, carefully studied and so reasoned out as to convince Her Majesty's Government; because the strength of the army in India is not only a question of Indian but is a question of Imperial policy.

“I wish I could say that, even with the present strength of the army, there is no probability of a rise in military expenditure, but I cannot honestly say that. I have shown one steady cause of increase—increase in the food prices; food alone amounts in our budget estimates to 180 lakhs per annum. Wages too have undoubtedly risen; we cannot get followers for the same wages as formerly. We have been obliged in some instances to raise the rates of their pay, and I am very much afraid that further rises may take place. Special defences erected out of the Special Defences Grant are now all perfectly new, but by and by they will require renewal and their renewal will fall upon the Military Works Grant. All those things which we have to purchase at home are increasing in cost. As the rupee falls prices rise, and not only is our British cavalry largely, but our British artillery is entirely dependent upon Australia for horses, and Australia is a country with a gold currency. The volunteers are a constant and steady source, I am very happy to say, of increase in our military expenditure, because their numbers and the numbers of efficient are constantly increasing. Sanitary demands upon us cannot, I venture to think, be withstood. A pure water-supply and better sanitation for our cantonments, in order that that curse and scourge of India, enteric fever, may be reduced—these are absolutely necessary; and above all things there is one class of our estimates

in which expenditure has risen—and if science continues to go on doing for military armaments what it has done in the past, expenditure will continue to increase in a most extraordinary way. I refer more particularly to the ordnance part of our expenditure. To give you some idea of what these changes in armament mean with regard to increased expenditure I will cite a few instances. We have recently re-armed our field batteries with 12-pr. breech-loading guns instead of 9-pr. muzzle-loaders. The 9-pr. muzzle-loading gun cost £90 and the 12-pr. breech-loading gun costs £270; that is three times as much as the 9-pr. The 9-pr. battery cost £2,652, while the 12-pr. breech-loading battery costs £5,325. Again, we have recently armed our British infantry with the Lee-Metford magazine rifle. The rifle itself costs little more than the Henry-Martini, but its ammunition costs Rs. 103 per thousand rounds as against Rs. 52 per thousand rounds for the old rifle. The shells for the 12-pr. cost £68 per hundred and shells for the 9-pr. cost only £15 per hundred. The sights of a 9-pr. again cost £2 apiece, while the telescopic sights for the 12-pr. cost £12. To turn to the larger ordnance. It is a very long time, quite a matter of ancient history, since I joined the army. But when I joined the army the largest gun was a 68-pr. and the price of it was £97. The price of a 10-inch gun mounted in India now is £10,000, and only a few years ago, before your forts were re-armed, the 9-inch gun mounted in India cost only £1,500. The projectile of the largest gun in the service now costs £23, so that four shots from the largest gun in the service now cost as much as the largest gun cost when I joined the army. These facts will give you some idea of the uselessness of talking about reducing military expenditure in the face of the greatly increased expenditure arising from improvements in armaments and weapons of precision which have resulted from the progress of modern science, a charge which in the nature of things too must ever go on increasing, and which will always add very greatly to our financial difficulties. All that I can promise to do is to use every effort to keep down military expenditure consistently with the efficiency of the army for war. The most searching enquiries are in progress into all causes of increase, and will be pushed home. A system of control which we have lately introduced will enable the Military Member of Your Excellency's Council to keep his finger on the pulse of military expenditure constantly in a way that I think it had been impossible to do before. Every rise of that pulse will be marked, and such remediet as are possible will be applied. But, I repeat, our Army, British and Native, is an army of volunteers, and I could conceive no more dangerous or foolish course than to push economy to the point of either diminishing efficiency for war, or creating discontent in the army."

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[*The Lieutenant-Governor.*]

His Honour THE LIEUTENANT-GOVERNOR said :—" I have a few remarks to submit to Your Excellency's Council on the subject of the so-called Famine Insurance Fund. I do not propose to join the noble army of those who have so often and so unsuccessfully attempted to explain away the misconceptions which have grown up round this unfortunate phrase, or to enlighten the invincible ignorance which prevails on the subject in the minds of the public. I call it an unfortunate phrase because a surplus and an insurance fund are things totally different in character. An insurance fund must be kept up regularly or the insurance is vitiated: a surplus is a result which you may aim at but which circumstances beyond your control may make it, as now, impossible for you to achieve. If this unfortunate phrase had not been in use it would have been unnecessary for my hon'ble friend the Finance Minister to say that he intended to suspend the Famine Grant; it would have been sufficient for him to say that, as he had a deficit, he had not got a surplus. But even here, in the purest region of official thought and language, a misconception is created by the use of this misleading term. The Hon'ble Finance Minister has told us that he has got a deficit of three crores to meet. But, when he says that, he does not mean what you or I should mean if we used that expression, nor what the public thinks he means. He has really only got a deficit of two crores, that is to say, his estimated expenditure exceeds his estimated receipts by two crores. But he would like to have a surplus of a crore and to spend it on reducing debt or on protective public works; and compared with that ideal position his revenue is too small by three crores.

" But, my Lord, my object in addressing the Council to-day is not to dispute about the use or meaning of words, but to ask the Council to consider the question, how this resolution to provide, if possible, an annual surplus of $1\frac{1}{2}$ crores arose, and whether the conditions have altered so far that the necessity for such a provision has wholly or partially passed away.

" The original calculation of the amount of the so-called Famine Insurance Fund was made in this way. In the ten years preceding 1878 there had been two great famines, or rather one great famine—that of 1877—and one severe scarcity—that of 1874. In these two cases the expenditure on famine relief, including remissions of revenue, had been $15\frac{1}{2}$ crores of rupees. But, assuming that this expenditure had been somewhat exceptional, the Government estimated that 15 crores might be taken as the amount that would ordinarily be spent on famine relief in ten years, and therefore they decided to provide a surplus of one-tenth of that sum, or $1\frac{1}{2}$ crores, each year which should be spent either on reducing

debt or on protective railways, so that, when the next famine came upon us, it would cost less to meet it, because we should have an enlarged railway system by which to transport food, or, if we had to borrow, we should be in a better position to do so, and should not have increased the total volume of our debt.

"Nearly at the same time the Famine Commission approached the problem from a different direction. They held that the maximum number of persons to be relieved in the worst conceivable year was $2\frac{1}{2}$ millions, and the cost of such relief, at Rs. 50 per head, was $12\frac{1}{2}$ crores. Calculating from past experience, they estimated that the average number to be relieved in a series of years would amount to a little less than 250,000 persons, and the cost of such relief to $1\frac{1}{2}$ crores per annum. Their estimate, framed in 1880, was therefore a little lower than that framed by the Government of India in 1878, and the convergence of these two independent modes of calculation justified the belief that the amount which it was intended to provide as a surplus ($1\frac{1}{2}$ crores) was not likely to be exceeded as the average charge for famine relief over a series of years.

"Speaking in this Council in 1877, Sir John Strachey said :—

'Unless it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenue will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned (that is, $1\frac{1}{2}$ crores,) to this sole purpose.'

"I venture to think that the time has come for enquiring whether the grounds on which this figure of $1\frac{1}{2}$ crores was arrived at still remain unchanged. My hon'ble friend Mr. Playfair has led up to this enquiry by his question in the speech we have just heard, whether the Government of India is now prepared to say—and he presumed it is not—that an adequate network of subsidiary railways has been completed throughout the Empire, and that the precautions initiated for the protection of the people from the financial as well as from the material consequences of famine have been completed. I shall attempt to show that so large a sum is no longer required for the special purpose of providing against the expenditure likely to be incurred when a famine visits us, although it must always be desired that a surplus of this amount should exist and should be available for the development of the resources of the country.

"I begin by reminding the Council that the calculations made by the Famine Commission shewed that the provision of 20,000 miles of railway, nearly half of which had been completed at the time the Report was written, would suffice to ensure the means of sure and speedy transport of food into

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every part of India that is liable to be afflicted with famine. The cost of constructing an additional length of 10,000 miles of railway was estimated by them at sixty crores of rupees. But they went on to say that 'it was probable that less than one-half of the length first named, or 5,000 miles, in addition to the existing lines, would go far to remove all future risk of serious difficulty in supplying food to any part of any district in the whole country.' The number of miles of railway open at the end of 1893-94 was 20,395; and though this includes some military lines on the frontier, and some others which only indirectly serve for the transport of food, it may safely be said that we have more than covered the minimum of 5,000 miles of additional lines demanded in the above quotation.

"The next point I wish to bring forward is that the Famine Commission drew up (page 172 of their Report, Part II,) a list of the railways which they thought specially requisite for the purpose of protecting the parts of India most exposed to famine. They specified in the Punjab, the tract north and north-west of Delhi irrigated by the Western Jumna Canal; in the North-Western Provinces, the province of Bundelkhand; in Bengal, the districts of North Bihar and Bhagalpur, and country to be traversed by the East Coast Railway from Calcutta to Cuttack and on to Madras through the Godavari and Kistna Deltas; in Madras, the Ceded Districts, which ought to be put in communication with the same deltas; in Mysore and the Bombay Dekkhan, certain projected lines connecting those districts with the existing railways and with the sea. The Council is probably aware that the whole of this programme, except the East Coast Railway, which is still in hand, has been carried out. We have constructed the Delhi-Umballa-Kalka line, the Rewari-Ferozpur line, the extensions of the Tirhut and Northern Bengal line, the Indian Midland, the Southern Mahratta system, and the Nellore and the Bezwada-Guntakul Railway, and we have made two important protective railways besides which the Famine Commission did not contemplate, the Dharmaveram-Mutupet, which runs through some of the poorest parts of the Madras Presidency, and the Bengal-Nagpur, which, though not penetrating a region likely to be visited by the famine, taps the rich districts of Chattisgarh and enables their food-stuffs to be carried to the relief of distress in other parts of India. The total mileage of these lines is 4,896 miles, and the East Coast, which is unfinished, if carried out to Madras and to Calcutta, will add about 1,070 miles to the number. We have thus in these fifteen years carried out almost all the schemes which the Famine Commission held to be necessary for the protection of the country against famine, and two useful schemes besides, and it is a reasonable thing for us now to reckon up

the results and to consider what remains to be done. Have any defects been discovered in the scheme of the Famine Commission? Is there any tract which they did not know of but which we now know to be specially liable to famine and unprotected against it? I am not aware of any. Speaking with such authority as attaches to me as Secretary to that Commission and with such knowledge as I have gathered in the various offices I have filled since that time, I do not hesitate to say that the only considerable spot in India on which I could now lay my finger as both liable to severe famine and insufficiently protected against it is Orissa. When the East Coast Railway is finished—and I trust that whatever constructive work is starved in this black year my hon'ble friend the Minister for Public Works will not allow this work to be starved—I believe that the work of railway extension with the special object of famine protection will, as far as human foresight can guide us, be completed.

“It seems obvious then, that the results being attained, the efforts for achieving those results may cease or be relaxed. Insurance becomes less costly as the danger from fire decreases. Our house was of thatch. We have rebuilt it in brick and iron. Surely we no longer need the apparatus of water-buckets and the machinery for pumping and the staff for applying the hose which we were obliged to provide before.

“It may be said ‘this is mere *a priori* argument : you think you have provided a machinery for putting down famine, but wait till it is tried. You have fortunately been spared any such visitation as that of 1877 : who can tell that if such a calamity should recur you may not have to pour out money again like water to save life.’ To this I answer that we have been tried and our machinery has been found to work and act successfully. We have certainly not experienced such a famine as that of 1877-78, or of 1868-69, and may we long be spared such visitations ; but, as far as I can judge, we have experienced droughts and climatic conditions similar to those which produced the famines of 1861 and 1874, but we have escaped from experiencing the same effects. The Bengal famine of 1874 was one of those the expenditure on which (about six crores) was included by Sir John Strachey in framing the estimate of fifteen crores as the cost of famine relief in a ten-year period, and I think it is not too much to say that the possibility of such a famine or such an outlay has been stamped out by the construction of the railway system north of the Ganges. In Behar within the last six years, in 1888 and 1891, there was a failure of rain equal or very nearly equal to that which occurred in 1873. My predecessor in 1889 and I myself in 1892 made preparations for a visitation

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of famine, but we had to meet nothing worse than severe scarcity in a limited area. On both of these occasions, in place of the six or seven crores of 1874, we had to spend three or four lakhs of rupees. I say therefore that such a famine as that of 1874 is now impossible, and such an outlay as that will not be again required and need not be provided for. You can wipe six crores out of your bill of fifteen, and even then you will have provided amply, and more than amply, for the worst attacks that fortune can make upon you.

“No doubt the same experience has been shared by other parts of India: I believe that my hon'ble friend Mr. Lee-Warner will bear me out when I say that in the Kaladgi or Bijapur District of Bombay, where the famine of 1877 fell heaviest in that Presidency, there were two years, between 1880 and 1885, when there was an almost complete failure of rain and the blackest anticipations were indulged in. But the newly opened section of the Southern Mahratta line poured in such an ample supply of food that panic never got its head, prices were kept down, and, though the Bombay Government were on the watch and kept many lakhs of rupees in reserve in case of a demand, there was no necessity for any large famine expenditure.

“As a matter of fact, the accounts show that in the last thirteen years the direct expenditure on famine relief has only been Rx. 337,760, or less than 34 lakhs, or than three lakhs of rupees a year. The rest of the surplus has been spent, $5\frac{1}{2}$ crores on protective railways, $5\frac{1}{2}$ on reduction of debt, and $1\frac{3}{4}$ on irrigation works. If therefore the calculation which was made by Sir John Strachey in 1878 were now repeated, it is clear that the Government might be content to provide three lakhs of rupees instead of $1\frac{1}{2}$ crores for expenditure on famine relief proper. If the calculation made by the Famine Commission were now re-made *de novo*, it would be necessary to ascertain the cost of the uncompleted part of the East Coast Railway and of any other railway projects which later experience has shewn to be requisite for the protection of exposed tracts, and to distribute that total amount over a certain number of years, as the provision which it is necessary to make against famine. To this must be added the amount hypothecated to meet the loss on the guarantee on the Indian Midland and Bengal-Nagpur Railways, as long as that loss continues, which I trust will not be many years more. But in any case I trust I have convinced the Council that there is good reason for thinking that it is no longer necessary to set apart so large a surplus as $1\frac{1}{2}$ crores for the definite purpose of meeting the recurring expenditure which the occurrence of famines entail. It is of course always desirable to budget for a surplus, and the larger the better;

but my respectful advice to the Government of India now is that they should reconsider the amount which it is requisite to attempt to provide, and should in future frankly and fairly call it a surplus, and drop the phrase Famine Grant or Famine Insurance Fund altogether."

The Hon'ble MR. WESTLAND said:—"The remarks of Hon'ble Members with regard to myself have for the most part been expressions of sympathy with me in my financial distress, for which I assure the Council I feel very grateful; but the circumstance points to one special feature in the present position. It is this, that the Budget is not put forward by the Government of India as one that is satisfactory to itself; our programme pretends only to be the best that we can frame under the conditions on which we are this year compelled to work. I shall not, therefore, attempt to defend our position upon its merits; the mere fact that I have declared a deficit for the coming year is sufficient to show that the position is indefensible on its merits. The controversy upon this point hangs round the question of the cotton-duties, and that is at the present moment rather in a political than in a financial phase. Its financial aspect has been ably treated by my friend Sir Griffith Evans, who, to use a celebrated phrase, can speak from a position of greater freedom and less responsibility. Every word that he uttered in criticism of the general financial position displayed in the estimates I could easily accept as my own—it is a position of strain which can last only for a limited time, and which we have loyally accepted, for that limited time, under the circumstances already fully laid before the Council. But on this general question I abstain from entering on further discussion, for I could only repeat what I have said on an earlier occasion.

"I wish to say, before I pass from the general subject, how much I appreciate the efforts which were made by the heads of the great spending departments, General Brackenbury and Sir Charles Pritchard, to reduce their demands to the very lowest point. Had it not been for their assistance in this matter, I certainly would never have succeeded in producing in my estimates so low a deficit as only 30 lakhs of rupees.

"Before discussing the larger questions arising out of the debate, I propose to take up one or two smaller subjects to which the Hon'ble Mr. Playfair and other members have made reference. Mr. Playfair, with some justice, complained of the very short time allowed to the community of Calcutta to consider the Financial Statement before our taking up the final discussion. It is due to the misfortune, for which I am afraid I cannot accept re-

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sponsibility, of Easter falling during the week that succeeded the presentation of the Estimates. The Estimates themselves are fixed by certain circumstances within a very narrow limit of time. Our practice is to have everything practically complete about March 10th, and then, before closing the figures, to wait for the reports of the receipts and outgoings of the month of February. These come to us, say, about March 12th to March 15th, and we proceed to make any final corrections in the Estimates which seem on the consideration of February's figures to be called for, close them about March 15th to 18th, so that they are ready, after the necessary examinations, for presentation to the Council about March 21st or 22nd. I mention this in order to shew that in the regular course of business we could not avoid presenting the Estimates just before the Easter holidays. The Hon'ble Member is aware that the curtailment to five days, of the week ordinarily allowed for consideration, was due to arrangements made for the convenience of certain non-official Members who would have been unable to attend on Thursday. I shall do my best to make better arrangements next year, as I shall certainly avoid any cause which would deprive the Government of the helpful criticism of the Bengal Chamber of Commerce.

" Mr. Playfair has asked me certain questions about opium cultivation, and the short crops of the last two years. In the first of these years the shortness of the crop was due to drought, which produced a small crop of high consistency, and in the second it was due to heavy rains, which produced a large maundage but of very low consistency. The causes were, therefore, in both cases climatic. The question of increasing the payment made to cultivators has been already under consideration, but it was impossible to take any definite steps while the whole question of opium in India was under examination by a Royal Commission. The fact is that for years our hands have, in the matter of opium administration, been very much hampered by the persistent calumny and misrepresentation which we have suffered from an English Association of gentlemen, who think that the excellence of their motives is sufficient justification for the baselessness of their statements. We are very glad that the whole subject has, to their dismay, been made the subject of elaborate enquiry instead of a simple condemnation; and, though we do not in any way presume to anticipate the findings of the Royal Commission, we cannot conceive but that, after the evidence which has been made public during the last cold weather, the result will be to leave the Government of India more free to administer its Opium Department in the manner which it knows to be right and just to all interests concerned, without the perpetual presence of the feeling that every step it takes will be misunderstood and misrepresented in England.

"As regards the price of opium taken in our estimates, the Hon'ble Member is right in his supposition that we consider the price to be largely influenced by the fall of silver. China, as he is aware, is a country with a silver currency—a currency which cannot be protected from depreciation in the manner in which we have protected ours. Our opium fetches a certain number of dollars in China, and the Calcutta prices are determined by the China prices. The fall in the value of silver can at any rate have no immediate effect upon the dollar price in China, but it makes those dollars produce a smaller number of rupees in India. I cannot say if we can rely upon receiving, during 1894-95, the amount of opium revenue which we have taken in our estimates—it is notoriously one of the items in which our estimates are very uncertain. But I have at any rate taken a lower revenue than has ever yet been estimated, and I live in hope that it will be realized.

"My hon'ble friend asks me if I can justify the exchange rate of 14*d.* taken in the estimates. I admit I cannot do so with any confidence, but I ask him, in turn, what rate he would propose and how he would justify that rate. The whole question of exchange is at present in a state of flux, and the question what rate we should realize depends upon many circumstances. It depends more than anything upon the rate that will prevail during the next export season, and I do not know that any man in India can foretell that. Fourteen pence may prove too high, and, on the other hand, it may conceivably turn out too low. I think it is a fair and not too sanguine compromise between opposing considerations.

"I was pleased to hear that it was possible to hold the opinion that our accounts if properly made up would shew a surplus of some millions instead of the deficit I have deduced. But I am afraid that I cannot accept the view. The manner in which the accounts of India were made up till about 1884 was this. The sterling pounds of the English expenditure were added to the Rx. of the expenditure in India, and then to the total of the whole was added an item called 'Loss by Exchange,' which was the difference, as compared with two shillings, upon the actual remittances of Council Bills during the year. One result of this system was that, in any year in which the Secretary of State failed to obtain by his drawings the full amount of his expenditure, the result of the year's account was benefitted by his failure. While the rupee remained somewhere in the vicinity of a tenth of a pound, no great harm was done. Remittances sometimes fell short of, and sometimes exceeded, the expenditure of the year; but taking year's account with year's account

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the result on the whole was fairly correct. But when the rupee began to sensibly fall away from this standard, the difference threatened to vitiate our accounts. I was Comptroller General at the time, and I urged upon the Government that the only way our accounts could be protected from serious inaccuracy was by taking the sterling expenditure to account at its actual equivalent in rupees, whether the amount was, or was not, obtained by actual remittances during the year. I may say that the inaccuracy to which I refer was, or rather would practically always have been, an inaccuracy in understatement of the expenditure. After some discussion in which the sole question was how to frame the accounts so as to express the facts with the greatest correctness, my proposals were accepted, and since then we have, in adding £ sterling to Rx., inserted the column which is headed 'Exchange.'

"The peculiarity of our accounts, as is well known, is that, while all our revenue is received in rupees, a large portion of our expenditure is in sterling namely, some 15½ million pounds. Now I hold that, to make your accounts correct, you are bound to set every pound of that expenditure against your revenue, as absorbing, say, 16 rupees of it. If you meet the 15½ million pounds by remittance, this is the result that actually takes place, and you have met your £ sterling liabilities out of your actual revenue. If you do not make the remittance, you will have to borrow money in sterling and pay sterling interest on it in future until you do discharge the liability by remittance; but, however you put it, you do not meet the sterling charges of the year, until you charge them off (or, in fact, until you have met them by actual remittance) at their full equivalent of R16 per £. That we separate the R16 into two columns, of which the first shews R10 and the second R6, is a matter of convenience; the essential point in the account keeping is that we bring in the whole R16, and, if it were not for this fact, the first column where the R10 is shown would not have any business in our accounts at all. I cannot conceive the correctness of a system by which, during a year like the last, in which our remittances fell short by £8,000,000, we would become entitled, by reason of that failure, to bring Rx. 5,000,000 to credit of revenue; and I am quite sure that no book-keeping arguments would for a moment be allowed in justification of such a course. Mr. Playfair is perfectly correct in his description of the book-keeping entries by which the amounts are brought upon our books, but the technical answer to his argument is that the credit to deposit account by debit of the exchange that we have charged off is *not* closed to Profit and Loss, but is closed to Balance and held at credit to meet the charge upon the theoretically necessary eventual remittance which will discharge the

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liability. But there are certain matters relating to the presentation of the Government accounts which cannot be discussed from the mere book-keeping point of view; and I am quite sure that in no mercantile accounts could £1 of expenditure be charged off as R10 on the mere ground that no remittance had been made to meet it.

“I pass on to the more general questions which have been raised during this debate; and the first of these is that relating to the Famine Grant.

“The questions involved in the so-called resumption of the Famine Grant have been several times explained in this Council. The very positive statements of Sir John Strachey and of Lord Lytton have repeatedly been brought forward, as if they interposed some insuperable obstacle in the way of the Government doing what seems to it, from all considerations, right and proper with its resources. I am free to admit to the full the argument that these statements—pledges if you like to call them so—bind the Government of India, in some special way, to recognise in its financial arrangements the necessity of providing for famine, even in a year in which famine does not occur. But that every other financial consideration has to be subordinated to this one necessity was never their meaning. Sir John Strachey himself at the very beginning foresaw that an absolute pledge of this kind was an impossibility. He said:—

‘It is the firm intention of the present Government to apply the funds now to be provided for this special purpose strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might, of course, happen which would render it impracticable even for us, who have designed these measures, to maintain our present resolutions.

‘So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security.’

“Had it not been for the ample explanation already laid before the Council by Sir Charles Elliott, I would have gone on to quote the statements made by Sir Auckland Colvin on the subject of the alleged permanent obligation of the famine grant; but I shall content myself with referring to the discussions in this Council in March, 1886, and to the explanations given in the Financial Statement of March, 1887 (paragraph 71, etc.). I think it is a little unfair to the Government that the question of the resumption of the grant should, at this stage,

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be attacked as if it were something altogether new and unheard of. As a matter of fact I am only repeating a policy adopted, and fully justified, by Sir Auckland Colvin, under similar circumstances, and I should not be called upon again to reply to arguments which he fully disposed of at the time, and which are now again brought forward as if no reply or explanation had ever been given with respect to them.

“ But, first, as regards the redeeming of the so-called pledge of Sir John Strachey and of Lord Lytton, I find from past accounts that during the thirteen years, beginning 1881-82, the following moneys have been appropriated out of this fund :—

	Rx.
Actual Famine Relief	294,000
Protective Railways	5,483,000
Irrigation	1,732,000
Bengal-Nagpur and Midland Railways	2,772,000
Reduction of Debt, direct or indirect	5,327,000
TOTAL .	15,609,000

“ Considering in what financial straits the Government of India has been during part of this period, I think these figures show a fair redemption of the pledge given that a surplus revenue should be raised and spent upon Famine Relief and Insurance.

“ In fact, I think Sir John Strachey himself would admit that the time had now come to consider whether, in our present state of preparedness for famine, the old obligation still remained to us to find $1\frac{1}{2}$ crores a year upon policy and insurance. His own statement, in continuation of the quotation I have already made, was—

‘ Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose.’

“ Sir Charles Elliott has already dealt with this aspect of the case with an authority to which no other officer of Government can lay claim. For his experience as Secretary of the Famine Commission in laying the foundation of the policy, and afterwards as Public Works Member of the Government of India in helping to carry it out, invest his opinion on the subject with a special value.

"But that the actual question of the suspension of the grant is in the present year more a question of book-keeping than of anything else will be apparent from what I said in my Financial Statement. If we had maintained the grant upon our accounts, we would spend upon the East Coast Railway the amount of 110 lakhs which is to remain uncharged during 1894-95. Although I am charged with having resumed, and in some way appropriated, this amount, I have, as a matter of fact, arranged that 76 lakhs shall nevertheless be spent upon this very railway, though charged to another head. I am, in short, not stopping the actual outlay of the money, for, with the exception of 34 lakhs of rupees, the whole of the 150 lakhs supposed to form the Famine Grant will be expended during the year in exactly the same way as it would be if the grant were still charged off in our books.

"Now in all these discussions about resumption of the grant, one thing seems to me to be forgotten. It ought to be distinctly stated by our critics what their alternative is. There are only two possible alternatives; if you continue to charge off the grant, you must either declare a deficit of Rx. 110 lakhs in excess of my figure, or you must raise a further sum of Rx. 110 lakhs by taxation. We have given reasons why we consider this second course inadvisable for the present year, and, as regards the first, it is, except as regards the 34 lakhs by which we consider it advisable to reduce the expenditure, little more than a question of book-keeping. The declared, and the substantial, object of the Famine Grant policy was the maintenance of a sufficient surplus of revenue over expenditure to provide for certain charges. If you do not possess that surplus, and overpowering financial considerations prevent your taking measures to recover it by searching out new taxation, you are not a whit nearer carrying out the Famine Grant policy, when you write down in your accounts that you have spent a certain amount which you know you have not obtained by raising revenue to meet it.

"More than one reference has been made in the speeches of Hon'ble Members to the desirability of our employing in some fashion, to the advantage of the State, the large Silver Balances which at present lie in our Treasuries. We are urged to use them on the construction of Railways, or on the purchase—by which, I presume, is meant the discharge—of our Rupee paper.

"Now it must first of all be borne in mind that the main object of Indian Finance at present is the re-establishment of the Rupee; to that alone we look for our future salvation, for, if we succeed in this object, everything else is easy to us. The loss for a year or two of the benefit we might get from the utilisation of our excess silver balances (which by the way is

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wrongly put at 84 lakhs, for we could obviously not part with more than ten crores of the amount.) is as nothing compared with the gain, both financial and commercial, which will accrue to us if the Rupee settles to a rate of 15*d.* or 16*d.*, and becomes independent (as I think it has already become) of the value of bullion. I therefore lay it down as an axiom, so far as present circumstances are concerned, that we should not use those balances so as to interfere with our currency policy. And I think it obvious that any measure which sets these balances free for commercial use—either by expending them, at a rapid rate, on Railways or by using them in the discharge of loan—is not only an interference of this kind, but is a measure whose direct effect will be to defeat the object of our currency legislation. We have already lost enough by being obliged to considerably increase sterling debt; the only gain which we can set against that loss is the fact that on this side of the sea the same circumstances have led to the temporary lock-up of some ten crores of rupees. I would have preferred, as I said before, that things had gone on in regular course, and the said ten crores issued in payment of Council Bills. But the commerce of the country would not have it so, and we must accept the position in which these commercial forces have landed us. I am aware that by issuing these moneys I might reduce the rate of interest from its present figure of 9 or 10 per cent. to perhaps 4 or 5. But unfortunately commerce has declared that a rate of 9 or 10 per cent. is necessary to induce merchants and Banks to supply themselves with funds by the regular and ordinary method of Council Bills. I would not consider myself justified in creating a stringency of money by the withdrawal of funds from the money market, and I have never attempted such a policy; but when, in the ordinary course of commercial dealings, and as a result of the action of commercial forces, this result shews itself, I accept the fact, and I do not attempt to resist the operation of these forces by flooding the market with my pent-up rupees. The only result would be that another failure of Council Bills would take place, and my rupees would all come back to me. We have realised during the last few months the fact that it is to the operation of commercial forces alone that we must look for the accomplishment of the objects of the Currency Legislation, and I must, if I look for success in the operation, allow free play to that particular force which has driven into my reserve treasuries ten crores of rupees for which I have no use. Any attempt to use them would certainly cost the State more by the fall in the value of the rupee than we could possibly get by investing them, in any way, in our own loans.

“ My hon’ble friend Mr. Playfair has suggested that five crores of this balance might well be used in pushing forward the construction of Railways, and he

has contrasted our rate of progress in Railway construction unfavourably with that of the United States of America. Now, first of all, I wish to point out that the expenditure of money upon Railway construction, or at least its economical expenditure, does not depend merely upon our possessing the money to meet the charges. It is the result of elaborate arrangements that have to be made beforehand—plans, arrangement of work, settling of establishments, purchase and manufacture of material. Our Railway construction is therefore carefully planned beforehand for some years in advance, and, although minor modifications in these plans are possible, such an utter change in them as is involved in the sudden addition of five crores to our outlay is, otherwise than as a form of waste of money, impossible.

“I wish to point out that the stringent measures we have had to adopt with regard to our revenue account have not forced us into any very great diminution in the rate of progress of Railway construction. The figures I gave in my estimates will show that the total outlay on construction (including Protective Railways) is on the whole only reduced from Rx. 4,027,400 in 1893-94 to Rx. 3,450,000 in the coming year. And the comparison which my hon'ble friend has made between the rate of construction in India and the rate in the United States is, in more than one respect, unjust to India. It may be true that we do not reckon in our yearly construction as many hundreds of miles as the United States reckon thousands, but then, if you take the construction of Railways by the State, it must be remembered that the Government of the United States does not contribute a single mile to the construction in that country. We possess some 17,000 or 18,000 miles of railway in India, of which there is hardly a single mile that has not been constructed either by the State or under its guarantee. I do not think there is a single mile of the United States Railways which can in the same way be attributed to the [direct outlay or direct financial assistance of the Government. In the matter of Railway construction by the State I feel sure that the Government of India can challenge comparison with the Government of any other country in the world. And I rather think that, in his quoted mileage, my hon'ble friend has restricted himself to direct construction by the State, and has omitted certain current construction by Companies under contract with the State.

“I must confess to a little surprise in finding the proposal put forward by one of the commercial Members of Your Excellency's Council that we should buy silver at its present low price, and coin it for issue at the appreciated value of the Rupee. It ought not to be necessary to point out that any such process

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is in its nature a fraud upon the present holders of rupees. Every lakh of rupees profit which we make by such a transaction accrues to us by diminution in the value of all existing rupees—that is, by an operation of indirect plunder of the existing possessors. The analogy of copper coin is in no way in point: copper coin does not pretend to represent in its intrinsic value anything like its coinage value, and the latter is maintained only by our practically undertaking to issue to any holder of 64 pice a silver rupee in exchange for them. At present, our rupees are certainly, to use the technical language of economies, neither a token nor a coin. We want them to pass from the ‘coin’ state to the ‘token’ state, and they are at present in the transitional stage; but nothing is more certain than that, if we continue to coin them before they reach the token stage, they will never reach it at all.

“I may be permitted to quote in this connexion an extract from some instructions which I wrote a short time ago regarding the advice to be given to Native States about their currency. I said—

‘If they adopt, to begin with, the policy of maintaining the existing par of exchange with British rupees, as most of them are now doing by closing their mints, they will give their coin the same appreciated value as the British rupee, and the temptation will always be present to the Durbar to make a handsome profit by buying silver and converting it into coin. The loss necessarily falls upon the holders of existing coin, which will be at once depreciated by such a measure, the profit of the Durbar being one that may be once realized, and then is exhausted. But I do not know if every Durbar that undertakes coinage will be able, if matters are left to themselves, and no systematic policy expressly adopted by the Native States, to withstand the temptation of practically plundering its subjects by abandoning the policy now advised, and in many cases apparently adopted, of maintaining a par of exchange with Government rupees.’

“I shall certainly refuse myself to fall into this temptation.

“Occasions such as the present are almost the only public opportunities which a Member of Your Lordship’s Government has to reply to criticisms publicly made upon our action: I therefore make no excuse for asking Your Lordship’s permission to refer shortly to some matters affecting my department, even though they have not been made the subject of criticism in this Chamber.

“I wish especially to refer to the kind of criticism which is not unfrequently directed against us in England.

"My first reference is to a pamphlet published at the end of last year by a gentleman who may be called a professional financier, the statements in which have been quoted, on the authority, I presume, of the author's reputation, in the House of Commons ; and I have seen them also quoted in this country. The author, after stating certain figures as belonging to the Indian Accounts of 1879-80, and comparing them with certain other figures of 1892-93, finds a difference of 22 crores of rupees as the increase of expenditure, excluding exchange, between the two years. He then says:—

'It seems difficult to believe that the Indian Government, which never says anything about the 22 crores of additional General Expenditure, should come to grief over a crore or two of further loss on exchange.'

"The explanation is simply that our critic has blundered in picking out his figures. The figure he took from the earlier year was the total of expenditure, excluding the Railway Revenue Account, and the figure he took from the later year was the total of expenditure including that Account. As the expenditure on this account in 1892-93 alone amounted to about 21 crores, it would itself be sufficient almost to account for the difference which our critic brings out, and which, it will be seen, only means that we were in 1892-93 the possessors of some thousands of miles of railway which very nearly paid their own charges, interest and all. Of course there have been other increases of expenditure between the two years, but they are concealed by reason of another mistake committed by the author in taking out the figures. He omitted to observe that the figures of the earlier year included nearly 5 crores of War Expenditure!

"I quote this as a specimen of the kind of thing which is seriously accepted in financial circles in London as criticism of Indian Finance.

"Let us pass to another case. Hon'ble Members may remember a recent telegram which Reuter for some mysterious reason thought it worth while to send out from London, which told us of an article in a leading London newspaper, bidding us in a vague and airy way to give up talking about cotton duties, and go in for reductions in all departments of viceregal expenditure. I have seen this quoted in one or two Indian newspapers with the very natural enquiry—what did the writer mean by 'viceregal' expenditure? I can explain the expression only in one way. Indian newspapers know something about Indian finance, and they know, therefore, that, of all the adjectives of which the English dictionary affords a choice, 'viceregal' is a most singularly inappro-

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priate one to apply to Indian expenditure. The writer in England, I am afraid, used the expression simply because he did not know that 'something about Indian finance.'

"I pass to another case, one of the London financial papers, which reached us by last mail, the *Statist* of February 24th. The writer says—

'Even at the present value of the rupee, the expenditure in India this year is estimated at 53 millions sterling ; and, if we may use the word without offence, it is nonsense to tell us that no further reduction can be made in an expenditure of 53 millions sterling.'

"Now, the beauty of an argument like this is, that you can never escape its force. Let us assume, for the sake of argument (I would not admit it for any other reason), that by hook or by crook we could reduce the expenditure by the three odd millions. Back would come the old argument, 'it is nonsense to tell us that no further reduction could be made in an expenditure of 50 millions sterling.' And so on *da capo*. I must do this writer the justice to say that he admits he knows nothing of the subject, and is not prepared to suggest, out of the whole 53 millions, a single item which might be made the subject of the reduction. His words are—

'To suggest where retrenchment could be enforced, without having access to all the official information, would be ridiculous ; but in our own minds we have not the slightest doubt that outlay could be cut down in many quarters.'

"Of course he has not access to *all* the official information, but the amount of official information to which he has access is quite sufficient to satisfy the craving of any ordinary mortal. Hon'ble Members will no doubt be interested to learn that the writer of this critique proceeds in his next sentence to solve in fifteen words the whole of the difficult problem of taxation in India. He says :—

'And as for the taxation, we are equally confident that that could be considerably increased.'

"Needless to say he does not give the slightest suggestion either as to method or as to direction of increase, but he is not the less confident in his conclusions. This is the criticism, it must be remembered, of a *financial* newspaper of high reputation, to which I admit I often turn with profit and advantage. Consistently enough, the whole object of the article from which I have been quoting is to urge that any acquaintance with Indian Finance is a disqualification for its administration.

"It is positively refreshing to turn from declamation of this sort to the intelligent criticism we receive in India. Although it is sometimes adverse, it at least has some reference to the facts.

"I would remark that there is not the slightest difficulty in carrying out the kind of reduction of expenditure which some of our English critics would have us enforce. I could cut down the expenditure in our Revenue Departments to-morrow—only the chances are that for every rupee of expenditure I save I shall lose five rupees of revenue. I allowed the other day about six lakhs for increases to our Customs establishments. I might have insisted upon the old establishments continuing the work, but I know I would have remonstrances from the merchants who found their business impeded while they danced attendance at the Customs Houses and waited till their turn came round. Even a payer of revenue may claim some consideration. I could cut down the number of Courts of Justice, but I know I would meet with remonstrances on behalf of the complainants who, having paid for the luxury of a civil suit, find more than the law's delays interposed between them and their object. I could cut down Railway expenditure, and would probably be reminded of my folly by a Railway accident within a few months. I could reduce expenditure upon repairs of public buildings, and I would probably find I had run up a heavy charge for depreciations and had greatly increased subsequent urgent demands. Many of our public offices are still housed in what are little better than hovels; I might have made them wait longer for decent accommodation. I might have reduced the amounts which the Military Department tell me ought to be spent in sanitary measures with reference to our troops; and I would possibly be reminded of the effect of it by the outbreak of one of those illnesses with which in India we are always warring. And so I may go through the list. The question of reducing expenditure in India is not that of putting your pen through the figures presented to you by responsible officers, and I am not prepared to manage the finances of India upon the principles of administration applied by a bull to a china shop.

"After remonstrating against these vague and general charges, I do not wish to pass in silence over the only representation we have received with reference to my recent review of Indian finance which pretends in any measure to go into detail. It is a letter from the Bombay Presidency Association, of which the Chairman is a Member of this Council, who is unfortunately unable to be in Calcutta for this debate. The letter has been published in the Bombay newspapers.

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"Adverting to my statement that our present troubles were due only to the exchange difficulty, the letter says :—

'The fountain sources will be found elsewhere than in low silver. They must be easily traced to the appalling growth of military expenditure in all its ramifications during the past eight years—in the increased charges on army services, arms and ammunitions, stores, military roads, special defences, and strategic railways. The large growth, again, of the charges on account of civil salaries and establishments must be next held responsible. Upper Burma is a third cause which has grievously burdened the general revenues of the empire. And, lastly, the unjust compensation allowance to the Services.'

"The 'unjust' compensation to the Services I shall deal with separately.

"As regards Military Expenditure, I think there is some misapprehension of the argument I used on March 1st. The increase of Military Expenditure I admitted, but I pointed out that it had its origin before 1888. My argument was that that increase had been met by the fiscal steps we had recourse to in 1888, and that the new necessities that arose since 1888 were due to exchange and exchange alone. It did not arise, therefore, in immediate connexion with the discussion of our present position.

"The question of military expenditure has been so fully dealt with by my hon'ble colleague General Brackenbury that it would be superfluous for me to say anything. But the argument of the Association to whose criticism I am replying will be traced in the following paragraph of their letter :—

'The annual expenditure on the Army Services has been allowed, under a variety of pretexts, to mount up higher and higher, without any control whatever, not to say aught of the many extraordinary charges incurred on account of the Penjdeh affair, the pacification of Upper Burma, the many uncalled-for and bootless expeditions on the North-West frontier, and last, though not the least, the special defences, east and west, in pursuance of the so-called policy of "preparedness"—a policy of adventure and external aggression which is calculated to enlarge the already unwieldy boundaries of the empire and weaken its strength and stability.'

"I am afraid there is an irreconcilable difference of opinion between your Excellency's Government and the Association. If the latter seriously mean to describe the policy of 'preparedness' on the North-Western Frontier, which I admit has cost us very much on frontier railways, frontier roads and 'special defences,' as a policy of adventure, which has weakened the strength and stability of the Empire, I am afraid that no argument of mine will succeed in meeting the objections they raise to the expenditure involved.

"As regards Upper Burma, the burden of it has distinctly diminished. The expenditure of Upper Burma (excluding military occupation) has all along been

about 180 lakhs; its revenue has gradually risen from 76 lakhs to 120. There is certainly, in the burden of Upper Burma, no objection to be taken to my argument that all our difficulties since 1888 have been due to exchange and exchange only.

"I come to the Civil Expenditure, and here I would remind the Council how I addressed myself to the question on March 1st. I broke up the gross figures into a multitude of details and then analysed the nature and the cause of the increases; it seems to me that any reasonable discussion of the question must proceed upon these lines. If further explanations are wanted, or if it is desired to pass into greater detail, it can be done; but to abandon the detail altogether, and to go back to the gross figures, and quarrel with them as a total increase, does not in the least advance the discussion. Nor does the peculiar manner in which the Association have manipulated the gross figures in any way promote the explanation of the matter. Following the usual practice, I shewed that the increase was so much a year—say, upon any given figure, ten lakhs a year. The Association's letter pile up the ten lakhs additional expenditure in each of the eight years they review, and denounce the increase as an increase of eighty lakhs. I can only say that I have attempted to explain the ten lakhs a year, and I must ask them to believe that the same explanation applies to the total additional expenditure of eighty lakhs in eight years.

"It is a curious commentary upon the letter of the Bombay Association, that, while I was considering it, a Calcutta Association of exactly the same character (it is called the Bengal Provincial Conference) was holding its meeting. This occurred last Friday, and I quote here two of the Resolutions they adopted—they were the only ones which had any reference to State expenditure:—

'(a) That the administration of civil justice in these Provinces urgently requires amelioration in respect of (1) court-fees and process-fees levied upon litigants; (2) the number of judicial officers; (3) the qualifications for Civil Court amin; (4) the pay and prospects of the subordinate ministerial agency; (5) the encouragement of a resort to arbitration.'

'(c) That the Conference regrets that the Government should, for financial and other reasons, have found it impossible to give effect to some of the most important recommendations of the Police Committee, which have reference to the raising of the pay and the status of Sub-Inspectors and Inspectors of Police, and the Conference is of opinion that financial considerations should not be permitted to stand in the way of a much-needed reform, which has such an intimate bearing upon the administration of justice and the happiness of the people. The Conference accordingly recommends that the suggestions of the Police Committee be given effect to in their entirety.'

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“On the general subject of economy in financial administration I do not think it is possible to put the question in more appropriate language than has been used to-day by Sir Griffith Evans, and his criticisms, coming as they do from a non-official gentleman who has long been familiar with public affairs, are a valuable support to a Government assailed on the one side by perpetual demands, not altogether avoidable, and on the other by wild criticisms such as I have quoted from the Home papers.

“It is very difficult for any one not actually engaged in administrative work to realize how constant and how pressing are the demands for the expenditure of money in India—expenditure which is on all hands admitted to be desirable, but which has continually to be refused for want of funds. The wants of India are so enormous that there is no limit to useful expenditure if we only had the funds for it. Every one is convinced that money is wanted and should be given for the particular object he has in view, and he is often quite right; but it is only those who sit at the centre where all these demands are focussed, who realize both how great the demands are and how constantly endeavour must be made to prevent them from sweeping away all the revenue we have. If economy is to be measured by the number of proposals for expenditure that are rejected on their way to the final sanctioning authority, or that are rejected by that sanctioning authority, the Government of India can assuredly claim a magnificent record.

“It is easy enough to attack big figures, and to say that because these figures are big, therefore it must be possible to reduce them. But, unfortunately, the big figures are composed of a number of little ones, and, if reductions or economies have in actual practice to be carried out, it is not by mere alterations in the big figures but by actual measures adopted with respect to the little ones. And in the same way the expenditure is to be defended, not by merely taking up a big figure and making some general statement with respect to it, but by explaining and defending the details which build up the totals. This process of explanation and defence is continually going on, especially in connection with the preparation of the annual estimates. And it is by an examination of these processes—which I admit would be a very tedious business to any one not engaged in it as a matter of duty—that assurance can be given of economical management. I entirely deny that, in a country like India, the mere fact of the total of one year being bigger than that of an earlier year affords the slightest presumption of the absence of economy. Our general answer to criticisms of the kind is that we do not and cannot admit the premiss from which they too

often start, that in a rapidly progressing country like India it is possible to go on from year to year without increasing the figures of expenditure.

"In illustration of what I have just stated as to the manner in which proposals for expenditure continually press upon us, it is legitimate to refer to the questions which from time to time have been put at this Council to the Members of Your Excellency's Government. At our first meeting I think Mr. Buckingham suggested that additional allowances should be given to officers serving in Assam. At a subsequent meeting the Hon'ble Mr. Chitnavis suggested that additional grants might be given to educational institutions in the Central Provinces. Again, the Maharaja of Ajudhia suggested that the salaries of the Provincial Services in the North-Western Provinces might be increased. Or take the case of the Native gentlemen interested in politics who met at Christmas at Lahore to show us how we ought to govern India. I have carefully read the first dozen of their resolutions, and I find they contain nine distinct proposals, some of them very large ones, for increase of expenditure. That is the contribution of their united wisdom to the solution of the present financial difficulties, and yet it is not the whole of it; the same twelve resolutions contain also four proposals for sweeping reductions of revenue. I of course entirely accept the fact that, when India comes to be ruled on Congress principles, you will always be able to create the means to meet additional expenditure by going in for large reduction of revenues; but your Excellency's Government have at present to administer India under sublunary conditions, and therefore, having to meet a large new expenditure on account of exchange, they have been unfortunately obliged to lay before the Legislative Council proposals for increase of revenue, instead of merely saying that they have made up their minds to give up the revenue the Government already possesses. Although our remedial measures are so different in character, I think I am entitled to quote our critics in support of the view that there are many directions in which the Government might, with advantage to the country, increase the expenditure even above its present limits.

"But here I wish to say a word about one special item of increasing expenditure which comes into our accounts for 1893-94, and which I alluded to in my speech of March 1st—namely, the exchange compensation allowance. I mentioned then in what way it was immediately connected with the general question of the measures taken during the year, with reference to the exchange difficulty, desiring rather to explain why it had come upon us in the hour of our difficulty, than trying to justify it upon its own merits. To this last task I wish, as the question has been raised in public, to address myself now.

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“I am glad to find that the Hon’ble Members of your Excellency’s Council have taken a much broader view of the question than has been taken by some of our public critics, especially in the Native Press. The remarks that I have to make would not be necessary if the attack on these allowances had been made in the enlightened spirit which distinguishes our critics within this Chamber. But, in view of what has been said outside it, I think it my duty to make use of this occasion to explain pretty fully a policy which, perforce, occupies a somewhat conspicuous position in my Financial Statement.

“It has for a very long time been foreseen by the Government that measures would have to be taken to make up to its European officers some portion of the practical diminution of salary which the fall in exchange has brought upon them. The administration in India must be European in character, and the principal posts in it must be filled by Europeans; that is a mere necessity of the position. The salaries attached to these European appointments are practically the same, measured in rupees, as they were a quarter of a century ago. Lieutenant-Governors, Commissioners, Judges and Collectors, although their duties are now far more important and far more laborious, draw all over India practically the same rupee salaries as they did when the rupee was worth nearly twice as much as its present value. The same may be said of the Military Services; the pay of the officers of the army was fixed long ago, when the rupee was over two shillings; it is the same number of rupees now, when the rupee is 1s. 2d.; but the military part of the question has been amply dealt with by the Hon’ble the Military Member.

“It is a necessity of European life in India that the European officer must bear a large amount of sterling expenditure. He cannot separate himself from Europe, and, if he could, it is not desirable in the interests of Indian administration that he should. The European portion of the administrative services is, as matters stand, extremely limited, and its European quality must be maintained. Even if you could get officers to quit for ever their connection with Europe, and make India their permanent home, these would not be the kind of men who could rule the India that England has created. You must therefore accept the position that there is a portion of your Services whose salaries are, for the purposes of their necessary expenditure, partly at least to be reckoned in sterling, both as regards the conditions with reference to which they were originally fixed, and with regard to the expectations of the officers themselves.

"I do not know that I can express myself on this point better than by using the words employed at a recent public meeting in Calcutta by a gentleman whose opinions on commercial matters always carry great authority—

'We require for our Indian Services the very best men that are available, and, unless we pay sufficient salaries to attract such men, we will deservedly suffer for our false economy. It is true that in the interest of the tax-payer we must be guided by the laws of supply and demand. Salaries should be no higher than may be necessary to secure the high standard of character and ability which are indispensable. I will add that I think our public servants are entitled to treatment generous beyond the strict interpretation of their contracts. The man who has been induced to spend many years of his life in India with certain prospects cannot fairly be told that if he does not like the service he can leave it. It is no longer open for him to change his career, and while we should engage new men on commercial principles our old servants are entitled to generous treatment. It will be said that by pressing these sentiments upon Government we will be increasing their embarrassment by suggesting additional expenditure. I care not for this. We must discharge the obligations of a great country, whatever be the difficulty of ways and means'.

"Whether the present measure of exchange compensation is generous or not I shall not discuss. I am afraid that many of the recipients of it think that the permission to remit half their salaries to England at 1s. 6d. is poor compensation for the loss of the ability to remit the whole of it at 1s. 10d. or 1s. 11d. I can only say that the present measure of compensation is certainly all we can afford. It is a question, even, whether the Government were not too tardy in admitting it. It was sanctioned only after Government had found that the services were not only suffering in efficiency by feelings of disappointment and distrust of the future, but that they were actually being obliged, by financial pressure in their domestic concerns, to give up the attempt to maintain that amount of independence of personal position which in India is almost necessary for the exercise of personal influence. It is a serious disadvantage from a merely administrative point of view that the representatives of the Government should appear before the public as living on straitened means, and that was the condition which in many cases had been actually reached.

"The letter of the Bombay Association from which I have already quoted boldly meets the difficulty by asserting that the cost of living in England has decreased. I presume they mean, though they do not say it, that it has decreased *pari passu* with the gold value of the rupee, as otherwise their argument would be irrelevant. They quote statistics to shew that the price of a cwt. of wheat has in ten years fallen 30 per cent., the price of a cwt. of bacon 23 per cent., of a gross of buttons 20 per cent., of a dozen pair boots and shoes

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26 per cent., and so on. I can only ask the Association—which is mostly, if not entirely, composed of Native gentlemen—to accept my assurance that these things have very little to do with the cost of living in England, and that ample evidence could be produced, if it were necessary, to shew that, even as measured in gold, the general cost and standard of living in England has not diminished of recent years.

“It is not upon us only that this charge for compensation has fallen, or by us only that it has been recognized. The Ceylon Government long ago admitted it to its officers. The Herschell Committee noted that some European employers had felt themselves bound to make to the Europeans in their service an allowance of the kind. My hon’ble friend Dr. Rashbehary Ghose intimates some scepticism on this point, and says he has not been able to find the cases to which the Herschell Committee referred. Probably he has not looked for them in the right place. The conclusions of the Committee were based upon evidence recorded by it, which will be found attached to its report; it is in that evidence that the particular cases referred to are most likely to be found. Again, within the last few days I find the following in the editorial columns of the *Times of India* :—

‘We are enabled to-day to make an announcement which will be received with great satisfaction by European railway employes in India, and by the public generally as a fair settlement of a fair claim. One of the leading railway companies in India are, with the sanction of Government, about to give orders for the payment of exchange compensation allowances to their European employes. * * * There was never any reason to doubt, after the distinct promises which we quoted the other day from the Chairman of two of the leading lines in India, and after the Secretary of State’s recognition of the principle involved, that justice would be done to a class of men who are serving the public so well. Private employers have in some instances been more prompt and more bountiful in acknowledging similar claims; but that is a point which need not be pressed, except so far as it may help to show that the companies and the Government have not been more free with the money of the shareholders and the public than the strict equities of the case warrant them in being.’

“The Hon’ble Member to whom I last referred has also attempted to show by reference to Colonial comparisons that the salaries of the European Administrative Service are already high enough. I know something about Colonies and Colonial work, and can easily test the value of this comparison. Take the Colony of New Zealand: it contains 600,000 inhabitants—about half the population of an Indian district—and it has a Governor on £5,000, a Ministry, two Houses of Parliament (of which all the Members draw salaries), and any

number of Heads of Departments. Take Tasmania, a Colony of 160,000 inhabitants—one-fifth of the population of Calcutta: it has the same paraphernalia of administration, except that its Governor's salary is only £3,500. Take Ceylon, with its Governor, its Legislative Council, its Secretary and Treasurer, Attorney-General, Chief Justice and Justices: if it were made over to India, we would convert it into two districts of the Madras Presidency, and administer it with a couple of Collectors, with the usual district staffs. If you compare Colonial salaries with Indian salaries, you must remember that the whole business of Colonial administration is on a much smaller scale than Indian, and you must make the comparison not between functions which appear to correspond with each other in name, but between officers who exercise duties of something like comparative responsibility. You pay your Indian Viceroy, if His Excellency will pardon my alluding to a personal matter, a salary of £15,000 or £16,000 for ruling a population of 300 millions and administering a public revenue of, say, 53 millions sterling. I doubt if all the Colonies put together would shew a much bigger revenue, or in fact if they would shew as much, and I am sure that they would shew only a small fraction of the population.

"I admit that I am not surprised to see strong objection raised to the allowance on the ground of its differentiating between two classes of officers. I can only say that the difference exists in fact, and I do not see why it is unjust to recognize it in our arrangements. It is easy for those who dwell or who serve Government in their own country, who are exempt from all the hardships imposed upon the European servants of the Government, by the fact of their residence in India, to denounce the compensation given for those hardships. 'They jest at scars, who never felt the wound.' Formerly, it was said, and said truly, that the liberal scale of salary paid to the European services was the compensation in question; but, when by the automatic failure of that scale it ceases to be compensatory, I do not see on what principle of justice you can point to the letter of your contract to say that service on the old terms must be continued, when the compensations for it are diminished. I have not furnished myself with statistics on the subject, but I have been long enough acquainted with the work of the Financial Department to be able to say that there are not many of the Departments of Government service, officered by natives of India, which have not during the last quarter of a century had their scales of salary enhanced, and their general position, in a pecuniary sense, improved. Whether it is because the rupee is now less valuable, or because we require a better class of men for our work than before, or whether, as is more likely, both these

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causes have operated, the fact remains that in nearly every department there has been a gradual increase of the standard of salary.

"I have examined by way of test the Civil List of Bengal for 1867, and compared it with that of 1894, so far as regards the subordinate services. In 1867 I find that Deputy Magistrates began at the grade of ₹200, one-third of the whole number being in this grade; and they might rise to ₹700. In 1894, the lowest grade is ₹250, and it contains only one-fifth of the whole number, while the highest grade is ₹800. In 1867 in the Subordinate Judicial Service, 188 officers drew ₹150, ₹200, and ₹250, and 26 drew higher salaries of ₹400 and ₹600. In 1894 they begin with ₹250 (excluding a probationary class on ₹200, none of whom have yet two years' standing), and they go on through grades of ₹300, ₹400, ₹600, ₹800 and ₹1,000. The salaries of the Subordinate Educational Service I cannot compare. In 1867 the salaries were too small to be taken cognizance of by the official Civil List, but in 1894 they begin with ₹150 and they rise to ₹500.

"I have not a doubt that if I were to examine the lists of other provinces I would find the same facts; but I quote these merely to show that I am not talking without book. At one of the recent meetings of the Council my hon'ble friend Sir Antony MacDonnell had occasion to refer to an increase of salary given only the other day to the Provincial Service of the North-Western Provinces. And I have referred to-day to cases in which the very persons who raise objections to the enhancement of the rupee salaries of the higher services are urging the claims of the subordinate ones to have their salaries increased.

"It is only when you come to the higher-paid services, the men whose work and whose responsibility have been to the largest degree added to by the changes of a quarter of a century, that you find that the salaries have remained practically stationary during the whole time, until the Government has at last been obliged to extend to them also a share, which seems by statistical comparison to be only a small share, in the increase which has gradually, and by a more imperceptible process, been given to the lower-paid.

"And in fact, in the attacks that have in some quarters been made upon this compensation allowance, we are to some extent suffering the consequence of our own tardy recognition of its necessity. Had we interfered at the time when the Rupee was worth 18 pence, with a declaration that the loss by exchange, of which many of our officers were even then complaining, would after

that point be made up for by some such measure as that adopted in August last, its fairness would possibly not have been impeached. It would have been recognized that we were only providing, in a moderate and equitable way, against the inevitable deterioration of such of our administrative services as are recruited from England, if we permitted the salaries we offered to be stated to the candidates we require at their sterling equivalent. It is because we have so long put off a measure which has been so long pressed upon us, that we lay ourselves open to attack on the ground of our having added, at a single stroke, 63 lakhs to our expenditure. Had we met as it arose the demand which we have now admitted, we would have had to pay some 10 lakhs on this account in 1886-87, 22 in 1887-88, 28 in 1888-89, and so on. And if the demand is just and proper in itself, as I hold it to be, it is not the more open to attack because, being so long postponed, and at length, through stress of circumstances, at last recognized, it has come upon our accounts as a sudden and new item of 63 lakhs.

"I have not a doubt that we shall receive full value for the concessions we have given. India imposes upon her public officers—and especially upon her European officers—a far higher standard of work than is accepted as sufficient in any other country—a standard of work which it would be perfectly impossible to maintain, apart from the conditions in which Europeans live in India. They divide their lives between longer periods of work in India and shorter periods of rest in Europe, and they look forward to retirement from active service, if they live, at a comparatively early age. Unless there was this sharp-drawn distinction between periods of work and periods of rest, you would never find your European officers willing to live in that perpetual atmosphere of work which in this country surrounds them. In short, if you want to get your work done without immensely increasing your present staff, you must accept the condition that the European official must not only live free from the actual discomfort of pecuniary cares, but after such fashion that he may, during his working life, have a margin to put aside for his periods of rest. This I say is the peculiarity of Indian official life, and, if the State wishes to benefit by the acceptance on the part of its officers of a standard of work far in excess of anything required or expected by other Governments, it must accept on its part the necessity of maintaining, in the allowances it makes to its officers, something approaching that standard of living with reference to which the salaries were originally fixed, and with reference to which the present high standard of work and of efficiency has been established.

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[*Mr. Westland.*]

“The concession that has already been granted is a very limited one, but it is all we can afford. The orders restrict it, for the reasons I have explained, to the classes of officers who may be said to represent the European Administration of India. The extent of the concession is, I admit, very much less than that of the personal hardships imposed by the fall of the rupee. No class of cases has given me more pain to deal with than the numerous applications I have received from officers who do not come within the terms of the order. I had little idea of the hardships of family life which many of our officers were suffering, until they had occasion to represent them to the Government in this connexion. I have seen, over and over again, cases in which officers of what we call the Indian Services of the Government, filled with the honourable desire to give to their wives and families the benefit of a European residence and education, and occasionally compelled to do so in the interests of their health, have straitened and pinched themselves to meet the ever-increasing demand that their determination had made upon their purses. These and like cases have brought home to me, in a manner with which I was not fully acquainted before, at what sacrifice of personal comfort, at what cost of personal feelings, and with what surrender of all that makes life enjoyable, the service of the Government of India is too often carried on. The compensation allowances have gone some way, as I hope, to remedy these evils, but I cannot conceal from myself that many unremedied hardships still remain behind.

“It is too much to hope that even after this explanation the somewhat ungenerous denunciations directed in some quarters against this increase of allowances will altogether cease. But I trust it will at least be seen that the arguments apply with equal force against the increases which I have described as taking place throughout the ranks of the services ordinarily filled, and honourably filled, by Natives of India. You cannot reasonably expect to get the work of the present day done, either by Natives or by Europeans, upon the salaries you offered twenty-five years ago; nor can I imagine anything more unjust, when you are obliged to raise the standard of your salaries, than to declare that the higher allowances are to apply only to new men; but that the officers who have served you for ten or twenty years, being now helplessly bound to your service, must be content to continue on the old scale. You have long given up the attempt to continue the old standard of salary in the case of the Native services with results entirely beneficial to the administration; I do not see why you should call it anything but bare justice when at length you are obliged to give it up also in the case of the higher paid European Services.”

His Excellency THE PRESIDENT said :—"The time has now come when the discussion on the Budget Statement of the year must, so far as this Council is concerned, come to a close. It has on this occasion, I think, been broken up into two parts—for the introduction of the Tariff Bill forestalled, and I think necessarily forestalled, much that would otherwise have been appropriate to the proceedings of to-day. On the whole I do not think that the Government of India have any reason to be dissatisfied with the prolongation of the criticism to which they have been subjected.

"It has been acknowledged on all hands that our embarrassments have been serious, but financial embarrassments may proceed from various causes. I do not think that on this occasion there has been any disposition to think that our embarrassments have arisen from causes under our control. Criticisms there, no doubt, are—what system of administration of human affairs could expect to escape them?—of different branches of our policy, but I think it is admitted on the one hand that in regard to expenditure we have been, and are, exerting ourselves to keep our expenses within bounds. We are doing so subject, of course, to the stipulation that we must maintain in complete efficiency that system of Government which has been built up in India, on which our position in India depends, and which it is our duty to India to conserve. I quite agree with the views expressed by my hon'ble friend Sir Griffith Evans when he pointed out that the development of an Empire necessarily lays upon us fresh duties, and that fresh duties must often mean fresh or increased expenditure, but I think that General Brackenbury, in the statement which he has made with regard to military expenditure, has shown that the Government of India are willing to submit the details of their expenditure to the Council, and also, so far as is possible, to keep these increased demands within the limits of the funds which are at their disposal. On the other hand, without entering into any matters of controversy, I think that the general lines of the fiscal policy which was adopted last summer have been recognised as having been forced upon the Government of India, and as having been the best that circumstances permitted. The Secretary of State has announced in the most emphatic terms that the Mints will remain closed, and that announcement has, I believe, met with pretty general approval in this country.

"This, then, being the position, I think that the principle on which it was necessary to frame the Budget, now before the Council, becomes pretty clear. Some objection has been taken to its being a transitional Budget; but what else was open to us? A great operation like that of last summer cannot be

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[The President.]

carried out in a day, though people talk sometimes as if it could be done by the stroke of a pen. Circumstances have tended to prolong somewhat the period of transition—circumstances, as I have said, beyond our control, and which depend to a large extent on the general conditions of trade, and also on schemes of legislation in other countries. I do not think, therefore, that the Government would have been justified in treating the position as one with the characteristics of permanency, or as one to be met at all events in full by permanent measures.

“Like other Members of the Council, I do not propose to renew the argument of the question whether in the import-duties, now re-imposed, the duties on cotton ought to have been included. The view taken by the Government of India has been expressed by the Financial Member, and will appear from the papers that will be laid before Parliament. All that I would say is that no object is advanced by undervaluing the strength of the opposition to it. For my part, I have no doubt whatever that Her Majesty's Government have considered this subject with the earnest wish to serve the true interests of India. They have thought it their duty not to consent to a duty on cotton goods at this moment, looking, as they are bound to do, to all the interests of the Empire of which India is a part. But they have told us that they will be ready, if necessary, to reconsider this question in the future. I venture to think that it is a mistake to suppose that no advance has been made. I believe that a body of opinion has been created, not only here but in England, which may very materially affect the decision to be arrived at in the future. In the discussion of this question I would urge that it is quite possible to lose nothing of the strength and determination to do what my hon'ble friend Sir Griffith Evans described as bringing pressure upon the Secretary of State, while looking matters fully in the face, and recognising that in practical politics we sometimes have to take into account opinions with which we do not agree, and to calculate with all calmness what the attainable balance may be. In this connection I was glad to hear the remarks of the Hon'ble Mr. Fazulbhai Vishram. I am not to be taken as indicating any view of the manner in which an arrangement may be arrived at, but as an illustration of the spirit of fairness which I should like to see used. I was glad to hear him, as a mill-owner, say that he was willing to consider the imposition of an excise-duty.

“I should like to add that I have a great sympathy with the dislike expressed by so many Members to its having been necessary to utilise for the purposes of the year sums which otherwise might have been available for the Famine grant, and also the Funds of Local Governments.

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" I confess I think there is some confusion of thought in reference to the position of the Famine grant. I do not understand how it can be supposed possible for a Government to bind its successors in all time coming to spend its revenues in a certain manner, whatever their judgment of the respective claims upon them may be at the time, and, as a matter of fact, from the quotations which have been read it does not appear that the Government of that day wished to do so. His Honour the Lieutenant-Governor has given us some very interesting information showing the good purpose to which this grant has been put, and the extent to which the objects proposed by those who established the grant has been met.

" The Hon'ble Sir Griffith Evans spoke of a statement by Lord Northbrook, and described this grant as a percentage for repairs ; but I think he will admit that a percentage for repairs is less on a well-constructed building. At the same time, for my part, I should be very sorry to take up the position that we had done our work in the construction of the class of works of this character. The Hon'ble Mr. Playfair has drawn an unfavourable comparison between India and America in the provision of railways. I do not know that the comparison would be complete without a consideration of the circumstances of the two countries, and especially, as the Hon'ble Mr. Westland has pointed out, of the extent to which private enterprise has influenced the matter. It would be highly desirable were we to see private enterprise giving more assistance to us in this country ; but, as the case stands, I maintain that the Government has been right to regard the withdrawal of the Famine grant and the contributions from Local Governments as temporary parts of their Budget. At the same time I quite see that, in looking upon these parts of our Budget as temporary, we may, perhaps, be increasing our difficulties in the future. That is a disadvantage which we shall have to face when the time comes. It is a part of the position which it will be our duty to call the special attention of Her Majesty's Government to, if, or when, the time comes for us to ask for the reconsideration of our taxation which they have promised. In the meantime we must do our best with the means at our disposal."

The Council adjourned to Thursday, the 29th March, 1894.

S. HARVEY JAMES,

*Secretary to the Govt. of India,
Legislative Department.*

CALCUTTA ; }
The 2nd April, 1894. }