

*Friday,
26th March, 1897*

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

LAWS AND REGULATIONS

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ABSTRACT OF THE PROCEEDINGS
OF
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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 Friday, the 26th March, 1897.

PRESENT :

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

His Honour Sir Alexander Mackenzie, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency Sir G. S. White, G.C.I.E., K.C.B., V.C., Commander-in-Chief in India.

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

The Hon'ble Sir J. Woodburn, K.C.S.I.

The Hon'ble M. D. Chalmers.

The Hon'ble Major-General Sir E. H. H. Collen, K.C.I.E.

The Hon'ble A. C. Trevor, C.S.I.

The Hon'ble M. R. Ry. P. Ananda Charlu, Rai Bahadur.

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

The Hon'ble Alan Cadell, C.S.I.

The Hon'ble J. D. Rees, C.I.E.

The Hon'ble Sir Lakshmishwar Singh, K.C.I.E., Maharaja Bahadur of Durbhanga.

The Hon'ble Rao Sahib Balwant Rao Bhuskute.

The Hon'ble P. Playfair, C.I.E.

The Hon'ble Rahimtula Muhammad Sayani, M.A., LL.B.

The Hon'ble Pandit Bishambar Nath.

The Hon'ble Joy Gobind Law.

The Hon'ble C. C. Stevens, C.S.I.

The Hon'ble Sir H. T. Prinsep, Kt.

The Hon'ble H. E. M. James.

QUESTIONS AND ANSWERS.

The Hon'ble RAI BAHADUR P. ANANDA CHARLU asked :—

“ 1. Will the Government be pleased to state if it is a fact that a rule was passed in 1884 by Mr. James, the then Director General of the Post Office of India, to the effect that no one who had not passed a departmental examination should be appointed as Superintendent in the Post Office ?

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" 2. Will the Government be pleased to state if it is a fact that in his letter No. 2313, dated 30th May, 1884, Mr. James thus wrote to the Post Master General of the North-Western Provinces :—

'In reply to your letter No. 107, dated 8th May, 1884, I beg to state that it is not my intention to exempt any more officials from the examinations for the Superintendship. Making of exceptions is a serious evil, and I intend to make no more.'

" 3. Is the Government aware that in spite of this distinct order several unpassed Europeans and Eurasians have been appointed as Superintendents, while the claims of several passed natives of India of Asiatic race, who were specially selected by the Department to appear for the examination, have been overlooked? Will the Government be pleased to enquire the reason for this state of things and to state the same?

" 4. Will the Government be pleased to state if it is a fact that there are no less than nine men either holding permanent appointments in the Superintendents' grade or officiating as such without passing the departmental examination, and that they are all either Europeans or Eurasians?

" 5. Will the Government be pleased to state if it is a fact that no less than five officials who successfully came out of the departmental examination have not been provided with appointments in the Superintendents' grade?

" 6. If what is alleged in questions 4 and 5 are facts, will the Government be pleased to ascertain what special reasons justify such cases and to state the same?

" 7. Will the Government be pleased to state whether it is aware that in paragraph 4 of his Circular No. 11, dated 16th April, 1884, the Director General of the Post Office prescribed that "European and Eurasian candidates will be required to produce a certificate of having passed an examination, either in Hindustani or a Vernacular of the Province in which they are employed," before they were allowed to appear for the Superintendship examination, and whether such certificates were produced by all the European and Eurasian candidates who appeared for the Superintendship examination since 1884. If not, will the Government be pleased to state what special reasons existed for the exemption in each case in which the exemption was accorded?"

The Hon'ble SIR JAMES WESTLAND replied :—

" 1. It is a rule of the Postal Department, as laid down by the Director General, that no officer shall receive a substantive appointment as Superintend-

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ent unless he has passed an examination, mainly in matters of Postal work. This rule does not necessarily apply to officiating appointments, nor would it be possible to confine the selections for temporary vacancies to passed officers.

“ 2. The quotation is correct and states the intention of the then Officiating Director General: it is not an order of the Government and does not bind Mr. James' successors, though the same practice has been followed by them, and they ordinarily insist upon officers passing the examination before they are confirmed as Superintendents.

“ 3. It is not true that several unpassed Europeans and Eurasians have been appointed as Superintendents, while the claims of several passed Natives of India of Asiatic race have been overlooked. Since 1884 four officers have been expressly exempted from passing, of whom one is a domiciled European and three are Natives of India of Asiatic race; and there are five officers who have been appointed as Superintendents subject to passing the examination, and have not yet passed, namely, three domiciled Europeans and two Natives of India of Asiatic race.

“ The question implies that passing the examination gives a claim to promotion. This is not the case; any officer, in receipt of Rs. 50 a month and upwards, may offer himself for examination, but, if he is accepted, it is on the distinct understanding that he obtains no claim by passing it to supersede his seniors. It is a mere qualifying test. No one is ever specially selected for examination, as stated in the question.

“ 4. The facts regarding the nine men, to whom it is understood that the question refers, have been already stated; they do not accord with the allegations in the question. If the question alludes to any other individuals, it is not understood.

“ 5. It is expressly laid down that passing the examination gives no claim to an appointment as Superintendent; and there are 40 or 50 persons who have passed the examination and not been appointed Superintendents; many of them are at present, at any rate, quite unfit for Superintendentships.

“ 6. As what is alleged in questions 4 and 5 are not facts, no reasons can be given for them.

“ 7. This rule has not been enforced since 1884, that is, the production of the certificate has not been insisted on, the reason being that as the

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Europeans and Eurasians employed in the Department, with possibly one or two exceptions, are domiciled in India and speak at least one Indian language with ease, the test was found unnecessary. Only one existing Superintendent is a non-domiciled European, and in his case, and in several others, the certificate was produced."

The Hon'ble RAI BAHADUR P. ANANDA CHARLU asked :—

" Will the Government be pleased to lay on the table the orders of Government relating to recruitment for Account offices and referred to by the Hon'ble Sir James Westland in the reply given to the Hon'ble Rao Sahib B. Bhuskute's question in Council on the 11th instant ? "

The Hon'ble SIR JAMES WESTLAND replied :—

" A copy of the orders referred to, letter No. 3534 of 17th August, 1896, is laid on the table."

FINANCIAL STATEMENT.

The Hon'ble SIR JAMES WESTLAND moved that the Financial Statement be taken into consideration. He said :—" In doing so I have one or two remarks to make. In the first place, I have to offer two apologies. My first apology is to the Hon'ble Mr. Charlu, whose suggestion, made last year, that we should accompany our Financial Statement with illustrations and coloured maps, I have been unable to follow. It has not been the custom of the Government of India to do so, nor, so far as I can ascertain, of any other Government, and I hope he will pardon my not being able in this matter to accept his suggestion. My second apology is to the residents of Madras. The Madras Presidency is unfortunately too distant to receive from us a copy of the Financial Statement at the same time that it is issued in Calcutta and Bombay. Judging from the Madras newspapers which have reached me, I am afraid they put this down to *malice présumée* on my part than to the force of uncontrollable circumstances. I am quite sure that if they only knew the hurry and stress under which the Financial Statement is prepared, they would see that every single additional day that it is possible for us to give to it is of immense service in its preparation. Bearing in mind that a week has to be left at the end of March between the presentation of the Financial Statement in this Council and its discussion by this Council, we are limited to a very few days only for its presentation. The 19th is about the earliest date we can present it, and this year it was nearly the latest also; if we were to postpone it for a few days longer, it would cause considerable inconvenience to this Council, as the Council, according to the usual

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arrangements, dissolves before the end of March. Now, my Lord, we never close our estimated figures until we have received the fullest information which is obtainable by us regarding the actual accounts of the month of February. Every Treasury in the country makes its report to our officers by telegram, and it is not till the 10th or 11th of March that we have before us the final figures of February which are necessary for us to consider before we close the statement. Now between the 11th and the 19th I desire to give to the Council some sort of information of what work has to be done. In the first place, we have to consider the figures that come in to us, and we have to post them in all the statements which have been already prepared for the Financial Statement. Hon'ble Members can see for themselves in the Financial Statement what the mass of figures in that statement is. The figures are there, not by hundreds, but by thousands, and I beg Hon'ble Members to remember one thing, and that is that the figures going before them are only the figures of the Budget Statement of the Government of India. There are eight subordinate Governments, and each of these Governments' budgets has to be made up by us at the same time as the statement for the Supreme Government. It will be remembered, therefore, what a tremendous business in the mere matter of posting figures in statements and correcting them and testing them, has to be done and completed during the short interval that passes between the 11th day of March and the 16th of March. On the morning of the 16th of March we were able to give the final press order to have the statement printed off, so that it might be posted that evening, that is the evening of Tuesday, the 16th. The working of those five days was enough, I fancy, to drive most men into a lunatic asylum, and if it had not been for the extremely complete arrangements which were made by the Financial Secretary, Mr. Finlay, and by the Comptroller General, Mr. Cox, and by the Departments which work under them, it would have been perfectly impossible to have completed the work by the time we are allowed. I beg, therefore, that the people of Madras will not think that it is out of any disrespect to them or out of any failure to recognise their position as the senior Presidency in India that I failed to send to them the Financial Statement at the same time that it was distributed in the junior Presidencies of Bombay and of Bengal. We are doing our best, as I think the Financial Statement itself shows, to bring Madras a little nearer to Bengal. We are spending a very large sum of money upon the East Coast Railway both in the northern section and in the southern section of it, and in a year or two I hope Madras will be placed in the same position as the other Presidencies so far as regards the reception of the Financial Statement.

" One other remark, my Lord, I desire to make, and that is to point out what seems to me to be the extraordinary position that the Finance Minister occupies in respect to the Financial Statement in this country. Other Finance Ministers, when they present their statements, have to defend the expenditure proposed against the representatives of the tax-payer. Here the position is exactly the reverse ; the Finance Minister is the solitary representative of the tax-payers of India. Of course, I do not speak of my Hon'ble Colleagues of the Executive Council who share this responsibility with me; but it is certainly the case in respect of the other Hon'ble Members that on a discussion of the Financial Statement the general line taken is to press all sorts of expenditure upon the Finance Minister, and to show what very excellent services he would render if he would only grant money in this direction and grant money in the other direction. Now I desire to explain for a moment, or rather to recall to the remembrance of Hon'ble Members—for they will understand the matter at once if I do so recall it—what this granting of money means. The Government of India possesses no funds of its own. The only funds it can get for any purposes are the funds it takes out of the tax-payers; and every grant of money by us has in the end to fall upon them. Now let me take an example. I will suppose that I am making a proposal that the residents in a certain district in the Punjab should get a meal a day at the cost of the tax-payers of Madras. The tax-payers of Madras would rise in their indignation, and declare that the thing was, on the face of it, absurd. But suppose I make a converse proposition, a proposition that a good supply of drinking water be supplied to the residents of Madras at the cost of the tax-payers of the Punjab. It at once seems a most reasonable and proper thing; only they wrap it up in convenient phraseology, and talk of obtaining an increase of the Provincial assignment in order that the Provincial Government may make a grant towards their water-supply. But by whatever name called, it is nothing more nor less than calling upon the tax-payers outside Madras to contribute towards the supply of an article of consumption to the people of Madras. I think, therefore, that Hon'ble Members should remember that when we talk of the Famine Insurance Fund, when we talk of Provincial assignments, and when we talk of grants from Government, we are not talking of any ways and means by which rupees can be produced and be made available for the purposes of expenditure. All these are merely systems and methods by which we regulate the appropriation of the money received from the tax-payer on the one side to expenditure on the other side. Half the arguments that are used in supporting the claims made upon us, especially in the matter of Provincial assignments upon which our discussion to-day will prob-

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ably turn, are based upon a sort of assumption that the term 'Provincial assignments' expresses some magic means, by which the available funds can be increased by the Government of India by some sort of mechanical operation; and that when it is discovered that any province can usefully employ more money in expenditure than it at present has at its disposal—and most of the Provinces do find themselves in that position—it is only necessary to set in operation some mechanical device which Government has at its disposal, and rupees will be produced at nobody's cost. Now we do not grow rupees in the way a peasant grows his grain, nor has the Government of India an unlimited supply of them. I trust that, Members, when they are proposing to the Government of India any increase of subsidy or grant or assignment of the kind, and when they are pointing out to us that there is a very large amount of expenditure which can be desirably undertaken by the Local Governments, will remember that they have to show, not only the desirability of the expenditure, but the fairness of levying it, and the fairness of levying it, not only on the local taxpayers, but also on other Provinces as well as the Province in which it takes place. These, my Lord, are all the remarks I have to make before submitting myself to the slaughter, and I have only now to move that the Financial Statement be taken into consideration."

The Hon'ble MR. JAMES said :—"My Lord, I am glad that it falls to me as junior member of this Council to be the first to felicitate the Hon'ble Financial Member on his Budget. A Budget that shows a deficit of two crores may not seem much a matter of felicitation to him, but considering this terrible famine and plague, he may well be glad that it is no worse, thanks to his own pith and shrewdness in improving the revenue in various ways since he has been Finance Minister, and if he is successful in getting us through it without extra taxation, all India may indeed be grateful. My Lord, it is not the function of an official member to criticise the financial arrangements of the Supreme Government, unless perhaps, as they did not so many years ago, they double the income-tax, and unnecessarily, in the middle of the year. Finance and currency questions, moreover, are matters for experts, far too complex and technical for plain men to offer an opinion upon, unless they happen to belong to that class who intrude themselves where angels fear to tread. Still, even a plain man can feel when he sees his own pockets empty, and even more so when he sees largesse poured into the pockets of his neighbour. I venture therefore humbly to make one remark from that point of view. My Lord, with due respect to His Honour the Lieutenant-Governor and the other distinguished members who represent Bengal here, and admitting to the full the

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unreasoning and unnatural jealousy of Bengal, with which Bombay men are always credited, still I venture humbly to submit that Bengal has been far too well treated always, and in this Budget too.

"Bengal is one of the most fertile and prosperous Provinces in the world, though just now in Behar the state of affairs may be temporarily sad. She used to be, and ought now to be, an enormous source of income to the State. We know the reason why she is not, because, while the land-tax in other Provinces is being continually revised and raised and poured into Imperial coffers, Bengal has a permanent settlement. But because she does not pay her due share of land-revenue to Imperial taxation, that, I submit, is all the more reason why the zamindars should be taxed in other ways and, especially when money is tight, why expenditure justifiably payable by them should be thrown upon them in the shape of additional taxes or rates. In England we have a permanent settlement, and landowners there pay various taxes, mostly paid on luxuries, such as on male retainers, horses, carriages and dogs, not omitting hair powder; in addition, they are rated heavily for police, highways, and the relief of the poor. Besides, under the most recent legislation, a zamindar's property in England pays about five per cent. of its value on every change of ownership. I put it, then, to the Council why should not similar taxation and rating be imposed upon Bengal for the relief of other Provinces in addition to what she pays now? I know the Hon'ble Financial Member has been anxious to deal fairly, so far as his funds admitted, with the Provincial Governments in his new contracts with them. I can testify myself to his great sympathy with, and desire to help, those who are in a tight corner. All the same, I feel pretty sure that his rest at night must now be disturbed by the pitiful wailings and moanings that are being wafted across the continent from those who budgeted for bare efficiency and have found their moderate demands cut down. In illustration of how Provincial Governments are starved, I may remind Your Lordship that when Lord Lansdowne determined that the police throughout India should be put on a proper footing, my Hon'ble friend opposite now in charge of the Public Works Department, went very carefully into the question of the police in Sind, and reported that two lakhs and thirty thousand rupees were needed for the barest efficiency, while for real efficiency a much larger sum was necessary. By the irony of fate it fell to my Hon'ble friend himself, when he became the guardian of the Bombay Provincial Finances, to cut down the grant to a lakh and a half, and to tell me, almost with effrontery, that I must do the best I could with that. And, my Lord, if the Council reflects what it means to the people if the police are inefficient or

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underpaid, it can realise how seriously shortness of cash in the Treasury affects them in more ways than one. Take another instance. In the whole Province of Sind, the Provincial Government pays for the maintenance of only three miles of road; local rates do all the rest. I come to Bengal, and the first district I visit I see a nice road, and the Collector tells me that the Government give him half a lakh for keeping in order the portion in his own district. No doubt, isolated instances like this may be capable of explanation, but straws show the way the wind blows. I quite admit that the Government of India have not the local knowledge to enable them to select and tax the luxuries of Bengal suitably, but what I should like the Hon'ble Financial Member to say to His Honour the Lieutenant-Governor of Bengal is this:—'Your police cost, you say, 50 lakhs per annum. You must raise a police-rate yourself for that amount. You have a Legislative Council on which your ablest and most experienced officials are seated. You have also many non-official members, full of zeal and keenly anxious to use their great oratorical powers for their country's weal. Do you find out whatever represents the carriages and dogs and the hair-powder to tax, and the death-duties be imposed. From time immemorial, permanent settlement or no permanent settlement, the zamindars of Bengal have been liable to pay for their police, and they should do it now.' Out of the abundance of authorities for this position, I will only refer the Council to one, a volume written about thirty years ago by a very able young Civilian. The work, my Lord, is called the *History of Jessore*, by Mr. James Westland. At page 73 I read that even before the settlement zamindars were expected, by means of their ordinary servants, to protect property and hand offenders to the authorities. In other Provinces the people who correspond to the zamindars here *are* called on to meet their obligations in respect of police charges. The taluqdars of the Province of Gujarat, for instance, were subjected in 1888 by law to the following obligation:—

'The Governor in Council may from time to time determine—

- '(a) what police-officers and establishment are requisite in each village in a taluqdari estate;
- '(b) charges on account of police shall be defrayed by the taluqdar at such rates as shall from time to time be determined by Government, and in the event of failure by the taluqdar to pay, at the time when the same becomes due, any sum so payable, the sum shall be recoverable from him, in addition to the jama, as if the same were a part of the jama.'

"These taluqdars are not, as a body, nearly so wealthy as the Bengal zamindars. I would remind the Council that, when Lord Mayo created the

system of Provincial responsibility for expenditure, an integral part of his scheme consisted of giving the Local Governments power to supplement the Imperial subsidy by local rates. Two taxes were, as a matter of fact, imposed at first in Bombay. The Government of India shortly afterwards stopped this part of the programme. I do not know why—possibly from political motives or from fear that sources of revenue might be tapped which they desired to reserve for themselves. But India has now advanced, and His Honour the Lieutenant-Governor and his Council are surely as well able to devise suitable local taxation as petty municipalities which already exercise the power. My Lord, it is little less than a scandal that by the aid of nice conveyancing (is not the word 'nice' a pleasant one?) one should hear of wealthy Calcutta merchants disposing of property worth crores of rupees without paying any dues upon it to Government, or of a great nobleman giving a whole pargana to a relation and paying a conveyance-duty of only Rs. 15 or Rs. 20. I daresay the Hon'ble Financial Member would give His Honour part of the probate-duties in return for 50 lakhs. Death-duties, as they are called in England (the term is not a very pleasant one), are taxes to which the people of this country have always been accustomed. The native name is 'nuzzerana' on succession. Let His Honour collect this according to old usage, and his treasury will overflow without any diminution of his popularity. His Honour could, I daresay, receive the offerings in Darbar, just as the old Subadars of the Delhi Empire did. An heir who pays half a lakh will receive a shawl and His Honour's congratulations. One who has paid a lakh, two shawls. One who has paid three, shawls and a diamond aigrette, and for larger sums, a high-sounding title might be bestowed in addition, and His Honour and the zamindars will part, both mutually satisfied. And then, if the Hon'ble Financial Member gives part of the 50 lakhs he has saved to Bombay and Sind, we shall all go away happy. I feel quite sure, too, if His Highness the Maharaja of Darbhanga will pardon a personal allusion, that from the knowledge we all have of His Highness' own unexampled generosity and his public spirit, the zamindars of Bengal will, if they resemble him in the very least, meet proposals like mine in a spirit of perfect fairness, though of course no one could expect them to like being taxed. That would not be human nature. I can quite realise that the Hon'ble Finance Member does not see the advisability of trying to impose local taxes himself. He would expose himself to mistakes and consequently to odium, and the Native Press would call him names. But I am sure of this, that if you call on Local Governments to make up deficiencies in Imperial grants by extra taxation of their own, of course under

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careful supervision and sanction, such a policy, more than any other, will make for Imperial economy. As long as the Hon'ble Finance Member's pockets are considered bottomless, so long will Local Governments have to play the ignoble and irritating rôle of the daughters of the horse-leech every five years, or indeed whenever more money is wanted. And we lose a deal of revenue by our obstinate adherence to Western methods. We might, for instance, make a revenue quite legitimately by taxing adoptions, as the king is authorised to do by the Shastras. The sort of thing we do tax is 'appointment in execution of a power, whether of trustees, or of property, moveable or immoveable, where made by any writing not being a will,' or rather we mean to tax it, but neither tax-gatherers nor tax-payers understand such a highly technical term. So it cannot be a very fruitful source of revenue.

"Might I also invite the Hon'ble Financial Member to consider a second little question, *viz.*, whether the time has not come to relax the terribly light leading strings in which the Financial Department keep Local Governments as regards matters of petty detail. I don't refer to His Honour of course. He is on the spot, and has the great advantage of being able to go to the Treasury in person, if he suffers at the hands of the Financial Department. But since the time when Lord Lawrence told a Committee of the House of Commons that a Presidency Governor was too great a personage to be coerced merely for the trifle of spending a few lakhs without authority, the persistency of the Financial Department has thoroughly succeeded in curbing the desire of Local Governments to break rules. The Accountant Generals are stern, and a Local Government with the Accountant General by its side nowadays resembles a little boy going out for a walk with his nurse. Supposing the Local Government wishes to reimburse a man from Provincial money for some special labour or personal expense, or to carry out some unforeseen work which is needed in a hurry. The Governor asks, so to speak, his nurse: 'Please may I give my penny to that poor man, or may I buy that toy?' 'No, Master Governor-in-Council. I'm sure your kind grandmamma did not give you a penny for you to spend it in that way—it would be contrary to the Civil Account Code. Put it back again in your pocket at once or I'll tell her when we get home.' If the cast-iron rules of the Financial Department were relaxed in trivial matters, I am confident Local Governments would be happier, correspondence would be greatly lessened, and the Hon'ble Member would have more time to attend to matters of really Imperial moment. We all profess to lament over-centralisation—undoubtedly it takes the heart out of Governments and men. But, when you come to ask any one to decentralise and part with any power, he is so

hide-bound by system and perhaps suspicious at heart as to how the power will be used by others, that he always says '*nen possumus*.' It requires a very strong and determined man to decentralise.

"Now, my Lord, I come to thirdly and really lastly. I see that the widow's mite yielded by the Post Office now really shows signs of becoming a 'talent' within a measurable distance of time. It's not exactly a suitable time, when the Budget shows a deficit, to suggest more expenditure on salaries. Still I venture to suggest that the Hon'ble Member might spend a little of this widow's mite in improving the position of a most important body of men, the Superintendents of Post Office; the Post Office really works admirably and the work is now very onerous. But the pay of the Superintendent is the same as it was 25 or 30 years ago, before the Post Office took up its gigantic money order, savings bank, value-payable, telegraph, and other work. I know perfectly well that a maximum of Rs. 400 rising to Rs. 500 is sufficient for a number of men. They are not worth more, and if you were to make higher paid grades and you let such men go up by seniority, you might be throwing away money. But there are some valuable men, both Native and European, who are worth more and who have special qualifications and responsibilities. I mean men such as you would send on a Chitral campaign or mark for promotion to the position of Deputy Postmaster General. Depend upon it, unless you pay the Superintendents properly, you will not get this class of men when you need them. In Sind I am given a small allowance which I can distribute as I like to Native first class Magistrates in view of the great responsibility and extra work the possession of these powers entails upon them. Could not the Hon'ble Member give the Director-General of the Post Office a sum to distribute as personal allowances to selected Superintendents? It will be a cheaper way of doing what is needed than by raising the pay of the higher grades generally, as old fossils are sure to move up and fill them in course of time. Of course selection is to a certain extent invidious—but you can trust your Director-General, I should think. I should like to add, in saying this, that I hold a brief for no one. Whatever a non-official member may do, I cannot conceive a more improper thing than for an official member to come here and advocate pecuniary claims of individuals or grades. I have only met two Post Office Superintendents since I last came out to India, and only one of them even alluded to this subject. But I take a warm interest in my old Department: I am keenly anxious that it should not deteriorate, and I feel that the Hon'ble Member must do something. I know that the pay of postmen, of postmasters, and I believe of some Postmasters General has been raised, and rightly so. The Superintendents therefore should not, I submit, be left out in the cold."

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The Hon'ble SIR HENRY PRINSEP said:—"My Lord, it was not my intention to trouble the Council with any suggestions upon the Budget, as I do not consider that it is a department of which I can pretend to have any experience. I leave it to others to deal with the various subjects, particularly affecting Bengal, to which reference has been made by my hon'ble friend on my right (the Hon'ble Mr. James), and I have no doubt when he leaves this room he will leave it a wiser and probably a sadder man. There was only one matter to which I wished to draw his particular attention. He seems to think that, whereas all the revenue was supplied by Bombay, all the necessities were those of Bombay, and that Bengal does not contribute properly towards the revenues of the Government of India. I would specially direct his attention to a statement prepared by Sir James Westland many years ago, and which appeared in the Government Gazette—if I recollect accurately, about seven years ago—representing the amount realised by court-fees in the various Presidencies, and *per contra* the expenditure of the Courts. Now this is a matter upon which we Judges of the High Court felt very strongly, as representing the judicial administration, and we have always felt that, whereas the revenue in this department was really supplied by Bengal, it was swallowed up by other Presidencies, and they had considerable difficulty in obtaining what we considered to be necessary to Bengal. It was, however, represented to us that this was an Imperial question, and that they had to consider the aggregate as representing the revenue and the expenditure. I wish it to be understood that I do not accept all the items which have been charged against the Courts in that statement, but let it stand at what we found it. We found—and I hope my hon'ble friend on my right will recognise this—that whereas we had in Bengal a surplus revenue of over fourteen lakhs, in Bombay the excess of charges over receipts was over ten lakhs. I leave the other matters represented by my hon'ble friend for others to notice."

The Hon'ble MR. STEVENS said:—"My Lord, I do not wish to occupy much of the time of the Council, or to interpose more than a very few remarks before those important criticisms to which I doubt not the Budget will be subjected by those who, from their special knowledge, or from the interests which they represent, have a better title to be heard. Nor will these remarks have more than the very small authority of the individual speaker, for in the presence of His Honour the Lieutenant-Governor, who is responsible for the finances of the Province, it would not become me to assume a representative character. And yet it would not be right, I think, for me to remain altogether silent as to the financial arrangements which (notwithstanding the Hon'ble Mr. James) .

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appear to press so heavily on the Province in which I serve. I confess that I had not for a moment anticipated the scarcely serious attack which my friend Mr. James, as a 'plain man,' has made on Bengal. I think I may leave it, however, to the 'expert,' the Finance Minister, who knows Bengal, to defend himself against the charge of undue partiality to the Province. My own complaint is that he has been severe. It seems to me, my Lord, that a person, having no other knowledge of the facts than that furnished by the Statement of the Finance Minister, would not unnaturally think that Bengal was in the proud and happy position of a Province which has had all its reasonable wants supplied, and has been spending money on a scale which, we were told, 'is not the result of any specially-enforced economy.' But it will not have escaped notice that, during the first three years of the quinquennial period, the balances were but little in excess of the amount which is taken to represent the minimum compatible with the convenience of the administration, and there could be no greater error than to suppose that there are not highly important improvements, necessary to good government, for which money is urgently needed. I do not propose to enumerate these—still less to support their claims to consideration by elaborate arguments which could have no immediate practical effect. I will mention but one or two.

"In the first rank I would place the reconstitution of the General Hospital, and the improvement to something approaching an European standard of the other large hospitals in Calcutta. The condition of these most important institutions is notoriously very unsatisfactory: yet they are not of mere provincial utility, as regards the patients who resort to them, or as regards their educational functions; and it is not too much to say that, situated as they are in the metropolis of India, and manned, as they are, by officers selected for their efficiency by a central authority, they ought to be models for the Empire. That they should be thoroughly adapted for their purpose demands, not merely a preliminary outlay, but a persistent and recurrent expenditure.

"The case of the ministerial officers has always seemed to me to be, in the main, very hard for them and injurious to the interests of Government. Salaries were for the most part fixed long ago: but, while these have remained practically constant, the expense of living has been gradually and steadily rising, so that the standard either of living or of honest service must have of necessity fallen. I do not attach much weight to the argument that when a post of even trifling value is vacant, a host of applicants at once appears. For this there may be more than one reason; but the obligation remains on Government to pay its servants enough for them to live on with sufficient comfort in their several

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stations. In this direction, then, there is ample and urgent need of improvement; and here, too, the necessary expenditure is not spasmodic and occasional, but continuous.

"I am confident that the personal recollections of the Financial Member of his own experiences as a Magistrate in Bengal will support me in my assertion that, considering the dangers, the responsibilities, the powers, and the temptations which are inseparable from police work, the officers of that Department, especially those in the lowest grades, are most inadequately paid. Here, too, it is constant expenditure that is required.

"Another serious want is money for the assistance of local bodies for sanitary improvement, especially for the provision of drinking water. I listened with interest to the remarks of the Finance Minister on this subject, but he has failed to convince me. It does not follow that a grant in aid of the supply of drinking water in one province comes from the tax-payer of another. If aid is given in Bombay, there are tax-payers in Bombay. If aid is given in Bengal there are tax-payers in Bengal—many more of them than in any other Province. The Commissionership of Patna alone contains nearly as many inhabitants as the whole Presidency of Bombay! The requirements of modern sanitation are growing more rapidly than the resources of these local authorities and, if they are to be met at all, demand the assistance of the Government. Such assistance, spread over the whole area of this great Province, calls again for increased and continuous expenditure. These, my Lord, are a few instances which will tend to dispel the belief, if any one (even my friend Mr. James) seriously holds it, in the financial comfort and ease which pervade the Bengal administration.

"It has, I imagine, been the melancholy duty of most of us to offer condolences. Sometimes these are little more than forms, as perhaps we feel that there are circumstances which may tend to mitigate the distress of those with whom we condole. But at other times we are most sincerely sorry, and are distressed to feel how utterly ineffectual our expressions of sympathy must be. I believe that the latter conditions were those in which the Hon'ble Member in charge of the Finances penned the 72nd paragraph of his Statement. I shall be surprised if His Honour the Lieutenant-Governor derives any comfort from these condolences, however ingenious and sympathetic he may deem them. I do not think that he can have been satisfied when he heard that, in relieving him of his heavy balance, and reducing it to half that which is the normal minimum, the Finance Minister has, after all, not taken from him anything that is properly his. It is (we are told) 'not the produce of any Provincial revenues

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in the ordinary sense, but of the Imperial grant out of railway revenues, not under Bengal administration, which three successive good jute seasons have so enhanced as to give the Province a profit in the three last years of Rx. 353,500.' But I think that the view which we in Bengal must take of the transaction is this: the railways in question are situated wholly within the Province; they had been managed provincially until, for the sake of convenience, their administration was made Imperial. Whether the administration is Provincial or Imperial is not for present purposes a matter of any consequence. It is an accident. But the essence of the case is that the railways are in Bengal territory, and parts of them were constructed from Bengal funds; they are fed by Bengal roads and communications, and the profits are directly derived from a Bengal industry. To surrender revenue thus obtained is not, except as a matter of words, to make an Imperial grant, but to give back to the Province profits which have actually accrued in it, and from it.

"The present season so prominently marks the enormous advantage of railway extension in India that no less suitable time could be chosen for questioning the propriety of such a policy. At first sight, however, the thought suggests itself whether in a time of calamity, such as that through which we are now passing, the programme recently sanctioned might not be postponed till a more favourable season, rather than cripple Provincial revenues and impede progress in other directions. But the subject of railway extension is Your Excellency's peculiar care, and it is not to be doubted that this obvious suggestion has received such consideration as it may deserve and has been rejected on good and sufficient grounds.

"In conclusion, my Lord, I can only hope that returning prosperity may speedily place my hon'ble friend the Finance Minister in such a position that he may not have to consider what interests he must sacrifice, but how he may best distribute his benefactions. When this happy time arrives, I trust that he will remember, and remedy, the injuries which he now feels himself compelled to inflict on Bengal."

The Hon'ble JOY GOBIND LAW said :—"My Lord, there is an idea abroad that, considering the times, the programme of railway extension as indicated in the Financial Statement is rather high. I can well imagine that a year ago the Government of India, influenced perhaps to a certain extent by the exceptionally cheap rates for money then prevailing, formulated a scheme of extensive railway construction to be spread over three years. But times have changed since, and the cost of famine relief and the attendant loss of revenue will

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impose a heavy burden on the finances of India. The exchange and the last loan conversion have no doubt brought a certain amount of present relief, but the latter operation has not been, it seems, an unmixed benefit. Rightly or wrongly, people assume that a Government, when it raises a loan, without any announcement of its temporary character, will let it stand for a reasonable period, and will not seize the first favourable opportunity to reduce its rate of interest. They are persuaded that a Government cannot act in the same way as an ordinary private financial concern might see fit to act. No one disputes the abstract right of the Government in the matter; but, my Lord, there are other considerations which I need not specify, apart from the question of interest, which I have no doubt were duly weighed before coming to a decision. Leaving these other considerations aside, and looking at the operation solely from a financier's point of view, the result does not appear to have been altogether a success. As every one knows, India is not a country where any amount of spare capital was available, and as financiers in Europe have apparently not taken kindly to our rupee 3 per cents., the result has been that, instead of their being chiefly absorbed in Europe, and thus clearing the way for fresh loan operations, a good portion of these, I understand, stick to us, and refuse to leave us.

"Closely connected with the loan operations is another question, which, though it is nothing new, is one in regard to which it is desirable the public should have some information. I am referring to the subject of a sinking fund. From the way that Indian loans are being piled up, this question at one time or other must have engaged the attention of the Government, but the public, so far as I know, are unaware of the considerations which have influenced the Government in apparently dispensing with it altogether, if the special famine insurance fund is excepted. Strategic railways and similar works, more than any other, seem to stand in need of such a fund, inasmuch as they are not expected to be self-supporting.

"In what I have said, I do not wish to be misunderstood, my Lord. I am not expressing any definite opinions of my own on the questions I have raised, or finding fault with the Hon'ble the Financial Member. I am merely seeking for information while indicating the points which seem to require some elucidation.

"One word, my Lord, in regard to the famine. In the midst of the great and tremendous calamity which has unfortunately visited the people of this country, it is some consolation to them to be able to turn to and observe the

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deep and active sympathy which it has evoked in the country of our Queen Empress, in the great colonies and dependencies of the Crown, while the manner in which this dire visitation, unprecedented as it is in its extent, has been met, and brought under control, will ever be a subject of admiration to my fellow-countrymen and to the whole civilized world, nor is our admiration and gratitude the less due to those officers and men, from the highest to the lowest, who, surmounting all initial difficulties inseparable from such operations, are now zealously and indefatigably devoting themselves to the noble work of extricating their fellowmen from a situation the horrors of which it would be difficult adequately to conceive.

"Before concluding, I wish to refer to certain observations which have been addressed to this Council by the Hon'ble Mr. James. From his references to the permanent settlement he is seemingly unaware of the benefits, from a revenue point of view, which it has conferred in former years. His observations in regard to Bengal remind me of a remark made by the Hon'ble the Financial Member, that the Indian Government is expected to produce coins by some sort of legerdemain. His remarks would seem to me to be applicable to the Hon'ble Mr. James' references to Bengal."

The Hon'ble PANDIT BISHAMBAR NATH said :—"First of all, I respectfully decline to take the part of a slaughterer, as I profess to be a person of a better avocation if not an honourable one.

"It may be, that the annual Financial Statement cannot be conveniently prepared nearly before the end of the official year, the task being no doubt a Herculean one; it is a pity that the discussion of the Budget should thus come on as a parting function at the fag-end of the session here.

"The occasion of the presentation of the Statement for discussion is certainly not a field-day, as it were, simply for airing our views, or, as is supposed, for giving a vent to pent-up gas. The importance of the duty renders it desirable to bring a calm mind to bear upon the consideration of the several complex arrangements which the Statement summarises on the basis of voluminous accounts.

"As the Budget is overshadowed by an immense loss of Revenue and Expenditure due to famine, I think I am not called upon, like last year here, to indulge in a chorus of conventional felicitations; nor I see any necessity for passing criticisms upon results brought out on the assumption of a probable forecast, which is likely liable to unforeseen variations.

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"Though not an expert in Indian finance, I have tried to grasp the broad outlines of the Budget Statement. As I do not propose to go into figures or matters of detail, I shall simply touch upon such points as might occur to me. But, before doing so, I think I may say incidentally that I have been much struck, on referring to the Financial Statement for 1896-97, with what the Hon'ble Sir James Westland, with a statesman-like sagacity, was pleased to observe in his 'Conclusion,' rather unconsciously. He said, 'I refrain from any prophecies as to future.' These pregnant words were, I now see, really ominous. And had it not been for his modest reluctance to dive into futurity then and there, the situation, I daresay, would not have proved so disastrous as it is now.

"As we all know, not long after he had spoken thus, signs of trouble began to manifest themselves. The country has since passed through all the stages of widespread distress, till now, when we find nearly the whole country is suffering terribly from the effects of what has been described as the greatest calamity of the century.

"It is not for me here to say what I think will form a proper theme for an impartial historian, when he shall have to add, as a redeeming feature, a bright page to the otherwise dark narrative of a gloomy event, by telling the posterity how gallantly and bravely Your Excellency's Government, conjointly with the whole Imperial Administration, met and battled with the stern visitor which is still, unfortunately, stalking and playing havoc in the land.

"While a deep sense of sympathy has been touchingly evinced by Her Most Gracious Majesty the Empress of India, with her characteristic virtue as our Sovereign Lady, the long arm of private benevolence, as Your Excellency rightly expected, has been sympathetically outstretched in time; and a bounteous stream of public charity has flowed, as it were, for prompt relief, from the direction of the United Kingdom of Great Britain, its dependencies, Russia and other far-off countries.

"As famine is the prevailing feature of the Budget Statement, I cannot help observing here, parenthetically, though by no means in a captious spirit, that, by an irony of fate, India is under an unlucky star. In spite of all possible efforts by our Government for expanding the railway and irrigation systems, and adopting various other preventive remedies, famines, more or less destructive, do recur periodically in one part of the country or other, with a deplorable frequency. During the preceding quarter of the present century there have

been, if I mistake not, no less than about seventeen famines, though not so severe or widespread as the present calamity has proved to be. And there is no use in minimising the gravity of the situation by disguising the fact that the fatal effect of the famine and its inevitable consequences, upon the famished people in the more affected tracts, has been deplorably immense.

"The decrees of Providence being inscrutable, the recurrence of these terrible visitations is attributable, apparently, to the fact that the bulk of the peasantry and people, poor as they are, pursue and depend chiefly upon agricultural operations, the result of which is generally uncertain, and influenced by causes beyond human control. The effect of such calamities is disastrous. What the country gains slowly in the growth of its population and development of resources, as a natural consequence of an unparalleled reign of peace, attended with its incalculable blessings, it loses enormously, in life and wealth, by frequent attacks of distress and suffering.

"A question naturally arises, why is it so? The answer, I submit, involves many grave considerations regarding which there is yet a great divergence of opinion; and as the Financial Statement is not the place in connection with which such matters should be discussed with propriety, I purposely refrain from dwelling upon that vexed question. I may, however, be permitted to say that the oft-repeated argument 'that there is not a single country in the civilised world where the amount of taxation is so small as it is in India' loses much of its force when the comparatively great poverty of its masses is considered.

"Proceeding now with a cursory review of the several heads of account treated in the Budget, I regret to notice that, instead of a complete restoration of finances, affected as they were much in the year 1894-95, the direction of the financial position of the Indian Government during the past period under review has suffered so serious a reverse that not only the hopes of that restoration have been absolutely frustrated, but that there is reason to apprehend that all future progress must stand still to the great detriment of the several departments where it was needed most.

"The last Financial Statement, as we remember, shewed a large improvement, in that the Chitral Expedition was paid for out of Revenue Account; the Famine Insurance 'Grant' or 'Fund' was restored, and Provincial contributions were repaid. Thus, there was a surplus over and above, approximating to a crore and a half of rupees. The elasticity and buoyancy in finance, that characterised the last Budget, are no longer the reassuring features

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of the present Statement. The famine expenditure that has to fall on the Imperial Account, apart from that charged in Provincial balances, as well as for land improvements and agricultural advances, is, I gather, five and a half crores of rupees.

“While fully appreciating the determination of the Government of India for preservation of life against starvation, it is a pity that the Famine Code should have provided ‘subsistence ration’ alone as being quite sufficient for that purpose, leaving the private or public charity to supplement such bare rations with ordinary comforts, equally necessary for preserving life in distress.

“Dealing with the Provincial finance, I notice that His Honour the Lieutenant-Governor of Bengal was pleased to say here, last year this time, ‘that the Supreme Government ought not to sheer too closely each quinquennium.’ I am glad to find that the Government of India have in settlement of such finance acted more liberally. As regards the North-Western Provinces and Oudh, an enhanced assignment of five lakhs a year has been made to the amount allotted, besides four lakhs of rupees for the year 1897-98, for enabling His Honour the Lieutenant-Governor there to establish his District Board Funds on a financially independent basis.

“If, as observed in paragraph 58 of the Statement, the state of Provincial finance in the North-Western Provinces had begun to give anxiety even before the outbreak of famine, and as the result of an enquiry made in 1882, a reduction of taxation in these Provinces and Oudh was thought necessary, the reduction then contemplated should be effected now, without waiting for a further expansiveness of land or excise-revenue, which is not likely to advance under the present adverse conditions.

“The extra grant for the reformation of police in the United Provinces is, no doubt, a move in the right direction. Additional efficiency of the police means additional safety to the life and property of the people, and, as such, it is always welcome. On behalf of the Provinces, which I have the honour to represent, I take this opportunity to thank Your Excellency’s Government for lending this extra help for the reformation of the police even at a time when there are other great demands upon the public purse.

“With Your Excellency’s permission, I shall also beg leave to suggest that at a time of such widespread distress, when every penny at command has to be husbanded to save human life, the replenishing of the military stores might be minimised, and that, as far as it may be practicable to do so, local supplies

might, with advantage, be utilised, which is likely to offer additional help indirectly to the suffering millions.

"Not being an expert, I am unable to speak with confidence on any financial question. I may, however, venture to suggest further that the Budget Estimate for 1897-98 of Land Revenue, 'including that due to Irrigation for North-Western Provinces and Oudh,' has been put down at a rather high figure. In the Budget Estimate of 1896-97 it was put down as Rx. 6,113,900, whereas in the Revised Budget of the same year I find it has come down to the low figure of Rx. 4,914,200, or less by Rx. 2,199,700. The present widespread distress is not the only calamity which the people in that part of the country have to meet. Successive bad harvests in previous years have affected their condition seriously. Even if we have a good harvest there in the next autumn, it could bring within their reach only the means of bare subsistence. So that collection of a sufficient amount of revenue cannot be anticipated with certainty. I should, therefore, think, it would be more safe to estimate the Revenue at 5 instead of 6 crores, which is close upon the figure in the last year's Revised Budget; and, if we err in this estimate, we will have the consolation of our having erred on the safest side.

"It is remarkable that the land-revenue as assessed in respect of the North-Western Provinces exceeds that of all the other Provinces, including the wealthy and important maritime Provinces of Bengal, Bombay and Madras, and that there is still a tendency towards over-assessment at each new settlement.

"Speaking now generally about the rate of exchange, I confess I am unable to say anything with the authority that would attach to the opinion of a skilled expert. The rise in the rate of exchange, as indicated in the Statement, is calculated to secure savings as regards sterling payments, pay of the British troops and in the cost of exchange compensation allowance. But the uncertainty of saving or losing in respect of so slippery an item is uncontrollable and must continue to be so, unless some relief should accrue hereafter, by a proper adjustment of the proportion of expenditure, as regards what are called the 'Home Charges.' Besides the inherent uncertainty, there is a complex problem concerning the universal adoption of a gold standard, which is not capable of an easy solution; while the controversies raging between the mono-metallists and bi-metallists or the so-called 'Silverites' and 'Goldbugs' are extremely perplexing. The tone of European Bourses, ever varying and fluctuating, is another element in unsettling the rate of exchange, besides the fall in the value of silver.

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"As regards the amount payable on account of exchange compensation allowance, a saving is expected by a rise in the rate of exchange. The burden itself is a recent imposition, being the outcome of a rather modern demand. If the allowance is to remain a charge, the revision of the pay-sheet, as regards the high dignitaries of the State, is, I venture to submit, necessary, by way of a compensating relief, for the reason that conditions of life in this country have now been largely revolutionised in consequence of the increasing facilities for shortening the period of voyage; while the Indian Civil Service, which has a just reputation of being regarded as the best in the civilised world, is undoubtedly the highest paid.

"As to the large item of ordinary Military Expenditure, including its various heads, which involve no inconsiderable amount of outlay, no material reduction can safely be proposed. Our army service, being the bulwark of our defence, it is necessary in the interests of peace that the strength or efficiency of the army should in no way be impaired. But over and above this expenditure, the payments in England to the Imperial Government on account of disbursements by the War Office in respect of Her Majesty's British Forces serving in India are enormous, and to these disbursements are to be added the charges incurred for Special Defence Works and Frontier Defence, besides a considerable amount of exchange payable in England.

"As the matter is already under consideration before the Royal Commission of Enquiry into the Civil and Military Expenditure in India, now sitting in England, any observations upon it would be considered superfluous. I only crave permission to quote here what Lieutenant-General Sir Henry Brackenbury is reported to have said recently in his evidence before that Commission.

"The portions I propose to quote are these, *vis.*—

'But I cannot but feel that Britain's interest in keeping India under Britain's rule is enormous. India affords employment to thousands of Britons. India employs millions of British capital, and Indian commerce is of immense value to Great Britain. Therefore it seems to me that India is being held by Great Britain not only for India's sake, but for Great Britain's sake. Great Britain should pay a share of the expenditure for this purpose. In estimating what that share should be, I think that England should behave generously to India, because England is rich and India is poor. * * *

'Another reason why England should be generous to India is that India has no representation. * * * But, where a nation is practically arbitrarily governed, the Government should behave generously to the nation governed. * * *

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'There is no one who holds more strongly than I do the immense advantage to India of British rule, but I also hold that it is an enormous advantage to England to have India.'

"Moreover, contrasting broadly the amounts spent respectively on account of the relative means of comfort for the two sections of the Army, European and Native, one is struck by a fact which, though insignificant, does intrude itself upon one's notice. While every care is taken, as a matter of sheer necessity, for decently housing the European privates in palatial barracks, with all appliances for ease, their comrades, the Native soldiers, had, until recently, to build their own lines, receiving a hutting and repair allowance. The old practice is now being gradually replaced by the new system, under which lines on an improved pattern are being built by Government.

"From a summary of the principal features of the Statement under review it is manifest that the Revised Estimates of the year 1896-97 and the Budget Estimates of 1897-98 show considerable deficits, the cause of which is the failure of the monsoon and the consequent scarcity and famine. There is, besides, a loss of land, railway and opium revenues, with other losses and increases of expenditure. The summary closes with a remark that, while it is intended to raise a loan of Rs. 4,000,000 in 1897-98, 'full liberty is reserved with the Government to vary this intention in any way or to any extent which may be expedient.' I hope the reservation of this full liberty means anything but the imposition of a fresh tax.

"In having ventured to travel so far with the foregoing observations, it will, I hope, be not supposed for a moment that I have attempted to arrogate to myself the rôle or position of an instructor, which, to be sure, I do not pretend to fill. Actuated, as I am, by a sense of duty, I have thought it proper to submit what I had to say, without presuming to claim infallibility for the views I have expressed."

The Hon'ble MR. SAYANI said:—"My Lord, before offering my observations on the Financial Statement itself, I beg leave to submit a few suggestions.

"The time allowed to members to peruse and digest the Financial Statement and to consider the same so as to be ready to discuss it in this Council seems to me to be too short. The usual course adopted appears to be to present the Statement on a Thursday and to bring it on for discussion that day week. Practically, therefore, only six days are allowed. The Statement contains a mass of figures, in the shape of accounts or actuals for the pre-

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ceding official year; the estimates and revised estimates, that is, approximate figures, for the current official year about to close; and the budget or estimates for the official year about to commence. The reading and digesting of the whole of this mass of figures necessarily takes up a considerable portion of the time allowed, and, practically, there is very little time left to communicate with our respective provinces, either for information or advice. The Statement is, I believe, ready at least three days before it is actually presented in Council, but is not placed in the hands of members as soon as it is ready, as it is considered advisable to publish it simultaneously in all the important centres. My humble suggestion is that the Statement may be presented on a Thursday, as has hitherto been the practice, but that the discussion thereon may be had on the Saturday instead of on the Thursday week following, as is the case now. The course I am suggesting may possibly necessitate a delay of two days in the removal of Government to the hills, but I humbly trust that in the interest of members, as also of the public, your Lordship will be pleased to extend a sympathetic consideration to my humble suggestion.

“As to the publication of the Statement, the present practice seems to be to place copies in the hands of the Accountant General in each presidency town with instructions to deliver them to the public press as soon as the Statement is presented in Council. I humbly suggest that important public bodies in each presidency town may also be allowed to obtain copies simultaneously with the public press. Under the present practice the public press, enterprising and public-spirited as it is, can only publish, not the whole of, but only extracts from, the Statement, and that too, not on the same, but only on the following day. If my humble suggestion is acceded to, important public bodies will be afforded an opportunity, if they so desire, of offering criticism themselves, or of communicating instructions to the representative of the province on this Council.

“Coming now to the Financial Statement, its most important features are (1) (a) famine and its ruinous losses and heavy additional burdens and (b) plague and its paralysing effects, and (2) renewal of provincial contracts. The Revised Estimates of the current and the Budget Estimates of the ensuing years are grievously affected by the two dire calamities. ‘The main feature,’ says the Summary, ‘of the Revised Estimate is the loss of revenue and the expenditure due to famine’; and ‘the revenue forecast for the new year is necessarily in sombre colours.’ The Statement is full of constant

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references to 'losses due to the effects of famine', 'the effects of present scarcity', 'the amounts provided for famine relief', 'the stoppage of trade in consequence of the plague', 'the very peculiar circumstances of the coming year', 'the restriction of programme by the various Local Governments enforced by the great reductions that famine expenditure has made in their available balances,' and it fitly winds up by declaring 'our prospects are for the present marred by the occurrence of widespread famine, and of pestilence', and it is significantly added that this pestilence 'is as yet confined within a narrow area,' thus implying that, gloomy as the prospects are, they may yet be further darkened. Indeed, the Statement is a perfect tale of woe, and that boasted normal elasticity of revenue, so frequently and exultingly put forward in former statements, is conspicuous by its absence; the only ray of hope is that afforded by favourable exchange, and this is a mere accident.

"Coming to the famine it was pointed out in the despatch of the Secretary of State directing the appointment of the last Famine Commission that 'it is evident that the protection of the people of India from the effects of the uncertainty of the seasons will constitute in the future no inconsiderable portion of the work of the Government. It is therefore a duty to collect with the utmost care all information which may assist future administrators in the task of limiting the range or mitigating the intensity of these calamities,' and the Commission came to the conclusion that all Indian famines were caused by drought, and they expressed a hope that in future famines would 'be gradually diminished in intensity, partly by the more efficient character of the relief given, partly by the extension of the means of communication and development of internal trade, and partly by that greater preparedness of the people to meet them which grows from the increase of thrift and resourcefulness, and the accumulation of capital due to a settled and civilised Government.' They also said that 'a main cause of the disastrous consequences of Indian famines, and one of the greatest difficulties in the way of providing relief in an effectual shape, is to be found in the fact that the great mass of the population directly depends on agriculture, and that there is no other industry from which any considerable part of the community derives its support,' and they and 'the complete remedy for this condition of things will be found only in the development of industries other than agriculture and independent of the fluctuations of the seasons,' that 'with a population so dense as that of India these considerations are of the greatest weight.' They remark that 'it is not surprising that in a country thus situated material progress is slow.' They go on to say, 'The protection of India against the consequences of drought so

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immediately depends on the provision of improved means of communication and the extension of irrigation wherever it is practicable with advantage,' that there is a general agreement as to prudent extension of railways and canals. They point out that 'at the root of much of the poverty of the people of India, and of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for present evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits, and led to find the means of subsistence in manufactures or some such employments.' They also make other valuable and important suggestions, but they need not be here repeated.

"Now the most important question at the present juncture arising on the Financial Statement under discussion naturally is, how far have the recommendations of the Famine Commission made for the purpose of 'limiting the range' and 'mitigating the intensity of famine' been carried out?

"So far as railway communication is concerned, it must be cheerfully acknowledged that Government has fully adopted the suggestion and taken all possible measures to carry it out to its fullest extent, and your Lordship has been the staunchest supporter of a most vigorous policy, and the lines which have been already laid and which are to be laid in the near future will be amply sufficient for all practical purposes, so far as they are required for conveying grain from the prosperous to the suffering districts.

"As to irrigation, the suggestion does not seem to have been received with the same favour as that regarding railways. The Commission regarded irrigation as one of the most important remedies against famine. In fact, they speak of railways and irrigation together, and their reason for so doing is easily understandable. Railways, undoubtedly, render the important service of conveying grain and distributing it wherever it is wanted. But irrigation is capable of rendering a still more important service. It is instrumental in producing and in increasing the produce of grain, and the service, therefore, which irrigation is capable of rendering is in all times, and especially in times of famine and scarcity, of vital importance. Indeed, so far as famine and scarcity are concerned, railways are in a sense only auxiliary to irrigation works, for if there is no grain in existence, the service of railways cannot be utilised at all. Further, the cost of construction, in the case of irrigation, is almost entirely spent in the country and does not, therefore, go to swell

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the drain of wealth outside the country, as is to a very considerable extent the case in the cost of construction of railways. Further, the cost of irrigation is cheaper than that of railways. Moreover, it is exactly in the times of famine and scarcity, when all other kinds of revenue, including railway revenue, suffer more or less, that irrigation revenue, as has been well pointed out in the Statement, shows to best advantage and is, therefore, doubly welcome. It is to be hoped, therefore, that as soon as the hands of Government are freed from the present exceptional work and anxiety on account of the terrible calamities of famine and plague now unfortunately raging in the country, Government will see its way towards forming and pursuing as vigorous, if not even a more vigorous, irrigation policy as your Lordship has for some time past and is now pursuing in respect of railways.

"It is complained, however, in disparagement of a vigorous irrigation policy that in several cases the financial results of irrigation works have not been satisfactory. It is true that the accounts of several irrigation works do not show any appreciable returns, but such results are not only unexpected, but also unnatural, for there is nothing inherent in the nature of the works themselves which should necessarily cause this result. In fact, common sense and common experience of all ages agree in expecting fair results from all ordinary irrigation works, and it is a marvel why some of our works of the present day should be so disappointing. At any rate, the subject is worthy of careful inquiry and consideration, and it is of the utmost importance both to the people and to the Government to shift the matter to the bottom.

"Passing now to the kindred subject of tanks and wells, it was observed by the Famine Commission that 'the cultivators and landlords do something towards the improvement of their land, but mainly in their own traditional way which mostly takes the form of sinking wells, planting mango and other fruit-trees, making tanks and reclaiming waste land.' But the cultivators and even a large portion of the so-called landlords are poor. They are 'now in a state of collapse, from chronic destitution and indebtedness, a ready prey to famine and pestilence.' In fact, the Indian raiyat is as 'ruined, despairing, and embittered' a human being as can possibly be imagined. Poverty now overshadows the land which was once deemed to be a field of gold. The correctness of this statement can, by facts and figures, be proved up to the hilt, and, though often theoretically denied, has as often been admitted in practice, and the point seems now to be conceded by the highest authorities. Indeed, the poverty of India is staring Government in the face. It

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is this poverty which at the first blush of the present famine sent up tremendously the prices of food-grains and threw millions of people on the hands of Government and compelled us to appeal all over the world for help. 'But if further proof is still required to establish the fact, it may be mentioned that in the United Kingdom, where land is not superior to ours, and the physical and climatic advantages not greater, the agricultural earnings per head per annum come to about £4 and the total earnings to £34, while in India, the whole of the total earnings, including agricultural and all the rest, come to ₹27. Indeed years ago the Famine Commission said 'Of these faults' the Indian cultivator 'is generally conscious, but they are largely due to his poverty, and it is of no avail to ask him to correct them as long as he is unable to buy and to feed more and stronger bullocks, to save his manure,' etc. Under these circumstances, Government will do well to devise some measure by which agricultural indebtedness may be gradually diminished and ultimately cease to exist. And in this connexion I will humbly urge that suitable agricultural banks may be established and a permanent settlement, with assessment in kind on a sliding scale may be substituted in lieu of the present rigid system of payment in cash. I have every hope that, Government, humane and enlightened as it is, will do everything in its power to help the present sickly and debilitated population to get out of its present pitiable and miserable position and under improved conditions to develop its energy now dormant, and to gain its physical and mental strength, so as materially to contribute towards the general prosperity of the country, to offer a much wider market to England and to be a source of strength to the rulers.

"I will here refer in passing to the remark lately made by a high authority that there could be no remedy for famine in India. With all due deference to that authority, I submit that famine in India can be remedied, even most effectually; in fact a higher authority still has many years ago already observed, 'depend upon it, the true remedy against famine and scarcity is the frugality of the people. The people ought in years of plenty to make money enough to lay up against these times of famine,' the people should be placed in a position to be able to exercise frugality. The Famine Commission refer to the 'accumulation of capital due to a settled and civilised Government,' but, on the other hand, there are the counteracting elements of a costly foreign agency, the consequential large annual drains from this country, imperial military policy with its scientific frontiers and constant border wars. It is to be hoped, however, that these counteracting elements will gradually diminish in strength and also that the labours of the expenditure commission now sitting in England will lead to some tangible relief.

"Coming now to the plague, being the other cause affecting the Budget, it will be readily admitted that, besides being a most fatal disease, it causes considerable loss of revenue in many different ways and also tends to paralyse the commerce of the country. It is the interest of Government, therefore, to make a careful inquiry into the causes which create or favour the plague, and to take all possible measures to mitigate and to check it and to prevent its reappearance. It has been observed by Sir William Hunter that 'the chief cause of apprehension arises from the close connexion of the Black Death in all ages and on both continents [Asia and Europe] with poverty and bad or insufficient food.' In fact, it is, very largely, the outcome of poverty. The statistics in Bombay establish, beyond doubt, the immunity of the European community in Bombay from this disease and thus confirm the above opinion. It follows, therefore, that so long as poverty prevails in India, plague cannot be eradicated from the country, and herein we have an additional reason for making most serious efforts to improve the condition of the *rayats*. Your Lordship recently remarked in another place, 'A university, like every public body, must move with the times. A policy of stagnation in a university, as elsewhere, would justly be termed a policy of despair.' It is to be hoped your Lordship's Government will not allow the country to remain stagnant, much less to fall back, but will do everything to enable it to move with the times, so as to be, if not abreast at any rate, within a measurable distance, of the nations of Europe.

"Referring now to the provision made in the Budget for railways during the ensuing year, I have already alluded to the recommendation of the Famine Commission. Railways are, moreover, useful in opening the country. The question, however, arises, whether in this extraordinary year of famine and plague, and when moneys will have to be borrowed both in England and in India, railway extension should not temporarily be stopped, only to be renewed next year, when it is hoped, better times will come. The reasons for and against such temporary stoppage seem to me to be evenly balanced; on the one hand, a policy when once deliberately adopted should be carried out, moneys can be raised on advantageous terms, employment will be given to those who on account of famine or scarcity have been thrown out of employment. On the other hand, the circumstances of the country at the present juncture naturally plead against running into further debt.

"Coming now to the question of Provincial Contracts, it will be readily admitted that this question is of vital importance to administrative progress and is, therefore, deserving of serious consideration. Our system of Provincial

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finance is not free from fault and cannot conduce to economy in financial administration, nor favour the progress of internal development or administrative improvement. Unequal and unfair apportionments of revenue as between Imperial and Local needs, on the one hand, and as between one province and another, on the other—a standing source of irritation and discontent in itself—short-term settlements not calculated to inspire a sense of security or certainty, periodical re-adjustments of assignments generally resulting in curtailment of provincial resources and impairing the continuity of Provincial work, extraordinary provincial contributions levied apparently without convincing reason or clearly demonstrated necessity—these are some of the features of the system, and there is no wonder that they reduce its value and in its practical working do not show it to much advantage. In fact our present arrangements do not tend materially to promote provincial progress as was originally intended, but, on the other hand, by dissociating power from responsibility and leaving the provincial administrations with uncertain and inadequate resources to meet the requirements of their respective provinces, have simply served to bring to the Imperial Government administrative relief and a freedom from financial anxiety in respect of internal progress which the conditions of the case scarcely justify and tend moreover to a diversion of its energy and funds to less legitimate objects. In short, if the system of the provincial finance is at all to realise the high expectations of its authors and be a real benefit to the country, it requires, in the light of past experience, a thorough revision.

“The question may be viewed from two different standpoints :—

“(a) As a question as between the Imperial Government on the one hand and the provincial administrations on the other, collectively :

“(b) As a question as between one province and another.

“A far too large a proportion of national income, about two-thirds of the total revenues, is reserved by the Central Government to itself for the general work of the country. Under our present arrangements the Imperial Government has charge of debt, army, foreign relations, railways, irrigation works, post, telegraph, mint, etc., while the entire work of internal ordinary administration is left to the provincial governments—a division of services as between the central and local administrations, much the same as in federal states, and yet in the German Empire, only 35 per cent., and in Switzerland and in the United States, only 50 per cent., of the total revenues are, it is believed, appropriated by the Central Governments. If that is so, surely in a

country so circumstanced as India is, and where internal improvement is an object of such paramount importance, a financial system which leaves so little for local requirements, cannot be a right one. Our Imperial expenditure, absorbing two-thirds of our national income, is accordingly beyond our means and out of all proportion to what we spend for local purposes.

"While our national revenues are expanding the provincial governments hardly get their fair share of the increase, and the necessary result is that the internal progress of the country is seriously retarded. Thus while our revenues, exclusive of railway receipts and local rates, have increased during the past fourteen years by about fifteen crores, the provincial share of the increase is only about five crores.

"Our provincial assignments, moreover, already so meagre and inadequate for local purposes, and so slow in their increase, are liable to curtailment on periodical revision, which introduces an element of uncertainty calculated to paralyse all solid advance and was not contemplated in the original scheme. Sir David Barbour is strongly opposed to it as calculated to take away all incentive to careful and economical management and to interfere with the continuity of provincial work. Indeed the thing is opposed to all common sense and reason. When the Imperial and Provincial Governments once fairly start together, each with sufficient and sufficiently elastic revenues, it is only right that for all future increase of resources required to meet expanding wants, they should rely, except under circumstances of abnormal pressure, on the development of their own respective sources of income. To do otherwise is both economically and morally wrong. I am aware that the difficulties of the Central exchequer are urged in justification of the conduct aforesaid. Now the embarrassments of the Central treasury can only be either permanent or temporary in their nature. If permanent, let there be a permanent re-adjustment; if temporary, let there be a temporary contribution, but surely there is no justification for revision or, in other words, asking more and more, at regular intervals. It takes away all elements of permanence and fixity.

"But what adds to the evils of these revisions is the fact that our provincial settlements are short-term settlements. They last only for five years; and as they fall in, they are revised in favour of the Imperial exchequer and against the provincial administrations. And thus every fifth year our provincial resources are cut down and our provincial progress thrown back. His Honour the Lieutenant-Governor of Bengal, last year, deprecated it forcibly in this Council. Both Sir David Barbour and Sir Auckland Colvin are in favour of longer terms.

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"Further, in cases of abnormal pressure, such as war, the Central Government has the power to demand special contributions from the provinces; but this power is exercised even on ordinary deficits, and on no well-defined basis and it not unfrequently happens that provincial governments, which carefully husband out their resources and exercise economy, have to pay more than those which do not, and economy is thus fined.

"Such is our existing system of provincial finance. Its main features may be thus summarised :—

"(1) The proportion of national revenues allotted to provincial uses is too small and utterly inadequate for local requirements.

"(2) While the revenues of the country are expanding the provincial governments get no fair share of such increase for purposes of local improvements.

"The provincial assignments already so meagre are further liable to curtailments on revisions in favour of the Imperial exchequer every five years. Financially, these settlements have all the evil effects of short-term settlements, taking away all certainty and stability from provincial administrations and seriously interfering with the even progress of provincial improvements.

"The provincial governments are, besides, liable to make special contributions even during the currency of such short-term contracts and that, too, in cases of ordinary emergency—a feature of the present arrangements which imports a further element of uncertainty into provincial finance.

"The whole theory underlying the system is that the revenues of the country, far from belonging to the provinces which raise them or being available for their own requirements, subject of course to the claims of the central administration, to be met by proportionate contributions fixed on some definite principle of population or revenue, constitute a common fund to be absolutely at the disposal of the Central Government, out of which it is to dole out what amounts it pleases for provincial services, and that the provincial governments are only its agents, entrusted with a share of the general work. The financial administration of India has to be taken as a whole, and 'we cannot break up the system into financially separate provinces and make these provinces independent contributories to a central account.' Provincial administration is but a subordinate affair and provincial progress an object of comparatively minor importance. A system of provincial finance conceived in such a spirit and so constructed can never be expected to succeed; and a

study of the results of its working during the past twenty-five years will show how it tends to obstruct provincial progress. These results may be thus summarised.

"The Mayo scheme of 1870-71.

"The measure was inaugurated as a measure of economy. The services transferred were selected as being especially liable to expand, *viz.*, Jails, Registration, Police, Education, Medical Services, etc. Expenditure on all these services was 5·1 crores in 1863-64, and during the four following years it continued to rise until in 1868-69 it amounted to over 6 crores. In 1869-70 it was nearly the same, but in 1870-71 (after determined efforts) was brought down to the level of 1863-64, *i.e.*, 5·2 crores. The grants for 1870-71 were taken as the basis on which to fix the Imperial allotment for the services, and the start was made with a reduction in the assignments below the standard expenditure amounting to £331,000. The assignments so fixed over 6 per cent. below the normal level were not to be increased for a number of years. The result was that at the end of five years the charges for the assigned services rose only by twenty lakhs for all India, or at the rate of only four lakhs a year, even including such services as education and medical relief.

"The Strachey scheme of 1877-78.

"A large advance was made in financial decentralisation, additional heads of charge were handed over to provincial management and besides a fixed Imperial allotment in aid of provincial expenditure, certain sources of income, reserved as imperial, were given over for provincial use. The resources, so assigned, however, were five per cent. lower than the provincialized expenditure—a difference which the provincial governments were to make good out of their own resources. The Imperial gain on the new contracts was full forty lakhs, Bombay particularly being most hardly treated. During the Afghan war, the Imperial Government levied from the provinces about sixty-seven lakhs as a special contribution. The contracts were declared to be quinquennial and power was reserved on expiry of the term to revise these agreements and appropriate to Imperial purposes even a portion of the provincial increases of revenues which might have accrued during the currency of the contracts.

"Madras declined to accept the new arrangements and preferred to continue under the old Mayo scheme. As regards the other provinces, the resources so cut down had the necessary effect of throwing back

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provincial progress. In Bombay during the five years of the contract we could increase our expenditure on our local services at the rate of only three lakhs a year for the whole presidency including Scinde. Assam and Burma were worse off. The Central Provinces, Bengal and the North-Western Provinces fared better. But all round as a necessary result of the revision and the curtailment of provincial resources, a check came to be imposed on the growth of provincial expenditure, and provincial improvement was seriously retarded. The total expenditure on education, for instance, rose from 73·8 lakhs in 1877-78 to 99 lakhs in 1880-81, an increase of only 26 lakhs for all India, including Madras.

“ The Ripon Scheme of 1881-82.

“ Provincial finance received a fuller development. The revision of the contracts was carried out in a liberal spirit, the old system of fixed Imperial allotment was done away with, and the provincial governments were allowed a share in the general revenues equal in amount to their provincialised expenditure. This very much improved their position in the general scheme and gave them a direct interest in both revenue and expenditure. No part of their increases of revenue during the preceding five years was annexed for imperial purposes; on the contrary, the poorer provinces, like Assam and Burma, received additional grants from the Imperial exchequer. The provincial governments had thus a fair start. In three years time they were able to raise their income to an extent so as to be able to convert the initial deficit into a substantial surplus.

“ The revision of the contracts, 1887.

“ No great change was made in the general conditions of provincial contracts, but a large curtailment of provincial resources was effected on revision so as to secure relief to the Imperial finances. A sum of sixty-five lakhs was resumed for imperial purposes. Bombay fared worst, being deprived of 22 lakhs; the N.-W. Provinces lost 10 lakhs; Bengal the same amount. The provinces had to undergo a period of three years' trial and struggle before they could recover their position.

“ The revision of the contracts, 1891-92.

“ Considerable re-adjustments were made in the assignment of both revenue and expenditure heads of accounts, with the result that as much as 46 lakhs was resumed by the Imperial Government for its own uses out of the provincial increases of revenue; 13 lakhs of this was from Bombay. The

provinces had again to make strong efforts to recover their lost position, and at the end of four years were just able to show a total revenue and expenditure equal to what they had in 1891-92.

"It is clear from the above summary that the system requires to be amended as follows :—

"The provincial governments require a larger proportion of general revenues than is at present permitted to them.

"They should further be allowed to share in fair and just proportions in the normal increase of national revenues.

"The revisions of contracts, which exercise a most disturbing effect on the general provincial position, should be either done away with as a normal feature of the provincial system, or at all events, the terms of the contracts should be longer than five years—say ten years, as Sir A. Colvin once recommended.

"The revisions ought not to be followed as a rule without reference to the general financial position of the country by curtailments of provincial resources, the provinces should be allowed to retain their own increases of revenue.

"Special contributions from the provinces ought to cease except under circumstances contemplated in the Ripon resolution of 1881-82, and the whole arrangements ought to be guided by the central idea that the Imperial Government is as much interested in provincial progress as the provincial Governments themselves."

The Hon'ble MR. PLAYFAIR said :—"My Lord, the kaleidoscope of Indian finance has perhaps never changed with more marked rapidity from bright to dark than during the past year. Disappointing and depressing as the position is compared with the prospects that presented themselves a year ago, perhaps it may not be rash to hope that the deficit budgetted for the coming year will be less than the estimate. Some saving may possibly accrue from a better rate of sterling exchange, and the rest given to the land and the fertilizing influence of the restoring sun, if followed by a strong monsoon, may bring in a season of abundance and give back to the finances income that as a measure of precaution the Hon'ble Member does not consider it prudent to rely upon possessing.

"The theme of the Financial Statement is undoubtedly the famine and its consequences. Closely associated with the prevention of famine lies the ques-

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tion of the movement of the people and their distribution for employment. The depression that has so unfortunately come upon the West Indian sugar-industry threatens to close a field for labour that has not been unpopular and unremunerative to some of the people of this country. Recent events on the coast of South Africa have also shown that employment for the natives of India may not be as readily obtainable there as at one time promised.

"It seems all the more necessary therefore to consider what resources lie within the Empire by which the surplus population may find residence and occupation for the good of themselves and for the benefit of their neighbours. In this connection I would invite attention to the advantages that might be gained by the movement of the people to the province of Assam and to the benefit that the Government of India would confer in bringing this about. The Hon'ble Member, in paragraph 52 of the Financial Statement, quoting Major Baring, refers to Assam as 'a poor province with many wants.' This condition unfortunately remains to this day, but I desire to observe that it is the result of neglect and not of innate poverty. In the Budget Statement of 1882, to which the Hon'ble Member refers, I find that Major Baring when discussing the desirability of railway communication, quoted an opinion that the soil of Assam is 'of the richest description, and that with sufficient labour there is no limit to its productiveness.' When it is remembered that Assam proper has an area of nearly 21,000 square miles and a scanty population of about $2\frac{1}{4}$ millions, importing instead of producing and exporting supplies of food, it may be inferred that immigration is far below the requirements of the province, and that this accounts for the millions of acres still lying fallow.

"There is an enormous tract of land quite distinct from that suitable for tea, which is well adapted to the cultivation of cereals, jute, and other crops. It is remarkably free from drought and should now be pouring supplies of grain into Bengal, like the neighbouring province of Burma. Experience has abundantly shown that Europeans cultivating such soil with hired labour can never compete in economy or compensating results with the husbandry of the raiyat. It must remain with the latter to open out these alluvial lands on his own account, and it will have to be left to the landlord, who is the Government of India, to take such measures as may be necessary to bring the cultivator in touch with this soil.

"The tea-planter's is like the voice of one crying in the wilderness. His exertions to secure labour have been great, and, as he can barely satisfy his individual wants, he grudges the loss of those who leave him to cultivate for themselves. Even if there were an overflow from the tea gardens equal to the

number of coolies annually imported for the tea industry, it would take more than 100 years to provide this district of the province with a population at all commensurate with its requirements.

"Improved communications may ultimately advance emigration, but progress must be very slow unless Government makes it a special business to move a population from the congested districts for settlement in Assam. I should like to observe that any pecuniary outlay involved in this undertaking would be trifling in comparison with the expenditure that has been incurred by Government, with such marked success, to make the waste lands of Northern India productive. This is not all, for this outlay would be reproductive at once without the delay that is inseparable from the construction of large irrigation works, while the value of the crops to the State and to the people is not likely to be less important. Feeling assured that Assam cannot be peopled without special effort, I should like to enquire if the Government of India will not undertake this as a protective measure, as well as for the good of the province.

"My Lord, the information given in the Financial Statement under the heading of Railway Construction is of much interest. When the programme is completed, the protection to life and property against famine and the advancement of commerce should be further secured. I would not wish to appear to advocate that any portion of the approved part of this programme should be abandoned because of the present unfortunate occurrence of famine, but looking to the position of the finances, I should like to ask the Hon'ble Member in charge of finance whether he does not consider it advisable and possible—without incurring undue loss—to temporarily postpone the immediate completion of some of the projects set forth on pages 20 and 21 of the Financial Statement, and thus give some immediate relief to the financial pressure. I refer particularly to new projects and to those lines that are not of pressing importance, including the hill section of the Assam-Bengal Railway. I would also desire to ask the Hon'ble Member in charge of the Public Works Department if he can now disclose to the Council the various railway schemes, comprising 23 projects, aggregating a length of about 3,700 miles of line, which his predecessor in office stated in Council on the 7th March, 1895, had been submitted to the Secretary of State as lines suitable for execution by private enterprise. It will be of additional interest if the Government of India is able to communicate to the Council the recommendations of the Railway Conference held at Simla last year.

"In paragraph 41 of the Financial Statement it is announced that it is the intention of the Government of India to introduce certain improvements in respect of delivery of deferred telegrams, and I shall be glad if my Hon'ble friend

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Mr. Trevor can enlighten the Council with regard to this proposal. I trust that he may be able to hold forth the prospect of serving the public with a four-anna telegraphic message.

“My Lord, one of the most interesting subjects of the financial Statement is that connected with the quinquennial statement of Provincial finance. Referring to this a year ago my Hon'ble friend Sir James Westland corrected a misapprehension which he conceived lay in the mind of the non-official community that the Provincial Governments surrendered portions of their revenues for Imperial purposes instead of recognising that the Local Governments receive an assigned portion of the revenues from the Imperial Government for Provincial uses. After studying the Financial Statement, I think it must have become apparent to the minds of most people that it were at least wise in its own interest for a Provincial Government, like Bengal for instance, to spend the full assignment and not lay anything up in a napkin, in case that which is saved be taken away to be given to the province which had spent. It is evident that the community would have gained had the surplus cash balances alluded to in paragraph 73, upon which the Government of Bengal prided itself, been handed over to the Public Works Department for the improvement of our hospitals or for the construction of additional roads so much needed in many parts of the province, and specially in the Duars District, or for the satisfaction of other important wants. With the increased requirements of a growing province the allotment for Bengal, set forth in Schedule B, page 25 of the Financial Statement, means short commons. The famine is estimated to involve outlay of the Provincial funds to the extent of $\text{₹}53\frac{1}{2}$ lakhs, the Imperial contribution being limited to $\text{₹}70$ lakhs. It is estimated that the Provincial cash balance will fall to $\text{₹}10$ lakhs, which is one-half of the statutory minimum. If the latter has to be restored from Provincial income, it is evident that all works of improvement must be seriously postponed and the energy of the Public Works Department be fettered. I understand it to have been laid down by the Government of India many years ago, that local reserve funds would not be called upon to meet anything greater than scarcity, and that any accumulation of Provincial reserve funds would be free to the Local Government to be employed in works of a productive or a protective character. Looking to their requirements, I trust that the Hon'ble Member in charge of finance will take the very earliest opportunity of restoring the contributions now being made to the Imperial by the Provincial Governments, for which action there are precedents to guide him. We shall listen with very great interest to the remarks which His Honour the Lieutenant-Governor may be pleased to make upon this part of the Financial Statement. I shall not be surprised if His

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Honour expresses disappointment at being called upon to contribute from his resources to what indisputably amounts to severe famine.

"It is pleasing to have the Hon'ble Mr. James' high opinion of the wealth of Calcutta merchants. Good credit is the next best thing to a good cash balance, but I can assure him that merchants are not permitted—at all events at present—to draw upon their bankers as the Hon'ble Member considers, as far as I could follow him, departments should be permitted to overdraw their credits with the Financial Department. The Hon'ble Member perceives signs of those riches in the number of dogs in the Province, and he would levy a tax upon them to meet the cost of the police. There are objections, however, in Bengal—of which the Hon'ble Member may not be aware—against the levying of direct taxation, and I fear the tax would not be popular; but as he considers that revenue may be raised from this source, we might hand over the dogs to be taken by the Hon'ble Member for the improvement of the finances of Sindh. The Hon'ble Sir Henry Prinsep has referred—and if I may be permitted to add, has I think very properly referred—to the enormous income derived by the State from the stamp-duties of Bengal which means an indefensible tax upon justice, while Bombay on this account shows a debit. I would go further and direct the attention of the Hon'ble Mr. James to the large income derived by the Government of India from the Bengal railways, which after paying interest amounted last year to something like Rs 59 crores, while the railways in Bombay are a tax upon the general finances. This income is a direct tax upon the raiyat and upon the trade of Bengal.

"I have much sympathy with His Honour the Lieutenant-Governor in being asked to accept Rs 27 lakhs in place of Rs 40 lakhs, the half share of the net earnings of the Eastern Bengal State Railway, considering, too, that with the doubling of the line the profits based on present rates may be largely increased.

"I do not object to the earnings of the railway reverting to the Imperial Government which retains the management of the undertaking. And I do not find myself in agreement with the remarks that have fallen from the Hon'ble Mr. Stevens, for I do not think that the Provincial finances should be dependent upon or be replenished by railway rates. I hope that the undertaking will be administered with Imperial purpose for the benefit of the province and trade.

"I shall conclude my remarks, my Lord, by asking the Hon'ble Member in charge of finance whether, in view of the continued and serious scarcity of money in the presidency-towns, he can disclose his intentions with regard to the

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date on which he may invite tenders for the rupee loan, and whether, if the rate of discount is likely to be unduly heavy, he may consider it expedient to raise the rate of interest to $3\frac{1}{2}$ per cent. It will also be of interest if the Hon'ble Member can inform the Council whether he hopes to receive the special support of Native States as subscribers to the loan."

The Hon'ble RAO SAHEB BALWANT RAO BHUSKUTE said:—"My Lord, this time last year, the Hon'ble Sir James Westland commenced his Financial Statement, with some observations on the Famine Insurance Grant, and pointed out the way in which the Government of India had disbursed this grant during the previous fifteen years. In the Financial Statement for this year he has brought the figures up to date. During this period about 30 lakhs were spent on direct famine relief, 8 crores and 30 lakhs in construction of protective irrigation and railway works, $3\frac{1}{2}$ crores were paid for the interest payable to railway companies, and a sum of $5\frac{1}{2}$ crores was shown as the total of debts paid off or borrowings avoided. The balance was stated to have been absorbed in the aggregate surpluses declared during the same period. The Hon'ble Finance Minister congratulated the Government last year, as it showed, in his opinion, that for purposes of famine insurance it was no longer necessary to make provision for a surplus revenue of one crore and a half per year. The Government of India, thereupon, while restoring the grant to its former position, deemed it expedient to reduce it from one crore and a half to one crore per year. The latter amount was deemed sufficient to meet all possible famine contingencies over long periods of time. Never were hopes more sadly disappointed than was the case on this occasion, for within a few months of this sanguine prophecy the terrible scourge of a famine, the worst of its kind since the British rule commenced, afflicted all the Provinces, and at this time nearly three millions of people are employed on Government relief works, representing a direct and indirect expenditure of nearly 3 lakhs of rupees per day for the past few months, with a prospect of its continuance at the same rate for another six months at least. The Budget Statement shows that already the expenditure incurred by the Government of India has come up to two crores, and it is estimated that the charge on this account during the current year will probably be over $3\frac{1}{2}$ crores. This is an object-lesson of the unsteady character of all our financial calculations. The present calamity has not, I venture to say, come unawares. For instance, in the Central Provinces especially, there is a regular famine, the outcome of a succession of bad seasons, in almost all the districts except two or three. It will not therefore be safe for the Government of India to reduce the famine insurance grant from its original figure in the way it was done last year, and I trust that

the policy of the Government in this connection will be reconsidered by Your Excellency in Council.

“ When the first great famine occurred in the North-West, about thirty-five years ago, Colonel Baird was appointed by the Government to submit a report on the subject, and in that report the causes of the recurrence of such a calamity were traced, and definite proposals were made, one of them being the extension of the permanent settlement to all the other provinces of India. Twenty years later, when the next great famine broke out, a Royal Commission inquired into the subject, and made a voluminous report containing suggestions as to the manner in which the evils resulting from the exclusive dependence on agriculture of 80 per cent. of the population could be counteracted to some extent by the encouragement of other industries, both urban and rural. Twenty years have passed since then, and we have to face a famine far more extensive than any that has occurred before. When good times return it will be very desirable if the Government will take early steps in the directions pointed out by Colonel Baird and the Royal Commission. The experience of the past twenty years sufficiently shows that the construction of railways and irrigation are not sufficient as remedial measures. Rail roads only facilitate the transport of grain. They are powerless to provide against a calamity which is really not so much due to the dearth of supplies and stocks as to the inability of the people to procure work and earn their wages. I would therefore suggest that even in this direction no time will be lost in inaugurating the necessary measure.

“ My Lord, I cannot but take this opportunity of drawing the attention of the Council to the restrictions which the Government of India have sought to impose upon the purposes to which the disbursements from the famine insurance grants can legitimately be made. In the correspondence between the Government of India and the Secretary of State which preceded the appeal that was made to the generosity of the British and Indian public, it was sought to be laid down that the Government only undertook to prevent deaths from starvation of those who were prepared to earn the famine wages by going to the relief-works as labourers, or of those who were physically incapable of earning it. All other forms of distress, including the care of widows and orphans, of old and infirm people, and of men and women not used to work, seem not to be in a position to be reached by the Government help and are now supported from private charity. Similarly those who lost their all, inclusive of lands and houses, were declared to be outside the scope of Government help, and private charity was appealed to to find means for restoring them to their homes, to the possession of their lands, and in enabling them to earn their livelihood by agriculture or

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manual skill. Perhaps this distinction was emphasised with a view to stimulate private charity to be more liberal than it would otherwise feel disposed to be. Whatever might be the motive, this restriction upon the responsibility undertaken by the Government would result in serious consequences should private charity fail. Except on the assurance that such a munificent private charity would be forthcoming, nobody could ever imagine that the responsibility of the Government was confined only to the bare preservation of life. For life, my Lord, in too many cases is hardly worth living if, when the famine is over, poor people are left to shift for themselves. It is a question, however, whether those that formulated the scheme of assurance against famine ever contemplated this kind of apportionment of the functions of the Government and private charity as embodied in the recent declaration of the Government, and whether to relegate these important functions to private charity is a marked departure which would not have been permitted if the donors of their own accord had raised the money and entrusted its disbursement to the hands of a private benevolent association. But after all the most munificent private charity can hardly be expected to give away more than a million pounds, which is but a drop in the ocean of distress to be relieved over such a wide area as is now visited by the famine. Should it become necessary that, in spite of all available private charity, the Government should proceed beyond the limits laid down in their recent resolution, I feel sure that the efforts of the Government will be directed not only to the avoidance of all possible loss of life by starvation, but that the funds will be so distributed as to enable the poor people on the expiration of the famine to start in life again with all the help the Government can give them. The Government of India, I feel sure, will not shirk this responsibility when the time comes.

“Of course I am aware that in our present circumstances, of diminished resources under many heads and increased expenditure, this beneficial function cannot be performed without contracting a heavy loan so as to make both ends meet. I am glad to find that it is proposed to raise a rupee loan of four crores in India, and the Secretary of State will reduce his drawings by borrowing $3\frac{1}{2}$ millions sterling in England. On this question of loans there appears to be a steady tendency, notwithstanding the protest of high authorities, to increase our sterling obligations to a larger extent than the rupee debt. In 1892-93 our rupee debt amounted 102 crores and our sterling obligations exceeded $106\frac{1}{2}$ million pounds. The corresponding figures in 1896-97 were 107 crores of rupee debt and 116 million pounds of sterling obligation. The sterling loans, though nominally bearing as low a rate of interest as $2\frac{1}{2}$ and 3 per cent.,

really represent, by reason of adverse exchange, a charge equivalent to 6 to 7 crores of rupees, while the charge on the rupee debts has been sensibly reduced by the recent conversions from 4 to $3\frac{1}{2}$ per cent. and $3\frac{1}{2}$ to 3 per cent. The credit of the Government of India now stands so high that it could borrow any amount it wishes at $3\frac{1}{2}$ per cent., and under the circumstances borrowing in England at $2\frac{1}{2}$ or 3 per cent. involves a needless risk. Of course to meet the Home charges there is a certain convenience in the Secretary of State's borrowing sterling loans in England. But this convenience is only temporary, while the risks are far more permanent and burdensome. At least, where money has to be borrowed not for administrative convenience but for the purposes of constructing reproductive public works, it seems to me very inadvisable to persevere in this wasteful policy of borrowing in England. Private companies have been successful in borrowing for railway constructions large amounts of rupee loans at 4 per cent., and there can hardly be any doubt that there will be little difficulty in borrowing the annual sum of three crores and more by way of rupee loans in India.

" If this plan were adopted as a permanent measure of state policy, great benefits would result both to the Government and the investing public. In the past twenty-five years (from 1870-71 to 1894-95) 116 millions have been borrowed in this way, 86 crores for railway construction and 30 for irrigation. Though these works yield a reasonable profit after defraying management charges, these profits are not high enough to satisfy the interest charged, increased by the amount of exchange, which for many years past has been nearly equal to the actual interest itself. The result is that these commercial undertakings of the Government seldom secure any surplus, and each year we have to pay between one and two crores to make up the deficient interest charged; the total sum thus added to the capital amount in twenty-five years being 40 million pounds.

" Another reason why these commercial undertakings of the Government do not result in ensuring any surplus is the heavy charge incurred, on account of the permanent establishment, in supervising and controlling agency. In respect of State railways, the working expenses exceed 50 per cent. of the gross earnings from year to year. This same disproportion is found also in the irrigation works. The direct receipts from the major irrigation works were about two crores, and the indirect receipts 80 lakhs. The indirect receipts may be left out of account as the Irrigation Department does not collect them. For managing works which have cost 25 crores in construction, and which yield direct receipt of two crores, the establishment charge comes to 80 lakhs a year. I have prepared a

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statement of some of the irrigation works of Bombay and the Punjab, showing the amount spent and the establishment charge on the works constructed :—

BOMBAY.

Name of work.	Expenditure on Extensions, etc.	Expenditure on Direction and Execution.
	Rs.	Rs.
1. Desert Canal	27,000	12,914
2. The Unharva Canal	12,000	12,000
3. The Begari Canal	65,000	24,000
4. Eastern Nara Canal	68,000	11,000
5. Hatimati Canal	5,800	1,000
6. Lower Panjra Canal	2,700	3,000
7. Ekrook Canal	4,500	2,700
8. Pravara Canal	2,800	300
9. Mootha Canal	34,000	31,000
10. Ekrook Tank	6,000	5,000
11. Krishna Canal	7,000	3,400
12. Nira Canal	24,000	26,000
13. Mhasvad Tank	9,000	6,000

THE PUNJAB.

1. Swat River Canal	37,000	26,000
2. Western Jumna Canal (Including Sirsa Branch)	3,28,000	3,79,000
Ditto ditto	34,000	27,000
	<hr/>	<hr/>
	3,62,000	4,06,000
3. Bari Doab Canal	2,84,000	3,09,000
4. Sirhind Canal	3,98,220	4,13,880
5. Chenab Canal	2,39,500	2,38,500
6. Lower Sohag and Para Canal	39,800	2,400
7. Sidhnai Canal	56,940	34,960

“ These figures, if correct, are simply astounding. For every one hundred rupees spent the charge is in some cases cent. per cent., while in most it exceeds 50 per cent. It is no wonder that, with such a heavy drain for establishment charges, these so-called reproductive works have failed to accomplish the object of those who first started the idea of constructing these works from loans. Their plan was that in course of years these works would yield a surplus, out of which to construct new works without their being a charge on the general revenue. If this state of things has not been realised, the failure has been due to

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the two causes I have stated above. I hope that this matter will not fail to engage the attention of Your Excellency's Government.

"Last year I dwelt on the increased expenditure of this country. Last year I also mentioned a readjustment of expenditure was much needed. I know that more grants to education, effective recruitment of the police-force and other reforms mean further expenditure. To defray it resort must be had to taxation. But all that is wished for as the greatest desideratum is the redistribution of expenditure. It is no use dwelling this year on taxation and many other sundry points. Your Excellency was kind enough to assure us last year that agriculture had the first claim on Your Excellency's attention. And I trust in course of a more favourable time some solid good will come out of Your Excellency's Government.

"Turning now to the details of this year's Budget, it may well be described as a Famine Budget, so dominant is the factor of famine in diminishing the resources under most heads, and in increasing the expenditure under many. The improvement in Exchange and Exchange Compensation, and to some extent in Irrigation, though considerable in itself, is rendered nugatory by the falling-off in Land, Opium, Excise, Customs, Forest and Income-tax, and to some extent in Stamps and Provincial rates. The charges of administration under Police, Jail, and to some extent, the Army charges, have been increased by the payment of compensation to low-paid subordinates. The estimate of Famine charges at 3½ crores would appear to be too low and would have to be increased. It is rather more than doubtful if it is expedient that at such a time as this the Government of India should launch into an extensive scheme of State Railway and Company Railway works which would impose upon it the obligation of finding 6 to 7 crores of rupees out of direct revenue for the next three years. These Railway undertakings, involving the responsibility of providing 28 crores in three years, have forced the Government to borrow heavily this year and will impose a further necessity of borrowing for the next two years also. The country cannot be expected to rally from such a famine in the course of a year, even if the rains this year are propitious. The experience of the last famine justifies the apprehension that distress will not be over for a year or two. Such being the necessary results of embarking on the extensive railway constructions proposed, I would suggest that some other class of relief-works, answering the purpose and yet not involving such a heavy expenditure, may be determined upon. When the first duty of the Government is to preserve the lives of many millions of people at any cost, all schemes of improvement should be put off till the times are more favourable.

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"There is only one other subject which calls for notice. It appears from the Budget Statement that the Provincial Contract arrangements have been entered into with the Local Governments, notwithstanding the strong expression of their desire to put them off till the famine was over. It is not easy to follow the Hon'ble Finance Minister's remarks in this connection, but, as far as I have been able to understand them, the contracts have been settled in part and left open to further modification in regard to many important heads. It is a very inconvenient arrangement, and it would have been far better if, in compliance with the wishes of the Local Governments, the old contract has been allowed to remain in force at least for another year.

"To sum up the chief points of criticism I have ventured to offer, I would state —

- (I) That the Famine Insurance Grant should be raised to $1\frac{1}{2}$ crore.
- (II) That after the famine is over the Government should institute an inquiry to determine how far effect has been given to the two previous Commissions; and to suggest means for preventing, as far as possible, the helplessness of people in time of famine.
- (III) That the restrictions placed upon the responsibility of the Government should be reconsidered.
- (IV) That as far as possible, further borrowings should be restricted to rupee loans, in place of sterling obligations.
- (V) That the enormous proportion of permanent establishment charges, in State public works, should be reduced.
- (VI) That, as the famine is the principal factor in this year's Budget, it is desirable in every way for the Government not to embark on any large scheme of railway expansion directed towards mere improvement."

The Hon'ble the MAHARAJA OF DARBHANGA said:—"My Lord, the Financial Statement which has now been laid before us has been looked forward to with somewhat mixed feelings. All of us were aware of the fact that the Government had incurred a large expenditure to cope with the famine which has rightly been described by competent authorities as the greatest famine of the century. The public anxiety was great as to how under such circumstances the Finance Minister would balance his Budget. And I must

congratulate the Hon'ble Member in charge of the Finance Department upon having presented such a Budget in a year like this of general financial depression. The Government will have spent little less than six millions sterling (taking the sovereign at Rs. 10) upon famine expenditure during 1896-97 and 1897-98. During the great famine of 1876-77 it spent more, and the difference is, no doubt, due to the construction of railways and other protective works which have since been carried out. I do no more than the fairest justice to the Government when I say that there is a general feeling of gratitude throughout the country for the efforts which are being made by the Government to mitigate the horrors of famine. The policy of the Government in this respect is worthy of a great and a civilized administration. It is not, however, to be expected, having regard to the magnitude of the famine relief operations, that there should not be occasional cases of death by starvation, and unfortunately there have been reports of such cases in jungle tracts in regard to which, however, I hope the accounts have been greatly exaggerated. However that may be, in a year of severe scarcity with a large expenditure to be incurred on famine, a hopeful Budget is altogether out of the question. The Budget Estimates for 1897-98 show a deficit of more than two millions and-a-half, but a popular feeling will be one of thankfulness to the Government inasmuch as no new taxes have been imposed to meet the deficit. I believe the utmost limit of taxation has been reached, and new impositions will produce little or nothing as compared to the great dissatisfaction which they are sure to evoke. It is not for me to repeat the words of Lord Mayo when he said that new taxation in India involved a political danger, the magnitude of which it was difficult to exaggerate. But the unsuitability of this country for purposes of direct taxation cannot be gainsaid. For instance, although the income-tax has been in force for a number of years, the inquisitorial methods which are in some cases adopted by ill paid and corrupt assessors in the mofussil render it a highly unpopular imposition. I myself know of a case where a clerk employed in an income-tax office drawing not more than Rs. 30 a month, has in a bank a big balance of some thousands which very discreetly is entered in the name of his wife.

" Our financial prospect, being what it is, and the imposition of further taxes being impossible, I think we may appeal, with some confidence, for a subsidy from the Home Government. I make this appeal not only as a matter of favour but also as an act of justice. The highest authorities have told us—Your Lordship is one of them, for your Lordship's Government only recently protested against India being charged with the ordinary expenses of the contingent despatched to Suakim—the highest authorities, statesmen of the eminence of

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Lord Northbrook and others, have told us that India has often been saddled in the past with the expenses of expeditions outside the limits of Her Majesty's dominions in India, in which she was but little or in no wise interested, and which ought to have been borne by the English Exchequer. Let me quote an extract from the evidence of Lord Northbrook before the Royal Commission :—

“ I should like to sum up what I have said on this point. I think that India had a fair claim to exemption from the ordinary charges of the Abyssinian war. The ordinary pay for maintaining the garrison at Suakim after the 10th May, 1885, should, I think, be refunded; and in my opinion on equitable grounds £350,000 should be given to India in respect of the Egyptian Expedition of 1882. I do not see any reason why it should be considered that because India was inequitably and illegally treated during many years, that treatment should not be redressed by some action at the present time. ’

“ But this is not all. Many many years ago, when the Sultan of Turkey visited England he was entertained at the expense of India. The circumstance may be regarded as a matter of ancient history, and the claim may be considered, in legal phraseology, to be barred by the law of limitation. But equity overrides legal technicalities, and I am convinced that a great and noble nation like the English people will take the broader and more equitable view of the matter; and it is a matter of some regret to find that the precedent created in the case of the Sultan was repeated in connection with the Afghan Prince, Sirdar Nasirulla. A part, at least, of the expenses of his entertainment ought to have been paid from the English Exchequer, as he was, after all, the guest of the English and not of the Indian Government. I beg leave here, my Lord, to quote a conversation between Lord Welby, the Chairman of the Royal Commission, and Sir Henry Brackenbury in this connection :—

“ The Chairman : ‘ And you hold that the Indian Government should only pay for keeping order in India ? ’—I think she pays for an Army of seventy or eighty thousand men more than she wants, simply to keep order in India. The Army in India is at least 50 per cent. larger than it need be, were it not for matters beyond her frontier. I would let her pay for that Army. ”

“ Then your position is that India should pay for a sufficient Army to repel invasion on her frontier, and that towards this Army England should make a contribution which, according to the War Office figures, represents something like £1,100,000 per annum ? ’—I do. ”

“ And that should be the contribution of England for what you call Imperial policy ? ’—Yes. *Per contra*, I think that it would be perfectly fair that India should pay a good contribution to what the Navy costs. ”

“ ‘You do not think that since she is interested in keeping her own territory from attack, she ought to pay the whole of the cost?’—I think she ought to pay a great portion of it, but certainly not the whole because she is not the only one interested in keeping another great Power away.”

“ Thus in the opinion of so distinguished an officer as Sir Henry Brackenbury, a part at least of our Military expenditure should be borne by the English Exchequer. And this is an additional argument in favour of our asking for a subsidy. So long the burden has been exclusively borne by the Indian taxpayer. In the time of his need he may, therefore, fairly appeal to the Home Government for a subsidy, and I am sure he will not appeal in vain to the generous English nation; for his demand is based upon considerations of justice and equity. For England in the past he has made at least some pecuniary sacrifices, and to the English Government he may appeal for help in a time of pestilence and famine. I trust Your Lordship's Government will see their way to press this view of the matter upon the attention of Her Majesty's Ministers in England. The whole of India feels deeply grateful for the magnificent way in which the people of England have unanimously come forward to afford relief to the famine-stricken peasantry of this country in a year like this. What I now request is that the English Government should supplement the good work that has been performed by the generous English public. Any concession of this sort, in a year like this will, I feel sure, not only be regarded with feelings of the deepest gratitude by the thinking portion of the Indian public, but what is more it must go a long way to bind down the two nations in closer bonds of union and love.

“ Before I conclude I wish to say a few words about the remarks that have fallen from Mr. James as regards Bengal and the Permanent Settlement. The Hon'ble Member has, I believe, recommended levying of *nazaranas* from the zemindars, and has cited the precedent of Subadars of the time of the Mogal Governor. This precedent, to say the least, is most unfortunate. I would ask whether the hon'ble gentleman has studied sufficiently of Indian History to know that these Subadars were vested with most arbitrary powers which were used most oppressively. Does the hon'ble gentleman wish the return of those days? Then, too, I beg leave to clear the Hon'ble Member of the misapprehension he is labouring under that the zemindars and raiyats do not pay any local taxes over and above the Government revenue. I would only advise him to study the Bengal revenue laws. If he does so, he will find that the zemindars do pay special taxes in the shape of Road Cess, the Provincial Public Work Cess, the Irrigation Cess, and other local taxes. The proceeds of at least one of these taxes, *i.e.*, the Road Cess is most usefully spent in the construction of district

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and village roads. The Hon'ble Member, I believe, expects the Bengal zemindar and raiyat to be taxed for the construction of roads in the province of Sindh. My Lord, I strongly deprecate these unjustifiable remarks on the Permanent Settlement. The opponents to this Settlement do not seem to remember the fact that at the time of the Permanent Settlement the Government allowed the landlords only ten per cent. of the gross revenue, and that the Government share was ninety. A number of old families were ruined and their estates sold up for arrears of the Government revenue within 20 years of the Permanent Settlement. And it is most unjust to grudge the zemindars the fruits of their thrift that they are now enjoying. I may just here mention that the zemindars and the raiyats of Bengal have strong legal objection to the collection of any new taxes on land. They may be mistaken. But if they err, they err in good company. Such eminent Indian statesmen as Sir Erskine Perry, Mr. Ross Mangles, Mr. Thoby Prinsep, Sir Frederick Halliday agree with their views.

"My friend the Hon'ble Mr. Playfair has made certain remarks as regards Assam. I wish simply to state, my Lord, that I agree with every word that has fallen from his lips. Assam, if it had been so thickly populated and cultivated as it ought to be, would have been pouring tons and tons of food grain into the famine-stricken districts as Burma is doing. I look upon the work of bringing the jungle land of Assam under cultivation as a sort of protective work against the famine. I know various plans have been adopted but with little success. And I would, therefore, suggest the experiment of selling tracts of lands to syndicates and large capitalists. I feel sure that syndicates and capitalists will gladly come forward if the lands are reclaimable, provided that they have to pay a fair price for the land."

The Hon'ble MR. REES said:—"My Lord, it is gratifying to a member from Madras to find his presidency described by the Hon'ble Finance Minister as the Premier Presidency. It is at any rate one of the Provincial sheep, to use His Honour the Lieutenant-Governor's metaphor, which has gathered the most wool in the expiring quinquennium, though I see it just now described as notoriously the most backward part of the Empire, an opinion the *Calcutta Statesman* holds of the territories under the Government of Fort St. George, shared, I think, by no statesman in Calcutta. The Madras Presidency will accept the courteous apology of the Hon'ble Finance Minister. It had, I am sure, no intention of visiting upon his head the fact that it is geographically an extra day distant by post. It is only naturally anxious to have the earliest possible information concerning matters in which its extensive commerce and other great interests are so nearly concerned. When the Hon'ble Finance Minister

said that Madras would naturally object to providing meals for the Punjab, or the Punjab to providing water-works for Madras, it did occur to me that the Madras sheep would long provide meat for the Punjab before all the five rivers of the Punjab would afford one drop of water to the thirsty in Madras.

"Nor would I omit to say with what satisfaction Southern India will learn that the grant for Bangalore water-supply which lapsed has been repeated, and how relieved the people of the Northern Circars and northern coast of Coromandel will be to hear that the famine will occasion no diminution in the contemplated grants for the East Coast Railway connection between Madras and Calcutta, which progresses rapidly towards completion. I do not think any one who had lately visited the most stricken portions of the North-Western Provinces and the Central Provinces could doubt that to persevere with railway extensions undeterred by the financial exigencies of the present famine is the only way in which to mitigate its rigour in future years. But for the assistance given to the Great Indian Peninsula Railway by the Indian Midland and Bengal-Nagpur protective lines, great loss of life in these regions would have been absolutely inevitable. The present generation inhabiting the remote and scattered villages of that Province have not known famine, and without improved communications it would have been impossible to provide them with relief. But for the extension of the Southern Mahratta system the local but severe scarcity in Madras could not have been so effectively treated, or deaths from starvation avoided in the districts of the Bombay Dekkhan, which in past famines have been almost depopulated. But that extensive sections of the East Coast connection are already complete, regions so susceptible of famine as Ganjam and Orissa would have been added to the affected area. Time will show that to persevere in a forward railway policy, even in a year like this, is as wise as it is courageous. Indeed, it is a year like this which illustrates most completely its wisdom.

"And this fact suggests a passing reference to the Famine grant. Now though it is clear that in order not to budget for a deficit, or not to unduly increase a deficit, the exigencies of State book-keeping have made it necessary to exhibit in the accounts a suspended or a reduced Famine grant in some out of the last fifteen years, I cannot understand what cause Hon'ble Members have to exclaim against the system which gives them occasion to criticize. For in fact, although in those years the Financial Statement showed a deficit, and therefore prevented Government from exhibiting 1½ crores as expended under the Famine grant, yet that amount and more was in those and other years spent

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on protective railways, and not charged to Revenue; and if the accounts of the last sixteen years be taken, more, far more, than 24 crores have been spent on the objects for which the Famine grant is intended. Unless Hon'ble Members can seriously contend that it is desirable that there should be, as in the good old times, prosperity and plenty in some districts and absolute dearth and depopulation in others, they must allow that the railways, which have levelled prices and equalized supplies, have proved the best possible protection against famine; and, while they may exclaim against the sheet exhibited by State book-keeping, they cannot possibly find fault with the facts behind the figures.

"If the Government had gone on charging protective expenditure to the Famine grant regardless of the deficit, it is not clear how any complaints could have arisen. But my hon'ble friend Mr. Ananda Charlu will have something to say on this subject no doubt, and will prefer the dissection of past promises to the acknowledgment of present performance. Hon'ble Members will remember last year how the Hon'ble Finance Minister offered Mr. Ananda Charlu the ready refutation of a blue book, and how firmly but courteously he declined to touch the unclean thing and be enlightened. I do not know if he has yet read it, but in fact my hon'ble friend has been endowed by nature with so kindly and genial a disposition, that with the best, or, should I say, with momentarily the worst, intentions in the world, he cannot really think ill of any one, not even of the Government. It is natural that something of a forensic flavour should cling to the utterances of distinguished advocates in Council.

"Nor do Hon'ble Members fairly represent the feelings of the natives of the country in deprecating the speedy extension of railways. There is no presumption in saying this. Such English officers as can and do associate and converse with all classes of Indians—and fortunately it is a large class—can ascertain public opinion far better than can members of the highest class of Hindus. Owing to the water-tight compartment system of caste which divides them from large numbers of their fellow countrymen, they experience great difficulty in ascertaining, and in expressing, the views of the people. For instance, it is as notorious as it is unfortunate that the masses of the people do not yearn to be educated. Yet those who speak in their name represent them as deeply resenting any diminution of the grants for higher education, in which of course they in no way participate. But they do yearn for railways and appreciate the additions they afford to their material prosperity. They give one practical proof of this by travelling. Even in this famine year, you can see the trains in the most affected tracts crowded with third class passengers. Alike in British India and in Native States, railway extension is a matter in which

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the people take the keenest interest, as anyone who is at the pains to ascertain their feelings can testify. Many a distinguished Indian lawyer has sat in this Council, who has passed his whole life in a great city, and is really far more of a stranger in rural India than Civil Servants, who have an affection for the people and have learnt their languages in order to find out their real views and wishes—I will not add aspirations, for the masses have none, but desire only increased material prosperity.

“ It must fairly astonish all who have studied the history of past famines to hear the manner in which one Hon’ble Member opposite has referred to this subject. The Hindus wrote no history, from a prophetic fear perhaps lest they should by so doing conduce to the confusion of the latter-day politicians, but the Muhammadans in power encouraged historians, and in the pages of Ferishta and other writers we read of the appalling character of famines in past times,—how the people were driven in order to satisfy their hunger to expedients wholly foreign to their humane and civilised character; how they drowned themselves in the Jumna in crowds, unable to endure their misery; and how in the beginning of last century the price of grain sometimes rose to sixty-four times the ordinary rate. That meant, very much less than that meant, absolute depopulation; but now it is no uncommon thing for a normal death-rate to be registered in a famine district, though famine and disease go hand in hand. In fact, now for the first time in history is so widespread a famine being met with anything approaching adequate preparation.

“ Other Hon’ble Members opposite struck a note which rings in rural India. In the south of the Allahabad district the people crowded around the Collector, Mr. Fuller, crying: ‘ We owe our lives to the Sirkar.’ It is amazing to hear it suggested that famine is the result of over-assessment, and that the people fared better in the good old days. These are very elusive of location, but assuming they must be post-legendary, as they must necessarily be ante-British, probably the age of Akbar would be selected.

“ It was the Emperor Akbar, the most just and popular of all the rulers of the good old times, who said: ‘ Enough shall be left to a raiyat for the keep of himself and his family till next season, and seed for sowing; the rest is the land-tax.’ It is an article of faith that Akbar acted in good faith, and there is no room for the may and shall controversy in regard to his drafting. He took about twice the land-revenue the Government does from about half the area, and it is recorded that in the reign of his successor the dead and dying in famine times obstructed the highways. My hon’ble friend will say the agriculturists are

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poorer now and more highly taxed than they were in the good old times ; at least he said so very plainly in an address he recently delivered in this city ; but how is it possible to institute any comparison between such a principle, or want of principle, and a system under which poor tracts, like parts of the Central Provinces, pay as assessment for division between Government and the landlord something under 5 per cent. of the gross produce, under which dry lands rarely pay more than 10 per cent., and under which 20 per cent. is only exacted under wholly exceptional conditions in regard to irrigated lands of great value, while the incidence of land-revenue over the whole of India is about 7 per cent. of the value of the produce ? If land is so over-assessed, how does it happen that the rental of irrigated land is three times, and of unirrigated land twice, that of the Government tax ? That is nevertheless the case in Southern India, and I have no doubt in other parts of the Empire. Moreover, while the Hon'ble Mr. Sayani says the people are reduced to the last extremity, the Hon'ble Mr. Bhuskute, who holds the same faith, rightly points out that the Government of India can borrow as much money as it wants at $3\frac{1}{2}$ per cent. More than this, the Hon'ble Finance Minister will be greatly disappointed if he does not get it at 3 per cent.

"It would be easy to multiply proofs that these positions are baseless or that any foundation of fact has been crushed beneath a superstructure of exaggeration."

The Hon'ble MR. CADELL said :—"My Lord, there is one aspect of the Financial Statement which is, I think, specially worthy of attention, and that is that, notwithstanding the large expenditure on famine relief, the serious deficiency in railway earnings, and the loss under various heads of revenue, there would have been no deficit at all, had it not been for the consideration shown to the landed classes in the suspension of land-revenue due to the State, and in the increased advances made for land improvement and other agricultural purposes. These two items make together a difference of Rs. 3,462,900, which is nearly 75 per cent. in excess of the deficit.

"If I may judge of other provinces from my own, it seems to be likely that if the advances had been left at the normal amount, it would have been possible, although by no means expedient, to have collected enough of the suspended land revenue to make good, with the assumed saving in advances, the total deficiency in the accounts. The existence, therefore, of this deficit would seem to be due to the determination of Government to submit to any inconvenience, and to incur any expenditure which might be necessary in order to lessen the

burden which the famine had thrown upon the landed classes, and in order to help the agricultural population to contend with the difficulties by which they were surrounded.

“ And I think that no one who considers the question carefully in all its aspects, and, above all, no one who has watched the slow recovery, in favourable seasons, of villages the population of which has been dispersed in a time of distress, compared with the quick return to moderate prosperity of villages the people of which have managed to hold together, is likely to doubt that the policy adopted by Government is in every respect the right one, and that it is prudent and business-like as well as statesman-like and humane. And nothing will in my opinion more surely tend to render possible the speedy return of prosperity for which the Hon'ble Member hopes than the very liberal policy, in this respect, which has been adopted by Government.

“ And now, my Lord, I pass to the consideration of the Statement as it affects the part of India with which I am more immediately connected, and I am glad to think that my remarks will breathe a greater spirit of contentment than those of some Hon'ble Members who have preceded me. Indeed, I have chiefly to express my gratitude for benefits received, for if the inhabitants of the North-Western Provinces have been unfortunate in being exposed to more widespread distress than their neighbours, they have at least good cause to congratulate themselves on the treatment which they have received.

“ With respect to direct famine relief they have reason to be grateful, not only for the very large expenditure in the provinces, but for the principle on which provincial requirements have been met. This is sufficiently indicated in paragraph 144 of the Statement, in which it is stated that the Government of India ‘are unwilling to take any step which would have even the appearance of putting any check on expenditure on famine relief, other than the recognized checks prescribed in the Famine Codes.’ No one could reasonably ask for more than this, and if the large expenditure on famine relief in the North-Western Provinces is a proof of the severity of the distress there, it is also a measure of the liberality with which these Provinces have been treated by the Supreme Government. And I know that Sir Antony MacDonnell acknowledges in the warmest terms ‘the complete and generous support which he has received in his strenuous and successful contest with famine.’

“ We have also been specially favoured in the liberal application to our case of principles laid down by the Famine Commission with respect to the suspension of

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land revenue and the grant of loans. In both these respects the North-Western Provinces have received the fullest consideration, for to them have been allotted nearly half of the total amount of suspensions, and two-fifths of the sum sanctioned for land improvement and agricultural advances, throughout India.

"In one of the earliest paragraphs of his Statement the Hon'ble Member has referred to the preparations which during many years have been made for the calamity which has overtaken us, and from these preparations, too, the North-Western Provinces and Oudh have derived very marked benefit.

"The canal system of the Provinces has been extended and perfected, so that now with the exception of the Sarda Canal, the probable benefits from which have been doubted by those who are most interested in the country which it would water, and with the exception of the Ken Canal project which has been discredited by the ill-success of the Betwa Canal, there is no large irrigation work which is at present known to be practicable, and which has not been completed or begun.

"While upon this subject I may mention that I think that there must be some misunderstanding underlying the Hon'ble Mr. Bhaskute's remarks regarding the high cost of management of canals. Some canals are so unremunerative that their returns might give almost any percentage, but ordinarily there is no department of the State which is better managed, or in which greater attention is paid to economy, or in which Government is better served by its officers. And with respect to railways the progress which has been made since the last period of scarcity has been most important. Up to the close of 1877-78 the North-Western Provinces had not, relatively at least, been neglected; there was continuous railway communication from the border of Bengal to the north of the Doab, and the Oudh and Rohilkhand Railway served at least part of the country to the north of the Ganges. But this line had penetrated no further than Moradabad and Bareilly, and the majority of the sub-Himalayan districts were not accessible by railway. And the return which I have before me shows that, while much had been done, there was a very distinct lull in construction, for while there were 1,327 miles of open railway, there were only 20 miles under construction. Eighteen years later the open mileage had been more than doubled, and at the close of last financial year there were 2,835 miles of railway open, and the 573 miles which were under construction, chiefly in Eastern Oudh and in the Gorakhpur division, have proved of very signal service during the present emergency, and the money spent on them has been an additional advantage to the North-West Provinces.

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"The large additions which have been made to our railway systems have filled up many blank spaces on the map, but the most important feature of the extensions has been that the sub-Himalayan districts are now traversed by railways from the Ganges to the eastern boundary, and that to the south the Bundelkhand districts are now served by the two eastern branches of the Indian Midland Railway which meet at Jhansi, and by the continuation which passes on to the south. It was admitted in 1895 that the Lucknow-Sitapur-Pilibhit Railway had, by pouring in grain from the Punjab, saved some of the districts served by it from distress, and if during the present calamity we have heard so little of difficulty in the supply of grain to impoverished districts, this must be attributed in a large measure to the facility of supply which we owe to the railways, and to the feeling of confidence which this facility inspires. When the history of the present famine comes to be written, it will, I think, be admitted that part of the battle against famine was fought and won during the years of wise preparation which preceded the calamity.

"And, with reference to the objections which have been made to the policy of Government in pressing on the construction of railways in spite of famine, I must say that our experience is strongly in favour of a spirited railway policy, even in a time of temporary difficulty.

"Apart from the treatment of them with respect to famine, the North-Western Provinces have an additional ground for thankfulness in the better terms given to them in the new quinquennial settlement. The question of the justice of the old arrangement has been under discussion for some time, and the North-Western Provinces Government has demonstrated more than once the insufficiency of the old assignment. I am glad to see that it is now admitted that the Provinces were harshly treated in 1892: there are many very necessary reforms which have been delayed by the settlement of that year, and, differing from other Provinces, we have reason to be glad that the settlement in question has not lasted longer, and that now at length we are done with it.

"I have already stated the opinion that the liberality which has been shown in dealing with agricultural distress is likely to prove the best preparation for a quick return of prosperity as soon as we shall have moderately good seasons, and it may, I think, be hoped that whatever the expenditure of the year about to begin may be, the estimate of the revenue may prove to be somewhat gloomy and pessimistic. If the stars in their courses continue to fight against the Hon'ble Member, the estimated losses may no doubt be realized, but the consideration shown to the people has left large balances of arrears due to Government, and much

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these should be realizable, and some of them, if the rains be at all favourable, should go to swell the receipts of 1897-98, although that year is already affected by the restricted *rabi* area and the injured crops of the present season.

“And whatever may be before us next year, there seems to be every likelihood that in the near future, at all events, we shall have a return of financial prosperity, hastened and augmented, owing to the wise and generous liberality which marks so distinctly the Financial Statement now before the Council and the famine policy of Government.”

The Hon'ble SIR GRIFFITH EVANS said :—“My Lord, there are many things which my hon'ble friend Mr. Sayani has said with which I agree, but there are some things with which I must utterly disagree, and one of them is that he has informed us of a golden age in which the raiyats were all happy and contented, and he has—if I understood him aright—also informed us that at present the raiyat is in a sour, miserable and embittered state, that he is poorer than he ever was before, and, also, if I understood him rightly, that this condition of the raiyat is occasioned by the fact that he is governed by an alien race, and that the money of the country goes to England in order to pay for the army and civil service. My hon'ble friend Mr. Rees has pointed out that there is no history in which we find this golden age; certainly it does not appear to have been in the Muhammadan era, and it may be that it is only that mythical golden age which all nations have traditions of. But, if it is seriously intended to say that the position of the people has got worse since the English have been here, it is a very extraordinary thing to say in the face of history. We know what the history of this country was when the British assumed the dominion of it. We know that, instead of being a golden age, these grumblers would find, if we could restore them to it, that it was a period of anarchy and bloodshed, with utter insecurity of life and property, no liberty and no justice. There is no way by which we can restore them to this paradise, if they wish to go back to it, except by leaving this country and leaving them to govern themselves. The native army would, no doubt in the end, supply them with a military despotism such as frequently existed in this country before the advent of the English. Whether they would like it or not I doubt—in fact, I do not doubt it at all. But there is probably, as there is in all such representations, some distorted fragment of truth, and so far as I can understand it is this, that in consequence of the anarchy and bloodshed and war and famine and the neglected state of the country, it was comparatively sparsely populated. Taking Bengal, at the time of the Permanent Settlement, about two-thirds of it were jungle which has been reclaimed

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since that time. Then in the more northern regions it is certain that owing to bad government, oppression and one thing and another, there was a much sparser population than there is now, that instead of the raiyats competing for land the landlords were competing for tenants, and from fortified villages revenue could only be collected by an army. That probably is the real explanation of it. That reminds me of what happened in the part of the Ganges Delta when a storm-wave broke over the place and destroyed most of its inhabitants. There were a certain number, however, left, and among them was one of my servants who had a house there, and he applied to me for an advance to rebuild it. I condoled with him because six of his relations and four children and most of his neighbours had perished, and he said there were compensating circumstances for those who remained behind, because few people would care to come there, as it was such an insecure position. Land would be plentiful and rents low.

"These 'praisers of the past' are mostly well-to-do men whose prosperity is the outcome of this alien Government. They have a security of property and a liberty which they never had before, but they take hold of the poor raiyat and say this poor raiyat is in a comparatively worse state, not because the raiyats have increased owing to peace, order and protection, not because the increase of the population in the congested districts presses upon the resources of the soil, but they say it is the drain of a foreign Government. I think this is the first time I have heard this doctrine propounded here in Council, and I must protest against it, because I do not believe that any one of the men who propounds this doctrine would do anything save hold up his hands in horror if he thought that the English were really going away and the country was going back to the condition it was in when they came. That there is much poverty, we all know; that there is discontent because we have allowed the money-lender to use our legal machinery to divorce the peasantry from the land; I believe also that many of our well-meant efforts to benefit the raiyat have been failures,—but that is another story.

"Now, leaving this matter, I turn to the Budget. I agree entirely with what has been said by the Hon'ble Mr. James, that it ought to be a source of congratulation to us that, in the face of the plague and the famine, the deficit is so small. We find from the Revised Estimates of 1896-97 that from the direct payments for famine and the shrinkage of the revenue the total loss comes to over 6 crores, and the estimated deficit is only about 2 crores. No doubt, part of this difference is made up by about 1½ crores gained by rising exchange—a fortunate thing, but not a thing we can depend upon. There are also various economies.

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When we come to the estimates of 1897-98, we find the same position of things appears. It is a year of plague and famine, and no man can tell how much famine there will be and how much plague. The Hon'ble Financial Member has pointed out that the estimates of the future loss by famine must be entirely uncertain, and that we can only make such an estimate upon the materials we have. If there is a good monsoon and if the exchange keeps up at the rate it is now, or goes still higher, it is perfectly possible that there may be no deficit at all. It may be that the increased revenue under the various heads, together with the rise in the exchange, may obliterate the deficit altogether. But, on the other hand, in case things go against us, and if plague should increase, and if there should be another scanty rainfall, then no doubt there would arise a situation so bad that no Financial Member of Council could very well dare to contemplate it. But with regard to that we must hope for the best. We have no reason to believe that there will be another bad season, and even if there were, we have, no doubt, a large power of borrowing in reserve, and there is no doubt that the money which has been invested out of the famine surplus in protective railways and in the reduction debit give us a very large reserve to fall back upon in order to borrow, supposing things should become worse. As regards these protective railways, I wish to remark that many are not only protective, but also productive, and we see from this Budget that sometimes they are moved into one category and sometimes into another. The meaning of that is that, although they act as protective, they are also productive. That, therefore, is practically an investment of the famine surplus in the reduction of the debt which we otherwise should have incurred in making these very same railways, which we have made out of the famine surplus. Therefore, as I understand it, there is not only available for borrowing purposes five crores which are put down in this Budget as having been spent in the reduction or avoidance of debt, but there is also a very large amount which we could fairly borrow against as having been spent upon productive railways. Practically all we should have to do would be to charge them back to the capital account they would have gone into if they had not been made out of the surplus revenue. This of course strengthens the hands of Government.

"As regards any demands on the treasury, it is impossible to make any this year. There is no doubt that the treasury must be treated as empty, and nothing can be done except to meet the current expenses of the administration, and wait and, to use a nautical phrase, to lie close-reefed until the storm is over.

"That the Government of India takes a hopeful view of the situation is shown by the fact that Government is going on with a large expenditure on

capital account and making railways out of borrowed money to the extent of about 10 crores of rupees, borrowing partly in England and partly in India; the English borrowing being $3\frac{1}{4}$ millions sterling, which is equivalent to about $5\frac{1}{2}$ crores of rupees, and the borrowing here being about 4 crores. If the Hon'ble Financial Member is able to get that 4 crores at 3 per cent., he will apparently be fortunate looking at the present state of the market. But he knows best, and I suppose he sees his way to doing it. Now this policy of continuing the expenditure on capital account is no doubt a bold policy; timid people would undoubtedly, under these circumstances, reduce it as much as they could. It would not be possible, I take it, for anybody to reduce it altogether, because some of the expenditure is practically incurred already, and a great deal of it could not be stopped without an enormous amount of waste and loss. But it may be that there is a certain amount which could be postponed, supposing that it were really considered desirable to do so. But having regard to the fact that if this famine goes over without causing more expense than appears on these estimates, or even if it does cause some more, yet if it does not cause very much more, it is tolerably certain from this Budget that, with the large amount of revenue that is coming in, as soon as the trouble is over, next year we shall see a very large surplus. It is apparent from the figures that that would be the case supposing all these losses which arise from the famine come to an end, and it is pointed out by another Hon'ble Member that we should, under these circumstances, get back a very large quantity of the suspensions of land-revenue that have been made under the present circumstances. Therefore, unless one takes the gloomy view that we are the object of the wrath of the gods and that we are likely to have also a third bad season, there is no very serious cause for alarm, although there is, no doubt, cause for economy for the time being in our revenue administration. As regards the question of whether it is a wise policy or not, it must be left for the future to say. The Government of India have, no doubt, considered the matter thoroughly. They have adopted a bold policy, and if it is successful, if no unforeseen catastrophe happens, it will, no doubt, turn out to be a wise one. It is a bold policy, and I hope it will be a fortunate one.

"Although, as I have said, the Treasury is empty and this is no time to make demands upon it, there is one institution for which I must say a word as regards the future. That is one which has been mentioned by the Hon'ble Mr. Stevens—the General Hospital in Calcutta. Hon'ble Members are probably aware that there was a report issued and a resolution of the Government which was published in the *Calcutta Gazette* on the 25th

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November, 1896. That report and that resolution are instructive reading. It appears that this hospital consists of very ancient buildings completely unsuited to modern requirements. As to the hospital buildings, one of them was purchased by Government from a native gentleman in 1768 and two of them were built in 1795. The hospital appears to have had very little done for it, but to have remained in the hands of the Government of India for a great many years and then to have been handed over to the Government of Bengal. In addition to that, it appears that the port-dues collected between 1868 and 1895 amounted to 16 lakhs of rupees, but nothing practically has been done to the hospital. I will only quote one paragraph from the report in order to show what the position of the hospital is:—

“The ventilation is from ward to ward, and any effluvia passes, intensifying, from patient to patient.”

“This is a state of things which is most discreditable, if not disgraceful, to any great city, and the position was that the Government of Bengal had a very great surplus of about 59 lakhs of rupees, and that it was intended to carry out these works out of that surplus and out of Provincial revenue. Unfortunately, as appears from the resolution, it was necessary to keep this surplus for the famine, and it appears from the Budget figures that the whole of this surplus is likely to be dissipated in the famine. It also appears that, instead of our having any hope that out of the revenue of Bengal in the next few years there will be a chance of accomplishing this work, the revenues have been very much cut down owing to the revision of the quinquennial contract, and, so far as I can gather, it will not be possible to carry out this work out of these revenues. It appears that the estimated balance for the provincial revenue in the next year is only 10 lakhs of rupees, that is 10 lakhs below the ordinary minimum. Therefore, as far as I can see, we can have little hope of this highly discreditable state of things being remedied unless there is some special provision made for it. I therefore appeal to the Hon'ble Financial Member to make some exceptional provision as soon as he has money to do it, as soon as it is possible. There is no doubt that it is an absolute necessity; there is no doubt that the state of things is disgraceful; there is no doubt that it has been too long delayed, and one must remember that man does not live by railways alone. A hospital in a city of this kind suited to modern requirements is an absolute necessity.

“I do not propose to go into the question of the quinquennial revision. It has been very fully dealt with by the Hon'ble Mr. Sayani, and I agree with a great deal of what he has said. I will only say that the position

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is that certain assignments are made by the Provincial Governments and they are revised at the end of every five years. It has been pointed out by Sir David Barbour that 'this is not favourable to good administration nor to the improvement of the Province, that it is very desirable to have it put upon some better basis, but he also says it is very difficult to do so at the present time, and that there are very great difficulties in the way of doing so. I hope something of the kind will be done.

"I do not propose to go further into the question of what can be done with regard to the quinquennial revision of Provincial Governments. There are many Members here who are far more qualified to speak with regard to that, and besides, the Lieutenant-Governor of Bengal himself is here, and I would not presume to offer any opinion on the subject except that I may say on the authority of Sir David Barbour that the present position is very unsatisfactory.

"I have frequently had occasion to call attention to the Home charges. I am relieved from doing so on this occasion, because the whole matter has at length been publicly investigated. The case for India is being laid before the public, and though it was usual for the authorities at home to burke the whole of the representations that were made, but now that the matter is being publicly threshed out and the verdict of the public can be taken upon it, it will be very much more difficult for them to justify a large number of the charges with which we are at present saddled. I hope therefore, although it will take some time, that we may in the end obtain some substantial relief.

"I was very glad to hear the testimony the Hon'ble Babu Joy Gobind Law bore to the appreciation of the people of this country to the efforts that have been made by the Government to cope with the famine. It was very gratifying to hear from him that the efforts that are being made and the way in which the officers who manage these things give their time and their labour ungrudgingly, and the liberality of the Government in providing the necessary funds was acknowledged. In the case of a famine of this magnitude, it is entirely hopeless to expect that there would not be a great amount of suffering and a considerable amount of loss of life. We know from the habits of the people that many of them will not go to the relief-works until they are too starved to benefit by them, and it always must be so. There are no doubt people here, as there are people at home, who will, from an idea of respectability, allow themselves to starve into such a state that nothing can be done for them before they will come forward and ask for relief. The efforts of the Government have been supplemented by the splendid donations which have been made by England

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and the Colonies, which is now over a crore of rupees, and although, no doubt, we could do with more money, this will be a very substantial amount in order to mitigate the indirect results of famine and set up a large number of persons who are left without resources, although their lives may be preserved.

"I do not think I can usefully go into any criticism of the figures of this Budget. It is, as I say, a Budget in which everything is kept at a standstill. The estimates of expenses for famine and of loss of revenue are conjectural, and all that we have to do is to hope for the best and do the best we can in the meantime, and wait until the storm is over."

The Hon'ble RAI BAHADUR P. ANANDA CHARLU said :—"It must have cost the Hon'ble Finance Minister many a pang to be driven to declare that the year now budgeted for works out a deficit of Rx. 1,986,900, that the ensuing year will work out a larger deficit of Rx. 2,464,000, and that, as an effort to make two ends meet, a loan of no less than four crores must be raised. A gloomier picture it is next to impossible to present. None but men with a heart of flint will nevertheless refuse to him the deepest sympathy in his present sore trial. Few capable of reflection will hold him responsible for the deplorable condition of things we have to face, and may yet have to face, from time to time. One cannot hide from oneself that he has had to take up the financial portfolio with a pre-ordained load and scale of expenditure to which the country had been committed by adventures and policies—the reverse of sagacious adventures and policies—indulged in, without an eye to the future or with exaggerated notions of the country's capabilities. As I said last year, 'within these ten years the forward policy alone has cost us, *apart from the wars themselves*, an aggregate sum of nearly *seventy crores*, and has added to our permanent expenditure no less a sum than *six crores per annum*; and as for the home charges, they have mounted up to over *twenty-five crores* of rupees.'

"Our present Chancellor of the Exchequer had not further the terrible lessons of the last great famine except as matters of cold history and record; for he had not personally to witness or confront the harrowing scenes of its frightful havoc. Judging of it from an unexciting long arm-chair—I saw one of his room of business—he could not realise the horrors of a widespread famine, except by a powerful effort of a vivid imagination. I suppose financiers, like other men, are averse to fall into a train of painful reflections, for the human mind has a tendency instinctively to shun such. As a necessary result, the measure which had been taken, shortly after the last famine, against the recurrence of such a terrible disaster must have come down to him, shorn of all its well-meant but

inconvenient promises, pledges and obligations; for, with all deference to the high authority against me on the point, I cannot help reiterating that a Famine Insurance Fund had been once created by Lord Lytton's Government, no matter what Sir John Strachey's antecedent words of doubtful import may have been—words which should be taken to have been set aside, if the final utterances of the head of the Government are to count for anything. Let me quote his Lordship's words once more:—

'The sole justification for the increased taxation, which has just been imposed upon the people of India for the purpose of insuring this Empire against the worst calamities of future famine, so far as an insurance can now be practically provided, is the *pledge* we have given *that a sum not less than a million and a half sterling*, which exceeds the amount of the additional contributions obtained from the people for this purpose, shall be *annually* applied to it. We have explained to the people of this country that additional revenue by the 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, while we exercise the most strict economy in all other branches of our expenditure, so that no greater burdens shall be thrown on the country than are absolutely required by the necessity of the case.'

"I venture to maintain that, even without such an explicit statement, the same result followed. When a particular tax was declared and labelled to be for the saving of lives and for no other object, and the tax was actually levied in pursuance of such declaration, the sums so collected, *without more*, became *ipso facto* the Fund which was meant. I may say that the Fund created itself. Lord Lytton, as I had more than once to point out, went much further. In the noblest of words, he cautioned succeeding Governments against temptations to divert the funds consecrated to the saving of lives. Those words cannot be repeated too often:—

'The current claims upon the activities and resources of the Government of India are so numerous, so pressing, so important, official forces and imperial funds so necessarily limited, that when once the daily, hourly strain of a great famine has been removed from a wearied administration and impoverished treasury, its fearful warnings are soon forgotten; its disquieting ghosts are quickly exorcised by the conventional declaration of some unexceptionable principle; its bitter memories decently interred beneath the *dull hic jacet* of a blue book, and there, for all practical purposes, is an end of the matter.'

"But, as fates would have it, he himself was the first to run counter to his own warning. In the very teeth of his own solemn, thrilling words of admonition, he was the first to set the example of diverting the Famine Insurance provision towards carrying on an ill-starred and ill-omened war which was the

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forerunner of others, and which, as it were, became the nucleus of ever-growing expenditure of colossal proportions, leaving less and less for the internal development of the country or the betterment of the condition of the mass of the people. One unfortunate result of this growing military spirit has been the complete reversal of land-settlement policy.

"The one consideration that was uppermost in the mind, even from the days of the Court of Directors, was the prosperity of the raiyat population so that the taxes levied may—in the Government's own words—leave a margin with a view to meeting any increase in the cost of agriculture and of providing for a rise in the standard of living.

"The new policy of recent years is to give prominence to 'the difficulty of finding other sources of revenue, having regard to the change that had come over the financial position.'

"One bitter fruit of this change of policy is already this, that many millions of people have not been able to lay by a competence to enable them to withstand the failure of rains in one single year.

"The first step is always the perilous step in deviating from the straight path; and what has happened in this country is no exception to that rule. The provision against famine came therefore to be swallowed up by wars, and appropriated to the maintenance of armaments and frontier defences calling for outlays, out of all proportion to what is left for promoting internal well-being. These brought in their wake too much financial centralisation in the Imperial Government and too much autocracy in higher quarters. These have been the root of the financial collapse of India, and there is no hope of redemption from a chronic state of bankruptcy and of progress in the contented happiness of the people till the present order giveth way for a fresh and better one, conceived in a humane and equitable spirit and sternly carried out in the financial interests of this country. The sincerest Viceroys and the cleverest financiers would, in the face of this stupendous stumbling-block in their way, be helpless. In these circumstances all that one could do is to use the language of entreaty, after calling attention to certain matters that have a bearing on the internal development of the country. Irrigation works claim the foremost attention in this respect, and the report of the last Famine Commission, now a quarter of a century old, contained certain suggestions on this point and various blocks have been indicated in it, out of something over 137 thousand square miles of admittedly culturable land in the country, as capable of being turned into sources of plenty. In the tremendous strain on the time and energies of almost every

officer of the Government at the present trying moment, I considered it cruel to apply for information as to how many of these irrigation works have been carried out and how much of this vast area has been brought under the plough, nor could I detect it in the sea of figures and tables, embodied in the Yellow Book which the Hon'ble Finance Member was kind enough to give me. I have not had the maps that would help me. But in one sense, the information will have proved unserviceable. Whether on the hypothesis that much has already been done in these directions or on the hypothesis that nearly the whole or a good part of it still remains to be taken in hand, the present famine shows that a vast deal more must be done.

"A distinct promise to revise the situation was held out by Sir John Strachey himself; for he said :—

'Unless, then, it would 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.'

"Experience of the present has proved the very contrary.

"It is therefore perfectly obvious and imperative that a Fund, such as was created by Lord Lytton's Government, must be re-established as soon as possible and rigidly and scrupulously repeated every year—not to be put into a box and rust there as no one suggested, but ridiculed as if some imaginary person said it, but to remain and accumulate, quite apart from the general revenues and only liable to be borrowed from for investment in reproductive works having a direct effect in minimising famines and entitled to have credited to it all the income accruing from such investment. It is useless in this connection to point out, as I once did, that if all that was suggested at the time had been done since the last great famine, there ought to have been seven crores, either in the shape of paying and fertilising irrigation works or as a credit to the Fund, entitled to be now called out, over and above what has been spent under that head. To this Fund I attach the supremest importance, as *that* is evidently the only allotment which the people may call their own or may regard as tangibly conducing to their real and unequivocal welfare.

"The next thing I have to do is to entreat the Finance Minister to commemorate his tenure of office and earn the lasting gratitude of the millions of this country by laying the foundation of Provincial developments and prosperity

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- by broad lines for decentralization, demarcating definitely between Provincial and Imperial, and by insisting on the British Government making to the Indian Exchequer a substantial contribution year after year towards the cost of safeguarding purely Imperial interests—a cost which now weighs as a mill-stone round the neck of India. Lord Welby's Commission, now sitting, may do something, but not much, for it has been ruled that questions of policy are out of its scope. But the Government of India may properly raise those questions and bring them within the domain of practical politics.

“The Hon'ble Finance Member could in this way beard the lion if he only would. Let me remind him that it ought to wound the just pride and true sense of dignity of any Government that its subjects should so far lose their self-respect and self-dependence as to go abroad from time to time with hat in hand for eleemosynary help to clothe their bodies and to render relishable the subsistence ration which is the utmost left to them or made available to them from their own country's resources.

“If Your Excellency will only lend your powerful support to the efforts of your Hon'ble Colleague in charge of the Finance in the merciful work which I have ventured to touch upon, and if your Government will also inaugurate a system of administration, much cheaper than the present, by utilising considerably more of the local talent and thus carry out a stern policy of retrenchment all round, Your Excellency and Your Excellency's advisers will leave behind you an imperishable name for justice and benevolence.

“This is all that I meant to say as I came into the Council. But after I came there have been some speeches of which I took notes—those of Sir James to-day, preliminary to the discussion, of Mr. James, which I must characterise as original, of Mr. Rees and of Sir Griffith Evans. In my own interest as I should have time for my own Bill—I will postpone the remarks thereon except to say just a few words on one point. It is in respect of the enquiry ‘where is the history which records the India of gold?’ No such written history exists; but there are facts which prove it. If great parts of the country were jungle, the rest of the country was, I suppose, peopled, and these, not fenced round by artificial limitations, must have lived in an undoubted plenty. Next, there is the phrase—‘the Indian pagoda tree,’ which was invented and put in circulation by Englishmen themselves. Was that a baseless invention? Again, my Lord, there is the name—‘The Indian Nabob,’ invariably applied to the retired Civilian of former days—a name given to him not so much for his airs of Bahadurism as for the great wealth he carried with him from India. Did he gather that wealth in the

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jungles and from famished inhabitants of deserts? Then again, did the English and other European nations vie with one another and struggle with one another, to acquire possession of a country, barren of all money and wealth? An inference seriously drawn from these and other data cannot be summarily dismissed, as has been attempted."

The Hon'ble MR. TREVOR said :—" My Lord, I was not a Member of this Council when the last Financial Statement was discussed. But from the reports of the discussion I gather that the Government of India was then more or less on its defence against an assumption that too little was being done for the development of the material resources of the country, more especially in the matter of railway construction.

" My hon'ble friend Mr. Cadell, who was then in charge of the Public Works Department, referred to the fact that in the first complete year of Your Lordship's administration, 360 miles of completed railway had been added to the 18,500 odd miles previously existing, and that, if it were possible to carry out the programme that had been drawn up, some 4,000 miles more would have been completed by the close of Your Lordship's term of office, though even this would leave untouched many lines that had already been considered and recognized as necessary or important.

" Your Lordship also was at some pains to explain that Government were fully alive to the benefits, direct and indirect, to be derived from the expansion of railway communication, that many important lines in which almost every province of India had a share had already been undertaken, and that these alone would cost some 35 crores to complete, of which nearly a third had been provided in the budget then under discussion. But, and this is important, Your Lordship was also careful to dwell emphatically on another aspect of the question, and to point out that the one duty above others, laid upon Government by the circumstances, was to resist temptation, to push forward at a favourable time but to do so at a rate which was not excessive, but could be steadily maintained, to be bold indeed, but not to be rash. Your Lordship insisted on the necessity with this object of keeping the initiative in regard to all the large schemes in the hands of Government, it being only by so doing that a programme can be framed, adhered to and carried out with regularity and efficiency.

" Finally, Your Lordship drew attention to the wide and important field still open to private enterprise and to the administrations of parent lines in regard to the construction of branches and feeders.

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“ My Lord, I recall this passage from ancient history for two reasons :—

“ In the first place, as my hon'ble friend opposite has remarked, a change has come over the spirit of our dream. Our critics in the public press now hint, more in sorrow it is true, than in anger, that we are going too fast rather than too slow, and ask us to consider whether it would not be wise to abandon, or at least suspend, our extension programme till times are better, and while I acknowledge with gratitude the support my hon'ble friends Mr. Rees and Sir G. Evans have given us, I observe that there has been some expression within this Chamber of a similar view. It seems to me that the remarks to which I have ventured to invite attention are as suggestive in their bearing on the question whether we are not doing too much, as they were on the question whether we were doing enough.

“ In the next place, it may, I think, be convenient that I should take this opportunity of stating, as briefly as possible, what has been, and is being, done in pursuance of the policy foreshadowed in Your Lordship's remarks (which I may describe as the policy of *systematizing* the consideration of railway projects so as to ensure the application of the money credit and agency at our command to the best advantage), and how the field for private enterprise and the position of private promoters are affected by that policy.

“ With regard to the first of these matters, I may perhaps be permitted to expand a little what Your Lordship said last year.

“ It is, no doubt, very discouraging that the first year of renewed activity in regard to railway development should have coincided with a year of plague, pestilence, and famine, and that we should have no better result to show than that the net loss on the Railway Revenue Account should have increased this year to a total of some 2½ crores with a prospect of a similar loss next year and of an extremely tight money market to work on.

“ But it is important to remember that, except in so far as the debit side of the account has been swelled by the interest charges on a larger amount than usual of capital which, though expended, has not yet begun to earn a return (and this is a condition of things inseparable from the commencement of a period of progress, and an argument for pushing works in progress on to completion rather than for staying our hand), the loss we have unfortunately to show on the Railway Account would have been certainly no less, probably rather more if not a single mile of new railway had been laid. On the other hand, much of the work done, notably on the Saugor-Katni and Ganges-Gogra Doab lines,

has furnished employment for persons for whom it would otherwise have been necessary to provide famine relief at considerable cost to the State outside the Railway Account, and with a less assured prospect of an ultimate return.

"Then, again, it must be borne in mind that the loss shown on the direct account includes not only interest at the full all-round rate, on the whole of the Government capital expended on famine protective and strategic lines which are not, and never were expected to be, remunerative, and the heavy sterling interest on the capital of the three remaining guaranteed companies, but also another very serious burden, arising from the clause in the contracts with the three companies in question, which provides that in the adjustment of accounts one rupee of net earnings is to be taken as the equivalent of 1s. 10d. The result of that provision is that we not only have to incur what I may call the *normal* loss by exchange in remitting the guaranteed interest at the current rate, a process which during the year now closing will, it is estimated, swallow up the whole of the net traffic receipts of the lines in question and nearly a crore and a half besides, but also to assume that it was remitted at one and ten pence, and to hand over to the lucky shareholders half of the purely fictitious surplus arrived at by the method of calculation imposed on us. The revised estimate of the amount to be paid on this account for the current year is about 44½ lakhs.

"This loss, as well as that arising from the high rates of interest, compared with those at which money can now be raised, which we have to pay to some of the older companies, is a burden on the railway account with which we have to reckon, and which, though it may be obliterated by going on, cannot be reduced by standing still.

"Your Lordship last year expressed the belief that if the lines made for famine protective and military purposes were kept separate, to which I would add, if allowance were made for such burdens as those to which I have just referred, it would be found that a very sufficient return was realized on the capital we have expended on railways. The return fluctuates enormously from year to year, the net loss shown on the Revenue Account having ranged during the twenty years now ending from as low as about 15 lakhs in 1877-78 to as high as about 2 crores 80 lakhs in 1896-97, and it has been affected by so many varying circumstances and conditions that it is difficult to draw any definite conclusion as to this. But this much may be said, that whereas the loss for the five years ending 1876-77 averaged something short of 1¼ crores annually, during the five years now ending, and including the present very unfavourable season, it has averaged a little over 2 crores or only about 3½ lakhs more.

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"Considering that we now have 20,420 open miles of railway against 6,862 in the earlier period, and that we have in the later period had to reckon with a rate of exchange of from 15 to 13 pence to the rupee as against a rate of from 22 to 20 pence before 1876-77, I do not think we can be said to have done badly on the whole. We can, at any rate, claim that the growth of railway traffic earnings has more than kept pace with the growth of railway mileage, and that the net earnings have borne a steadily increasing ratio to the gross earnings.

"While I am not prepared to assert that we can as yet point to a clear and indisputable return on our capital as shown by the Railway Revenue Account, I should like to insist on this, that the Railway Revenue Account shows every rupee by which the direct receipts from railway traffic fall short of the burden which our railway proprietorship and responsibilities impose on the Indian Exchequer, whether in the shape of interest on capital raised either in England or in India, loss by exchange, or in any other way.

"What it does not show is the share contributed by the expansion of railway communication to the general stability of our financial position.

"It is impossible to estimate the value of that share in figures. But apart from the benefit to the administration and the promotion (to quote once more Your Lordship's words) of the material and social advancement and political tranquillity of the people, apart from the expansion of trade, and its effect in counteracting the burdens imposed on us by the fall in exchange, I think I may assert without fear of contradiction that there is hardly an important item of growing revenue, which would have expanded as it has expanded if our railway construction had stood still.

"I shall, I hope, command the assent of my hearers when I say that even 2½ crores is a small price to pay for all the advantages obtained (my Hon'ble Colleague said last year that they would be cheap at ten crores), and that it would be short-sighted and unwise for the Government of India to allow themselves to be deterred by temporary difficulties from prosecuting their policy of steady and well considered progress, so long as those difficulties can be overcome, and so long as the funds required can be raised on reasonable terms and without resort to additional taxation. I agree on this point to a great extent with my hon'ble friend Mr. Sayani. So long as these conditions I have stated are observed, I have myself some difficulty in understanding what important immediate relief would be obtained by a suspension of the programme. The amount borrowed for public works does not immediately affect the resources available for ordinary adminis-

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trative purposes, and the grants from revenue or from balances are limited to what can be spared under the circumstances of the year. On the other hand, the loss, both direct and indirect, inseparable from a suspension of arrangements already made and of half finished lines, needs, as my hon'ble friend Sir G. Evans has pointed out, no demonstration. In times of financial pressure the question of ways and means is of course always a difficulty. If any reduction is found to be indispensable, which, however, I do not anticipate, it will, of course, commence as my hon'ble friend has suggested with works which we have not yet begun. But if that difficulty can be got over, I think it will be acknowledged that the existence of famine and distress is a reason for expanding rather than contracting expenditure which does not come out of the pockets of the sufferers nor add appreciably, it may be hoped, to their future burdens, while much of it goes directly into their pockets in the shape of wages of labour. As a matter of fact, we have been obliged to allow earthwork on several lines both in and outside our programme to be commenced in anticipation of our original intention, as a question of famine relief.

"I may add that it is one thing to lay down a programme and another thing altogether to work up to it, and that whereas the programme and the budget contemplated an expenditure of some 10·17 crores, we have, with the best will in the world, been unable to spend more than 8·76 crores, and as the difference is not to be carried forward for expenditure this year, though I hope my Hon'ble Colleague in the Finance Department may see his way to restoring it hereafter when times are better, the financial tension has to that extent been actually and presently relieved.

"Coming now to the second of the two matters to which I referred at the beginning of my remarks, that is, to the steps which are being taken in the direction of systematizing expenditure, and making the most both of our credit and of the funds and agencies at our disposal for the extension and development of our railway systems, and to the effect of those steps upon the field for private enterprise and the position of promoters, I may begin by explaining that the point which we had most especially under our consideration in the correspondence with the Secretary of State to which my Hon'ble Colleague Sir James Westland refers in paragraphs 74 and 75 of his Statement, and of which the 28-crore programme was the outcome, was whether Companies coming under my Hon'ble Colleague's first and second categories might not with advantage be allowed to raise rupee loans for themselves to meet their rupee expenditure, the

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idea being that we should thereby reduce either the amount of our own direct borrowings or the growth of our sterling liabilities as the case might be.

"The general conclusion at which we arrived on that point was that, so far as the money was to be raised practically on our own direct or indirect guarantee, we should gain little relief to our own borrowings, as depending on the capacity of the Indian money market to absorb rupee loans, by borrowing through Companies instead of direct, while as we can borrow direct on better terms and at less cost and risk of inconvenience, it is better to do so and to lend the money to the Companies than, practically, to allow them to compete with us in the same market.

"The Secretary of State's acceptance of this conclusion was the first step, and led to the preparation of a programme on the principle that all contemplated capital expenditure for which we have to accept financial responsibility, excepting only capital raised on Branch line terms, should be dealt with as one whole, and that of the total amount to be spent in each year as much as possible should be provided in India, either from Famine Fund or ordinary Revenue, or by direct borrowing, so as to avoid unnecessary additions to our sterling liabilities, and at the same time to ensure that the additions to our rupee liabilities shall be as little onerous as possible.

"Another point which we had to consider at the same time with the question of the provision of funds for Companies, was the question of Branch line terms. It was found that those offered in our earlier Resolutions were not readily understood and were sometimes misapplied, and it was also a question whether Branch Line Companies were in all cases the best or the most economical agency to employ for the purposes in view.

"The conclusions at which we arrived were, shortly, that Branch line terms should be confined to short extensions and feeders—the terms on which long or important lines should be made being a matter for separate consideration and negotiation in each case—and that it is, as a rule, better and more economical to allow parent lines to finance, and make, as well as work, branches and feeders required for the development of their own systems, so far at least as it may be possible to arrange for funds without exceeding the limits set from time to time on our programme of expenditure as prepared on the principle I have just described.

"While, however, for reasons suggested by these considerations we proposed to keep in our own hands the initiative in regard to branches and feeders as well as to important lines, we fully recognised that there would still remain many

cases in which, to secure early execution of a project, or to admit of the employment of local capital in furtherance of local interests and wishes or for other reasons, it might be advantageous to encourage offers on Branch line terms, also that a moderate firm guarantee might in some cases be more economical, better suited to the circumstances, and more attractive to promoters than the rebate arrangement held out in our early resolutions on the subject. These conclusions also have been accepted by the Secretary of State and embodied in a revised Branch line terms, Resolution No. 514 of 17th April 1896. The contents of that Resolution are doubtless well known to those who are interested in the subject, and I need not for present purposes say more than that it constituted another step in the same direction as the decision come to in regard to the provision of funds for Companies, and will, I hope, tend to ensure that in the case of branches and feeders as well as of large railways development shall proceed on lines which will not increase our financial responsibilities more than is really necessary and advantageous.

"The third and perhaps most important step is the institution of an annual Conference for the consideration of railway schemes, at which the principal departments of the Government of India will be represented and to which it has been decided, with the approval of the Secretary of State, that all suggestions and projects for railways should be referred before any action on the part of Government is decided on. Hon'ble Members will find on the table copies of a memorandum and accompaniments which may serve to give some idea of the nature of the work done by the last Conference. The bearing of that work on the preparation of the programme and the manner in which it is proposed to carry on the work of one Conference so far as it refers to schemes held over to the next, I will not take up time by recapitulating or trying to summarize the contents of these papers. But the information they supply will, I hope, be found to cover the ground of my hon'ble friend Mr. Playfair's enquiries, and will, I hope, with what I have already said, be enough to show that, even if we are still regarded as overbold, we, at any rate, ought not to be accused of being rash; and that all possible precautions are being taken to secure continuity in such progress as financial considerations may admit of, and to ensure that it shall not be unduly onerous to the taxpayer, or carried out haphazard, or distributed without due regard to the requirements of all parts of India, and the means of carrying it on efficiently and steadily.

"I may add that no projects are entered in the programme unless the traffic estimates show a reasonable prospect of a return, and that, even after a project

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has been entered in the programme, my Hon'ble Colleague in the Finance Department is still most strict in demanding to be satisfied before it goes to the Secretary of State for sanction that the Traffic Estimates have been carefully prepared and properly scrutinized, and that the prospect of a return is not illusory.

"Before I leave this subject, there are two points in connection with the papers which have been tabled to which I wish to draw attention:—

"The first is that the programme which they embody and which looms so large this year in my Hon'ble Colleague's statement, includes, as he has pointed out, under the arrangements which I have described as the first step towards the systematising of progress, anticipated expenditure by certain Companies falling within his second category (the Bengal-Nagpur, Indian Midland, and others) which are allowed to borrow on their own account for duly authorized objects, and whose borrowings have hitherto been treated as a matter outside the scope of the Financial Statement.

"The other is that, when the matter came to be considered in Conference, it was found that we had already in hand or under negotiation as many Branch lines as we could well manage for some time to come in addition to all that was included in the programme and to the lines in contemplation by Native States, and assisted Companies demanding no financial assistance. The publication of the contemplated list of Branch lines had, therefore, to be deferred.

"And this brings me to the last matter I proposed to notice. What field is left, it may be asked, among all these precautions, for private enterprise, and what remedy do they provide for the complaint so constantly made by applicants for concession that there is no getting a reply out of Government?

"Well, my Lord, I think I may say that the form of private enterprise which is content to take the risk for the chance of profit, and to make lines without financial assistance, beyond, say, the provision of land and certain facilities of working, will always find us ready to listen. But even in that case, it is necessary to be sure that the proposal to which we are asked to assent will not seriously injure existing interests or stand in the way of other projects of more importance or better calculated to serve the country, that we are in a position to see that they are properly carried out, and that they are fairly sound in themselves. For it generally happens that when private enterprise gets into a hole in this country, Government is called upon to help it out! And therefore it will be necessary that all such proposals should be submitted to the annual Conference and their conclusions considered before a concession is given.

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"To promoters who want Branch line terms I am afraid I can only reply that at present our hands are full. At the same time, we shall be glad to receive suggestions up to the 15th May each year for lines which are considered suitable. These will be enquired into and submitted to the Conference. When we see our way to proceeding with any of them, a list of such as are approved will be published, and thereafter specific proposals for any lines included in the list will be received and dealt with, promptly I trust, as they come in. The result, I hope, will be that we shall be able to dispose definitely by the end of the year of all suggestions and proposals which reach us up to the middle of May, and that, if my hope is realized, will, I think, be a considerable improvement on the existing state of affairs.

"My hon'ble friend Mr. Playfair will, I hope, forgive me if I suggest that in his remarks on the tribute paid by Bengal in the shape of Railway Revenue, as compared with the drain arising from the Bombay railways, he has, I think, omitted to notice that the Bengal and Nagpur line does not pay, and that all the profits of the East Indian Railway do not come from the people of Bengal. On the other hand, if the Rajputana railway line be included, the loss on the Bombay railways disappears.

"In reply to his enquiry about the deferred telegram, I understand that a notification on the subject will appear in the next *Gazette*.

"I hope my hon'ble friend Mr. Sayani will not see the length at which I have dwelt on the railway question in confirmation of his view that irrigation does not receive sufficient attention. I may assure him and my hon'ble friend Mr. Ananda Charlu that, as a matter of fact, the expenditure on irrigation has already been systematised. We are steadily spending on it about 75 lakhs a year, which is a rate sufficient to complete all the large works in contemplation within a reasonable time. The field for such works is not, as my hon'ble friend Mr. Sayani seemed to assume, unlimited. Such field as there is already mostly occupied, to the great advantage of the Revenue and of the people, and the works already completed have done us, as the Financial Statement shows, yeoman's service in this year of distress. But we have learned by experience that large expenditure on irrigation works in those parts of the country where the rainfall is sufficient is often money thrown away. The people will not take the water. And where the rainfall is deficient, the large perennial streams, the presence of which are essential to the construction of irrigation works, are too often wanting. I may add for the satisfaction of my friend Mr. Bhuskute that, in spite of establishment charges, irrigation works, as a whole, are now paying more than 5 per cent. clear."

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[General Sir Edwin Colten.]

The Hon'ble GENERAL SIR EDWIN COLLEN said:—"My Lord, this day last year my predecessor, Sir Henry Brackenbury, explained with the ability and clearness for which he was so distinguished, the estimates for the year 1896-97. He dealt in some detail with these estimates, which had been prepared under his direction. He also was able to announce the grant of the sum of 49½ lakhs of rupees, or nearly Rs. 500,000, for the completion of the preparations for mobilisation, and he gave the Council a most valuable historical retrospect of his administration.

"I fear that the statement which I shall have to lay before this Council will be far less interesting and for the simple reason that the financial year just closing has been chiefly marked in the Military Department by efforts to postpone or retrench expenditure, and that not very long after I assumed office we found that it was necessary to do everything in our power to restrict expenditure owing to impending scarcity, which has since deepened into severe famine in certain parts of the country. My Lord, I listened with great interest and attention to the observations which have been made by various Hon'ble Members on the subject of military expenditure. I think I may venture to say that these criticisms were characterised by a somewhat mild flavour with one exception. That exception was the Hon'ble Mr. Ananda Charlu, who denounced in strong terms the forward policy and our vast military expenditure. In the course of the statements which I shall have to lay before the Council, I shall endeavour to reply to such criticisms as have been passed, and I hope even to convince my hon'ble friend Mr. Ananda Charlu that what he characterises as the ever-growing military expenditure to colossal proportions, has not increased in such a high ratio as he imagines it has done. I propose to take the estimates in the following order:—

India Military Estimates.

Home Estimates.

Military Works Estimates.

Marine Estimates.

"Before dealing with the figures of these estimates, I should like to say a few words as to the mode in which they are prepared. As the Council are aware, the Army is now divided into four great Commands—Punjab, Bengal, Madras, and Bombay. In each of these Commands there is a Controller of Military Accounts, who is at the head of the financial system of the Command and is the financial adviser of the Lieutenant-General Commanding the Forces, although he is directly under the Government of India. It is on the

Controller that the responsibility of preparing the estimates rests in the first place. He has to construct these estimates in communication with the authorities and departments concerned. He has to pass these in review and to apply every possible test for determining whether the estimates are drawn up in accordance with the rules. The estimates of the great supply departments are forwarded by the Controllers to the heads of those departments with the Government of India, and after scrutiny by those officers the estimates are passed to the Accountant-General who incorporates the whole of the estimates thus received, and those he receives from the Controllers into one general estimate. Nothing can be entered in the estimates which has not received the sanction of the Government of India. The estimates pass under the rigid scrutiny of the Accountant-General, and they are further subjected to an examination by the Comptroller-General of India and are finally considered by the Military and Finance Departments.

"It will be understood that during the year a large number of proposals involving expenditure are received in the Military Department; a considerable number of these are, after every consideration has been given to them, rejected altogether; others, after being accepted on their merits, are held over till the time when the estimates, prepared as I have described them, are being finally considered in order to see if money is available for measures which are recognised as proper in themselves.

"The home estimates are prepared under the orders of the Secretary of State for India, a great deal of the information being received from India and from the War Office with respect to their charges. The Military Works estimates are prepared by the Director-General of Military Works and Examiner of Military Works Accounts, and, after scrutiny in the Military Department, are finally passed by the Finance Department. I may mention that, with regard to new works, a list is drawn up, often numbering many hundreds of items, in order of urgency, in communication with the Commander-in-Chief, and we have to select those works which are the most urgent for entry in the estimates after we have provided for all obligatory services.

"The Marine estimates are prepared by the Director of the Marine and the Examiner of Marine Accounts, who in this case stands in the place of a Controller. The estimates then undergo a process similar to that which I have described in the case of the army estimates.

"I will first deal with the revised India military estimates of 1896-97 as compared with the budget estimates for 1896-97. The net expenditure in the

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budget estimate of 1896-97 was estimated at Rx. 16,676,500. The revised estimate is Rx. 16,369,400; so that it is Rx. 307,100 less than the budget estimate.

“ Now with reference to these estimates, it will at once be asked, how is it that notwithstanding the increased prices, owing to scarcity, for food-supplies for men and animals, there is such a large saving in the revised estimate over the budget estimate? In the first place, there have been smaller payments of exchange compensation allowance owing to the average market rate of exchange adopted in the budget, *viz.*, 1s. 1 $\frac{3}{4}$ d., having been altered. This at once gives a saving of about Rx. 81,000. Then there is a large saving of Rx. 120,000 owing to smaller charges on account of mobilisation arrangements. No one would have been more glad than I should have been, if we could possibly have completed the purchase of the whole of the transport, equipments, and stores required for the equipment of the additional troops in the current year; but that was not possible. It will be readily understood that the purchase of large quantities of transport and equipments cannot be effected at once. Those purchases have to be spread over the whole year, and it was intended that the largest portion of them should be made during the cold weather; but before the whole of the purchases could be made, famine was upon us, and taking one item for example, fodder reserves, which was to have cost about Rx. 37,700, we felt that we must postpone the purchase of these reserves at a time when every scrap of fodder was needed for the cattle of the people.

“ The Hon’ble Pandit Bishambar Nath made some remarks with regard to the advisability of not replenishing military stores when famine was staring us in the face. I venture to hope that the explanation I have given will convince the Hon’ble Pandit that the Military Department have given every consideration to the necessity for holding their hands in the matter of purchases of supplies when it was evident that famine was impending.

“ Again, take such an item as camel saddles and gear for which Rx. 28,800 was provided. Here it was proposed to adopt an improved pattern, and it was felt that it would be imprudent to purchase a large number of saddles when there was every reason to think we should get a better equipment in a short time. This causes a saving of about Rx. 18,000. We have not been able to get the whole of the 3,250 camels which were sanctioned. A higher price, than was estimated for had to be paid, and we decided that no more than the number that could be bought for the sum allotted, should be purchased this

year, the balance, 650, being made good next year. Out of the 1,750 mules to be obtained, we have 282 mules still remaining to be purchased.

"In the Medical Department all the requirements have been supplied with some small exceptions. In the Ordnance Department all requirements will be supplied during the current financial year. In the Veterinary Department the same remark is applicable; and under the head Remount Department we shall have purchased the number of horses for the reserve which was provided for in the estimate for 1896-97, so that there will be no deficiencies in that department. Altogether there is a smaller charge for mobilisation arrangements amounting to Rx. 120,000. If there had been no scarcity and our financial condition had remained as it was, we should, with the exception of the camel saddles, have been able to complete the whole of the requirements as estimated for.

"The next important item of diminished expenditure was the less charge under Army and Garrison Staff, Rx. 20,000.

"Then a sum amounting to nearly Rx. 10,000 was saved owing to the cost of the 24th Bombay Infantry while on service at Mombassa having been debited to the Imperial Government. Under Commissariat there were various measures of economy which resulted in a saving of about Rx. 10,000. There was also a saving in the hire of transport, apart from mobilisation requirements, railway charges, etc., which amounted to close upon Rx. 30,000; while other economies in commissariat charges amounted to a considerable sum. In the ordinary establishment fewer transport animals were bought than estimated for, which gave a saving of Rx. 15,000. The more favourable rate of exchange prevailing saved Rx. 24,000 in the purchase of Australian remounts; while in the Clothing Department there were smaller demands, and issues were made to Bengal from surplus clothing stored in Madras. In the Ordnance grant there was a considerable saving in Ordnance establishments and in the smaller purchases of stores due to less outturn. This saving amounted to Rx. 75,000. There are also a large number of items with which I need not trouble the Council. I have only mentioned a few of the important items which make up decrease—taking only the principal items—in the revised estimate of 1896-97, of Rx. 506,500.

"Now we come to the more important increases. These are under Grant 4—Commissariat Rx. 180,000, under Grant 5—Remounts—Rx. 16,000. This rise in expenditure is entirely due to the rise in prices for food-supplies for men and animals, owing to the famine. The excess over the established strength of British troops caused increased charges for pay, for which budget

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provision did not exist, and there was an excess deduction made in the budget for the short strength of the Native Army. These two items account for an increase of Rx. 24,000. As regards the British Army, I might perhaps explain that in past years the drafts were calculated so as to bring the establishment up to strength on the 1st April. But in 1895 a change was introduced by the War Office without reference to India, and the numbers sent out provided for all casualties up to the beginning of the following trooping season. The War Office have, however, agreed to revert to the previous system. Other items of increase make up a total of Rx. 245,400. But the net result is that the *revised* estimate is Rx. 307,100 below the budget estimate of 1896-97, taking the net expenditure.

“Turning now to the *budget estimate* for 1897-98, it compares with that for 1896-97 as follows: The budget estimate for 1896-97 was, as I have said, Rx. 16,676,500; the budget estimate for 1897-98 is Rx. 16,154,300 for an establishment provided in the estimates of 72,394 officers, non-commissioned officers and men of the British Army; and 143,619 officers, non-commissioned officers and men of the Native Army; so that the budget for 1897-98 is less than the budget for 1896-97 by Rx. 522,200. I will now state the more important causes of decrease in the estimates for 1897-98. We hope to save about Rx. 130,000 on exchange compensation allowance owing to a more favourable rate of exchange. Less provision has to be made in the case of British troops owing to the exchange being taken at 1s. 2½d. instead of at 1s. 1½d.; that gives us nearly Rx. 200,000. Then smaller provision is necessary for expeditions and special services, amounting to Rx. 61,000.

“The abolition of the grass-cutters’ establishment in British mounted corps in the Bengal and Punjab Commands will give a saving of Rx. 22,000. It has been explained in this Council before that we can no longer with due regard to the interests of the people employ grass-cutters to obtain the grass required for mounted corps, and that we have to make other arrangements, either by contract or by supply, from grass farms.

“Then there has been a reduction in the strength of the mounted infantry in Burma, which gives us some saving; also in various items under the head of Commissariat, while again there is a smaller purchase of transport animals due partly to the revised allotment of the transport in Burma. These two items amount to a considerable sum.

“The reduction of the military expenditure in Burma is a matter which I have specially enquired into; it has declined annually for a good many years

past and, as regards the transport in that country, I hope it will not be long before we obtain all the mules we require there from Western China and the bordering States.

"In the coming year there is a smaller provision for the hire of transport and we save by the employment of transport mules in draught work. This gives a saving of Rx. 29,000.

"We propose also to somewhat restrict the purchase of young stock for the Remount Department. We have already 1,400 young stock, and for various reasons we think it advisable not to purchase quite so many as usual. Then there is the more favourable rate of exchange for payment for Australian remounts. These two items make up a saving of Rx. 8,400. There is a smaller purchase of ordnance mules, but that is really a transfer to the home estimates as we unfortunately cannot get the number of ordnance mules required for mountain batteries at present in India. The mountain batteries require mules of a higher standard than is necessary for transport purposes, and we have been advised that we should purchase a certain number of mules from Southern Europe, so as to give the market a rest for the time being. I am in great hopes, however, that by the greater encouragement of mule-breeding we may in the future be able to obtain all the mountain battery mules we require in this country.

"Then there are a considerable number of items of reduction which we think are justified by past actuals. This subject has been very carefully examined and we believe that in certain cases the requirements have been estimated for too highly. The total decrease, taking, however, only the more important heads, amounts to over Rx. 1,000,000.

"Then we come to the more important causes of increase, and here again I shall only take a few items as examples. The rise in the price of food-supplies for men and animals, and the special grant of compensation for dearness of provisions, under civil rules, to Military employes amounts to nearly Rx. 400,000. As a rule the provision for such supplies is based on the actuals for the three previous years, but the prices now existing are so abnormal, and are expected to continue for at least a portion of the coming year, that we have been obliged to abandon the ordinary method in order to arrive at a correct provision. The Controllers have done all in their power to arrive at a fair estimate, and these figures have been revised by the heads of departments concerned,—the Commissary-General-in-Chief and the Director of Army Remounts. These figures have been since reduced after prolonged scrutiny by

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the Military and Finance Departments. A larger provision has to be made on account of good-conduct pay to British and Native troops based on actuals. Then having examined the returns of the deficiencies in the Native Army during the past twelve months, we feel that we must make a smaller deduction for the short strength of that Army; that means an increase of Rx. 12,000. We have to provide for more kit money for recruits, and extra provision has to be made for officers who become unemployed owing to the termination of their tenure of commands, and also for an increase in the number of Colonel's allowances paid in India.

"We have taken in hand a matter which has been under consideration for some time, and that is the management of the dairy farms. It is most essential that the troops should be supplied with pure milk and butter, and a model dairy farm has been established at Umballa combining with it a school for the instruction of managers of Government dairies, and the improvement of existing dairies. We hope that this plan will be gradually developed, and that it will result ultimately in every cantonment in India being supplied with pure milk and butter. This is really a most important sanitary matter, and I have no doubt that from the financial point of view it will be a success if it is worked, as we hope it will be worked, reasonably and properly.

"Another item of increase also needs some explanation; that is the increase of pay to medical officers. It has long been a grievance that certain junior ranks of the Army Medical Staff are not paid sufficiently in India, and a small increase has been made to their pay. Then there is another item of increase which I am sure the Council will not grudge, that is the cost of a medal for the relief of Chitral and the defence of Chitral. That means an expenditure of Rx. 8,500. I regret the delay which has occurred in the issue of the medal, but the Mint took up the work the moment the dies were received from home, and the medals are now being rapidly turned out.

"If we take only the important items of increase—I have only been able to mention some of these—the amount comes to over Rx. 550,000. I have already explained how the estimates are prepared. When these were closed by the Accountant-General we still had to decide how many out of about one hundred items, which had been kept back to see what money was available, should be entered in the final estimates. Under the circumstances of financial pressure, we selected a certain number for postponement, and having consulted the Commander-in-Chief, we agreed to the reduction of about Rx. 65,000 or 6½ lakhs. Those items that were retained were then added to the estimates which

were finally closed. I think the estimates may be said to have been framed with economy, that all items of expenditure proposed during the year were carefully scrutinised, and we had to postpone, at the last, many items which in happier financial times we should have desired to retain. The net result is that the budget estimates of 1897-98 are Rx. 522,200 below the estimates of 1896-97. If we were to throw out the gain by the rise in exchange, to eliminate the special charges for mobilisation, and the loss by the extra cost of food-supplies owing to famine, there would still be a saving in the revised as compared with the budget estimate of 1896-97 of about Rx. 302,000, and a saving in the estimate of 1897-98 as compared with the estimate of 1896-97 of about Rx. 201,000.

"The second of the estimates with which the Military Department is concerned is the home estimate. The home estimates for 1896-97 amounted to £4,365,200 net expenditure; the revised estimate amounts to £4,193,600, showing a decrease of £171,600.

"So much public interest has been attracted to the details of the home charges, which are estimated for in the year 1897-98 as amounting to £4,353,400 on account of the effective and non-effective charges of the Army, that it may be of interest to the Council to know of what these charges consist, more especially as several Hon'ble Members have alluded to the home charges. The payments to the War Office in respect to the British Forces serving in India amounting, as estimated in the coming year, to £760,000, are based on the capitation rate of £7-10 0 per man serving in India, and the charge for the deferred pay issued to British soldiers on their discharge or transfer to the reserve. The deferred pay amounts to about £180,000, so that the estimated amount for providing the drafts and troops for Indian service sent out from home annually is about £580,000. This amount, based on the capitation rate, includes not only all the charges connected with the training of the men sent out; but various charges on account of educational establishments in England for officers and men, and charges on account of the reception and disposal of invalided and discharged men on return from India. Then we have the item furlough allowances and pay during the voyage of British soldiers serving in India. That amounts to £108,000 and explains itself. The furlough allowances of officers of the Indian service comes to £230,000; and the Indian Trooping Service, *i.e.*, the cost of the transports which take British troops to and fro, £251,800. There is also an item, £6,000, for the passage of officers and troops otherwise than by troopship; and the heading "Miscellaneous,"

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£18,500. While the stores for India amount to £566,800; these are for clothing, ordnance, medical, and commissariat stores required in India. Certain corrections have been made by the Secretary of State to these totals which amount, with those corrections, to £1,920,600.

"Then we come to the non-effective charges. We pay the War Office for retired pay of the British forces who have served in India, both officers and men, £486,000, and there is a charge for non-effective Colonels of Royal Artillery and new line regiments, of £24,800; while the pay and pensions of non-effective and retired officers of the Indian service amount to £1,800,000, the miscellaneous pensions amount to £84,000, and the Indian military service family pensions to £26,000. A correction has also been made in these figures, but we have not got the details. The total as revised comes to £2,431,800, and the grand total under both headings effective and non-effective is £4,353,400. The saving, £171,600, in the revised as compared with the budget estimate for 1896-97, is due to reduced payments to the War Office on account of deferred pay, less payments for the Indian troop service, and large reductions in expenditure on stores. The saving in the estimate of 1897-98, as compared with the budget estimate of 1896-97, is a net decrease of £52,000. The increases are caused by an increase in deferred pay, £30,000, and increased payments on account of the retired pay of British forces, etc., and for the Indian service, £65,600. The decreases are chiefly in the Indian troop service for coal £9,000, in army stores £121,300, and other items, the net decrease being Rx. 52,000.

"It is only necessary to point out that when we speak of the charges made by the War Office against India, we must not imagine that the whole of the charges I have detailed are War Office charges, because a large portion of them are strictly debitable to Indian revenues. The charges, I may say for the information of the Council, which are really in dispute, are the payments to the War Office for the British forces serving in India and the non-effective charges for these forces.

"I will now deal with the Military Works estimates. Taking the Budget for 1896-97, including expenditure in England, exchange, and special defences, this amounted to Rx. 1,240,900 and the revised estimate in 1896-97 to Rx. 1,216,400, so that there was only a small difference between the budget and revised estimate. On the Indian part of the estimates, however, there was less expenditure by about 11½ lakhs, or Rx. 115,000. This was to a large extent due to the sites for posts in the Tochi Valley not having been fixed, and to the impossibility of spending the money allotted. There were several other items

upon which the money granted could not be spent, and certain works in the Bombay Command had to be postponed owing to the plague. Turning now to the estimates for 1897-98, the total sum, including English expenditure, special defences, and exchange, is Rx. 1,200,600. The estimates for 1896-97 were Rx. 1,240,900. The difference is, therefore, Rx. 40,300.

"The heads of the Military Works estimate in India are in round figures—

Rx. 500,000 for original works, including works in progress, those to be commenced, and minor works;

Rx. 340,000 for repairs;

Rx. 280,000 for establishments;

and to this we must add other items, such as for Barrack Department, tools and plant. The new works, 88 in number, comprise water-supply, drainage works, barracks, hospitals, a comparatively small sum for inland defences, and we have also to provide for ordnance, commissariat, and marine requirements.

"We have not been able to do much in the way of ordinary inland defences, and can only spend Rx. 10,000 on these for very urgent works. We have provided Rx. 18,000 for certain works on the frontier and coast defences, but have had to omit Rx. 25,000 for new works required for what are still called "Special Defences." We have provided for the works necessary for the accommodation and health of the troops in the Tochi Valley, at Gilgit, Chitral, and in the Malakand, in the amounts for new works which I mentioned.

"Although the Military Works grant is considerably in excess of the 'crore,' or Rx. 1,000,000, which was fixed some 17 years ago, we are really very little in excess of the average amount that was granted in the five years preceding the year in which that sum was fixed. Since then the army has been considerably increased, and the area in which military works are required has also expanded.

"I have to deal lastly with the estimates of the Royal Indian Marine. The net budget estimates for the Indian Marine of 1896-97 were Rx. 149,900; the revised estimate is Rx. 120,200, giving a decrease of Rx. 29,700. The decreases are due to less exchange compensation allowance, the absence of certain officers, savings in the dockyards, and in the purchase of marine stores and coal; while the recoveries have been swelled in connection with the fitting of transports for Suakin. Altogether the decreases amount to Rx. 32,800.

"The increases are chiefly due to increased expenditure on salaries of establishments afloat owing to the employment of Royal Indian Marine vessels

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- in conveying troops to Mombassa and to and from Suakin, and the hire of the *Lalpura* for the transport of troops after the wreck of the *Warren Hastings*; to repairs and coals supplied to Her Majesty's ships in the Indian seas, and to indemnification for loss of property to the officers and crew of the *Warren Hastings*. Altogether there is an increase of Rx. 19,900; and taking the increase against the decrease, there is a net decrease of Rx. 12,900, but to that we have to add the receipts due to the employment of Royal Indian Marine vessels for conveying troops from Mombassa and to and from Suakin, which comes to Rx. 16,300; so that the total decrease in the revised estimate, as compared with the budget estimate, is Rx. 29,700.

“ The Marine budget estimate for 1897-98 is in net charges Rx. 139,100, whereas the budget estimate for 1896-97 was Rx. 149,900, so that this gives a decrease of Rx. 10,800. The decreases amounting to Rx. 33,400 are chiefly due to exchange compensation allowance and a reduction owing to the loss of the *Warren Hastings*, and to various other items, such as purchase of marine stores and coals, &c. The increases are due to the hire of the transport that will be necessary for performing the duties hitherto carried out by the *Warren Hastings*, repairs and coals supplied to Her Majesty's ships, and other items, which make up a total of Rx. 17,300; showing a net decrease of Rx. 16,100. Taking into account the receipts and charges, the net saving amounts to Rx. 10,800.

“ One word more on the whole of the estimates with which I have dealt; the total saving on India, Home, Military Works and Marine estimates for 1897-98 is over Rx. 600,000 as compared with the estimates for 1896-97, and even if we eliminate the gain by the rise in exchange and the mobilisation expenditure, and on the other hand the rise in prices, the saving would still be very considerable.

“ If it is not trespassing too greatly on the patience of the Council, and I fear I shall tax that to the utmost limits, I should like to indicate as briefly as possible the chief events in the work of military administration during the financial year which is now coming to a close. The first thing that occurred was the despatch of a force to Suakin on the requisition of Her Majesty's Government between the 21st and 26th May 1896. A compact force of about 2,500 officers and men, with 1,200 or 1,300 followers, was despatched from Bombay in eight hired transports and in the Royal Indian Marine ships *Warren Hastings* and *Canning*. The force returned in November and December; and although the Indian Contingent was not involved in actual hostilities, we had

the gratification of knowing that the services of the force were appreciated by Lord Cromer, a statesman who once sat in this Council, by the military authorities in Egypt, by Her Majesty's Government, and that these services were graciously recognised by her Majesty the Queen-Empress of India. It need hardly be said that the arrangements under His Excellency the Commander-in-Chief were in every way thorough and complete, and the Marine Department under Captain Gwyn, who was officiating as Director of Marine at Bombay, performed excellent service in the despatch of the force. It returned to India under the arrangements made by Captain Hext who had then come back from England after giving evidence of a valuable character before the Royal Commission on Indian Expenditure. I need hardly do more than allude to the fact that the question of the Suakin charges formed the subject of considerable discussion between the Government of India and Her Majesty's Government. A blue book has been published, and if they have not already read it, I strongly recommend this to their perusal, and I believe that a careful study of it will induce some of my friends opposite to recognise that the Government of India for a series of years have staunchly fought the cause of India with respect to charges of this nature.

"A very difficult subject had to be taken up by the Government of India during the past year. A Committee, the president of which was Mr. Lyall, an able member of the Civil Service, was convened in 1894 to enquire into questions connected with the Military Works and Public Works Departments and the employment of Royal Engineers in India. That Committee furnished a valuable but rather voluminous report which has been exhaustively discussed and dealt with, and we have also had to take up the question of the establishment of Royal Engineers in India and the future organisation of the Royal Engineer service in this country, and many matters connected with that service. As the conclusions to which we have come are not actually complete, I shall say no more on the subject but that it is one which bristles with difficulties, although we hope that we have arrived at an equitable solution of the problems presented to us. I gladly take this opportunity of mentioning that we have received much assistance from the presence of General Heriot Maitland, who was deputed by the War Office to represent their views in this matter.

"Another point which merits attention is that certain Local Corps in Rajputana and Central India, which were directly under the Government of India, have been allotted to the Bengal and Bombay Commands respectively, and placed under the orders of the Commander-in-Chief, while at the same time the

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powers of the Agents to the Governor-General are safeguarded with reference to the distribution and movement of the troops and other matters.

“ I have already given the Council some account of how far the mobilisation requirements for the completion of the equipment of the field army have been fulfilled. The plan of preparing a field army for mobilisation was started in 1886; in the earlier years of its history, the work was entrusted to a Mobilisation Committee, of which Lord Roberts was President, and the work of that Committee was described by Lord Dufferin as a splendid monument of ability and industry. Year by year in the last ten years improvements have been effected, and a considerable amount of money has been granted. But, although we had for many years desired to obtain the money sufficient for the complete equipment of the whole field army, we felt that we could not press this owing to financial exigencies. Last year a considerable grant was given for the purpose. Owing to causes already explained, we have not been able to carry out our intentions entirely; but, at all events, we have done so to such an extent that the further equipment of the field army has allowed a revision of the arrangements so as to permit a more rapid concentration of the troops when necessary; and I hope that the Commander-in-Chief would say that the field army was now in an efficient condition and ready to take the field whenever its services might be required in any direction. We can never say that the plan is absolutely complete, because year by year we hope to effect improvements which will add greatly to the efficiency of the organisation.

“ Good progress has been made in the work of the various Army Departments during the financial year. In the Commissariat-Transport Department I have already described the provision that has been made for the equipment of the field army, and that, with exceptions which are not considerable, the equipment has been provided. Various classes have been held for training non-commissioned officers of the Commissariat-Transport Department. The Bakery classes have produced good results in the improvement of the quality of the bread, and we have under consideration a proposal to extend the system of bread-making on English principles to the Madras and Bombay Commands during the next year. We have closed certain Government Flour Mills and have obtained flour from the open market at less cost. Under improved local arrangements in the Chitral District, and by fostering local enterprise there and along the line, a larger quantity of supplies has been obtained locally. In the Bombay Command the Commissariat Department has taken up the grass supply, and grass farms have been started with good results, while in the

Madras Command we have now sanctioned the formation of grass-farming operations as an experimental measure.

"As to transport, a small number of mules have been lent to the planters in the Darjeeling District; a larger number of siege-train bullocks have been lent to the Postal Department, and a certain number of mules. I only hope that these small beginnings will be largely developed, as I have long been convinced that the adequate employment of transport in peace time is a matter which must be thoroughly pushed. The transport in Burma has been re-distributed, resulting in a large saving. We have gathered further experience in transport from the Chitral campaign, and have just had a committee at Rawal Pindi under Mr. Thorburn, the Commissioner of Rawal Pindi, to assist us in coming to a conclusion in many important matters in which we think we can improve the arrangements for the collection of transport in case of emergency.

"In connection with the Army Clothing Department, I may mention that the new clothing scheme has been introduced from the 1st April 1896, which will, I think, be satisfactory and economical. Good work has been done in the clothing factories both at Alipore and Madras. During Colonel Toker's tenure of office many improvements have been made, and I regret that we are now losing his valuable services.

"In the Ordnance Department the reserves of small-arm ammunition for Magazine rifles, .303 for British Infantry, and the Martini-Henry for Native Infantry, are complete. The power to manufacture .303 ammunition has been increased. The proof of projectiles and fuses has commenced at Balasore, and very satisfactory results have already been obtained. Two ordnance field parks have been completed for the field army for some years, but the parks for the other divisions are now nearing completion. The experimental manufacture of cordite will, I hope, commence in the last week in April.

"In the other departments connected with the Military Department, such as the Military Works and Remount Departments, excellent progress has been made in the various branches of their work.

"Several of the speakers who have preceded me have mentioned the subject of the home charges.

"Considerable attention has been attracted to the evidence given before the Royal Commission on Indian Expenditure. In 1893 the Government of India pressed for an independent enquiry into the charges made by the War Office and other matters, and in 1895 a Commission was appointed. I suppose

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there are very few members at this Council who have waded through the two large volumes which represent the preliminary report of the Commission, with the evidence and appendices. Since those volumes were issued a considerable amount of interesting and important evidence has been published in the press in respect to War Office charges, by Lord Northbrook—who has long devoted himself to the subject and probably knows more of it than any man living—by Lord Roberts, Lord Lansdowne, and by my predecessor, Sir Henry Brackenbury.

“The Government of India for a great many years have represented that the charges made by the War Office are higher than they ought to be. On the other hand, the War Office contend that they treat us too generously. I should like to refer for a moment to the despatch which was sent home by Lord Lansdowne's Government in 1890, which will be found in one of the volumes to which I have alluded. To that despatch was appended a memorandum by Colonel Anderson, now Controller of Military Accounts in the Punjab, and myself. I do not claim to be an expert in these matters, but I devoted a great deal of time to the subject, and the principles we advocated in that memorandum were accepted by the Government of India and are embodied in that despatch. Those principles have been accepted by Your Excellency's Government.

“In the first place the Government of India did not admit that the short service system as at present worked is the best adapted to the requirements of India. According to the War Office actuaries, a British soldier will render to India no more than five years and four months' service when normal conditions have been reached. We said that was not sufficient; that the service should be somewhat longer; and that if the present arrangements cannot be altered, India should receive some consideration when the charges are assessed. An effort has been made to show that what we wanted was to return to the conditions of old days of enlistment for unlimited service or of long re-engagements. This is an entire misinterpretation. All that we want is that men trained at the expense of India shall give a somewhat longer service, and shall not be sent home at the age of 25 or 26 just as they are becoming valuable soldiers. The normal condition of the army has not been reached, but the ratio of young men under 25 has increased from 33 per cent. in 1876-77 to 55 per cent. in 1895-96. It has also been asserted that the Army is physically more efficient than it was before when longer service obtained. Now, I think, I can prove that the decrease in mortality among British soldiers in India is not consequent on the introduction of short service; it is the result

of measures which have been introduced at the expense of the revenues of India, beneficial to the health of the soldier. In the early part of this century the mortality was no less than 84 per thousand, but it gradually decreased until about 1877, when short service began to tell in India, the mortality was only 12·71. This was a year of low mortality. The year previous it was 15·32, and 1878, 21·46. In 1895 it was 15·26, so that as the enormous decrease in the death-rate occurred before short service was introduced, or began to have effect, it cannot be said that short service alone has decreased mortality.

“ With regard to invaliding, it is undoubtedly the case that the invaliding ratio has diminished, but there has been an increase in the percentage of invaliding of men under 25 years of age and under five years’ Indian residence, so that if the figures mean anything they mean that invaliding has increased among the more youthful portion of the army, and consequently that short service *per se* has increased and not decreased invaliding; in fact the decrease in the total invaliding ratio is no more due to short service as such than the decrease in mortality is a consequence of short service. In the numbers constantly sick there has been a considerable increase. The ratio of decrease was from 71·35 in 1860, to 55·82 in 1877, when as I have said the effect of short service began to show itself in India, and it rose to 93 in 1895. I affirm, therefore, that the contention in Lord Lansdowne’s despatch of 1890 that we do not get an army which is physically as capable as an army containing a larger proportion of men of somewhat longer service, is absolutely correct.

“ We maintained also in that despatch that the charges on account of the depôts at home were too much, as they were based on an organisation not adapted so much to the requirements of India as to the requirements of England. It is easy to say, ‘do not let us quarrel about details,’ but unfortunately it is upon the details that the capitation rate of £7-10-0 is based; we say that a £5 rate is sufficient. For my part I am quite willing to abandon details and to accept the £7-10-0 rate, if the War Office or the Treasury will give us a considerable rebate on the total sum. There were a great many other points with which I need not trouble the Council, which we took up and upon which I was examined when I went home in the winter of 1895-96 for the purpose of appearing before the Commission. We maintain that the Indian Army does supply a great addition of military power to England, that a large part of the British Army is trained at the expense of India, and that the whole of the men passed into the reserve from India have been maintained out of Indian revenues. We affirm that the guiding policy in this matter, as in the

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case of troops employed on expeditions, should be that of true reciprocation, and that the expenditure charged by England should be limited not by arithmetical details but by statesmanlike and broad appreciation of the conditions of the two countries. My Lord, my hon'ble friend the Maharaja of Darbhanga has, in alluding to these home charges, quoted the evidence of Sir Henry Brackenbury, and has called attention to the fact that Sir Henry Brackenbury considered that a very large portion of the charges levied by the War Office should be abandoned. I can only say that personally I should welcome any liberality from the Treasury at home of that kind, but I think my hon'ble friend did not perhaps appreciate that Sir Henry Brackenbury also proposed a large increase to the subsidy now given by India on account of the Navy. Taking the two accounts into consideration, they would work down, as mentioned by Lord Welby, the Chairman of the Commission, to about £150,000, and that is considerably less than the reduction we proposed in the despatch of 1890, and which I personally pressed for before the Royal Commission.

“ As to the subsidy now given on account of the ships of the East India Squadron employed in Indian waters, I believe that it was never originally intended by Her Majesty's Government to charge any subsidy at all, and as we have provided defences for our ports at great cost, a defence squadron which has been, and is being, paid for by India for the protection of those ports, and docks for naval requirements, we consider that the subsidy which now stands at £100,000 should be reduced to £50,000, the figure at which it stood some years ago. Personally, I consider that England could well afford not to charge any subsidy at all, and that to keep the great trade routes open by means of the Navy is far more imperative in Imperial than in purely Indian interests.

“ I think we may hope that an equitable solution of the questions, which have been discussed for so many years, may be looked for at the hands of the present Commission.

“ A great deal of attention has been attracted of late years to the sanitary requirements of the army in India, and in view of what has been said in some of the evidence which has been given at home, I think it necessary to lay before the Council a brief statement of facts. As you are all aware the British soldier in India is housed in excellent barracks, many of which, however, were constructed 30 to 40 years ago, and a considerable portion of the army is provided for in the hills in hut barracks during the hot weather—a measure largely due to the late Sir George Chesney. During this period much has been done with

regard to water-supply, and I think it will interest the Council to know that out of the whole number of cantonments in India, between 50 and 60 have been supplied with pure water at a cost of 78 lakhs or Rx. 780,000, although I should think that this statement is scarcely complete, and that the figure is much more likely to be close upon a crore of rupees.

"In his evidence before the Commission Sir Henry Brackenbury is reported to have said that we are providing a cantonment or half a cantonment a year with pure water, and that some cantonments may be twenty or thirty years before they obtain a satisfactory supply, but that if we could take a lump sum of money we should not have our soldiers dying of fever and cholera because they have not a pure water-supply. The Council will be glad to hear that for the year 1897-98 we have provided a sum of about 11 lakhs, or Rx. 110,000 for either the completion or the initiation of projects for water-supply in cantonments, but although I think Sir Henry Brackenbury may perhaps not be aware that we are doing so much at the present moment, I entirely agree with him that a sum of this dimension is not sufficient, and that if we are to make a great stride in this direction, some other means must be adopted than that which now obtains of allotting a comparatively small sum annually out of the grant for Military Works.

"As far back as 1888 I advocated the completion of the water-supply of Indian cantonments from funds to be raised by loan. An eminent statesman characterised this as a voluptuous policy, and I am fully aware of the financial objections, and that from the financial point of view, it is more advisable to charge such expenditure against revenue, than to delude ourselves into thinking we have a surplus of revenue, by leaving out of the reckoning this heavy, though temporary, expenditure. However this may be, and I entirely admit the financial argument has great force, we cannot help looking with envy at the enormous sums England raises by loan when special expenditure is required for ships or fortifications, or barracks and sanitary measures, and the fact remains that we cannot complete our water-supply and drainage projects by the allotment of comparatively small sums annually, and I venture to hope that as our finances improve we may be able to largely develop and carry out our sanitary projects. The Council know what ravages cholera and enteric fever have made in the youth of the British Army in this country. Cholera has diminished of late years; in 1895 there were only 32 deaths in the British Army in the whole of India; but the enteric fever ratio of admissions to hospital has risen from 3 per thousand in 1871-72 to 26 per thousand in 1895-96. Bacteriological science

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has done much for us, but so far as I can gather from the report of the Sanitary Commissioner with the Government of India, we have not advanced as far as we hoped we should have done. Good barracks, adapted to varying climatic conditions, pure water-supply, and good drainage are the great essentials to sanitation in cantonments, both British and Native, and we should never rest until these are obtained. The Hon'ble Pundit Bishambar Nath has drawn attention to the housing of the Native Army, and as far as I could gather he appeared to consider that while we provided for the British troops in palatial barracks, we rather neglected the Native Army. I agree that some 10 or 20 years ago the accommodation for the Native Army was not what it should have been, but at the same time we must recollect that that accommodation is much better than the classes from which the Native Army is drawn. A great deal has been done of late years to improve the accommodation for Native troops; we have to do it gradually as, according to the present system, we cannot provide any very great sum of money for the purpose; but I can assure the Hon'ble Member that there is no subject which I have more at heart, and I should rejoice if means were found to make a still greater improvement than has already been made in the housing of Native troops. We hope to start a plan of having sanitary officers in all cantonments to look specially after sanitary matters. This idea was broached long before the present time when naturally sanitary requirements have come specially to the front. And here I should like to say how deeply we sympathise with Bombay, Poona, and Karachi in their endeavours to stamp out the plague. The army is bearing its part for soldiers, British and Native, and Volunteers are assisting the civil officers and community in doing splendid work.

“In connection with the requirements of the Indian Army in the matter of officers—a subject which has more than once been alluded to in the Council—it is known that some years ago we endeavoured to establish a reserve of Indian officers to be drawn from the official and non-official classes. It would take far too long to explain the whole scheme for this reserve, which was very carefully considered by a Committee, the President of which was General Morton, now Adjutant-General in India. But this proposed reserve of officers has from one cause or other never been practically in existence until quite lately, when many officers of the Public Works Department loyally volunteered for it. We thought that it would be a good plan to have a Committee comprising the official and non-official element to investigate the causes of the comparative failure of our scheme. A Committee has lately been sitting in Calcutta, again under the presidency of General Morton. But I wish to acknowledge most

cordially the aid which we have received in the investigation of this subject from the members of this Committee; and our thanks are especially due to the gentlemen who represented the commercial and planting communities, for the valuable assistance which they have given to us.

"The Hon'ble Pundit Bishambar Nath also mentioned the subject of local supplies. I can assure him that the policy of obtaining local supplies is one which shall be pushed forward as far as it is possible. It is a policy which I have always had at heart, and the Military Department, I venture to think, has for a great many years done a great deal to support and develop that policy. Only lately we have instituted enquiries with regard to the more extensive use of country coal both in the Ordnance and Marine Departments; and I have done my best to further a policy which is, I believe, absolutely sound—that of making India self-supporting in all military requirements to the utmost extent practicable. I do not say that we have by any means reached the limit, but we have been able to do a good deal.

"As to the economies which can be effected in the future, I think that we must continue on the path we have followed in the past by endeavouring to analyse constantly all sources of military expenditure to see how the expenditure can be reduced with full consideration of the efficiency of the Army. I do not in the least depreciate the value of small economies, but I do think we must continue to apply ourselves to the investigation of the great sources of expenditure; but while I am on this part of the subject, I should like to invite the attention of the Council to the table which is given at page 51 of the Financial Statement. Taking the whole expenditure as estimated for in 1897-98, both in India and England, including exchange, you will see that it amounts to Rx. 23,341,200 net; but out of that amount no less than Rx. 19,862,300 is for regimental pay and allowances, Commissariat, Ordnance and non-effective charges, in none of which charges can any extraordinary reductions be looked for, so that Rx. 3,451,900 which includes, it may be added, a large amount of expenditure which cannot possibly be reduced, is the balance which is left after providing for these absolutely obligatory services.

"Under the head of Home expenditure to which I have drawn attention, we do trust that we may look for some reduction.

"In the Military Works expenditure, although I should be the last person to say that more economy cannot be practised, yet the wants of the army are so great in various ways, especially in sanitary improvements, that it is quite out of

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the question to look for a reduction of these estimates, especially when we remember that the maintenance of the great defensive works which are now practically complete must necessarily involve considerable annual expenditure.

"In the expenditure for Marine, economy is the watchword of the administration, while at the same time the service is in a highly efficient condition. We have sustained a great loss by the wreck of the *Warren Hastings*. Our only consolation is to know what perfect discipline was maintained by all concerned and to this is largely attributable the small loss of life which occurred. We cannot be too grateful for the kindness, sympathy, and assistance afforded by the French officials and inhabitants of the Island of Réunion, and we have asked Her Majesty's Government, if this has not been done already, to mark our high appreciation of the conduct of the officials and inhabitants generally in a suitable manner.

"My Lord, the Hon'ble Mr. Ananda Charlu has, as I remarked before, attacked what he calls the forward policy which he says has added six crores per annum to the military expenditure. He has said that the ever-growing military expenditure is of colossal proportions; he traces every kind of evil to the Afghan War, and he asserts that military expenditure is the root of the financial collapse of India. Now, my Lord, this is a subject which I may say I am somewhat familiar with. Many years ago, in Lord Dufferin's time, I analysed the military expenditure and satisfied His Excellency as to the correctness of that analysis. Later on, in more recent years, I went into the subject very closely again. The Accountant General has been good enough to supply me with a statement showing the net military expenditure for several years past. I have already occupied too much of the time of the Council, and I cannot possibly go into details, but I have taken the two years 1887-88 and the budget estimate for 1897-98. In the former year the expenditure is Rx. 13,666,308; in the latter year Rx. 15,277,800. This is of course without exchange, the loss in which I suppose my hon'ble friend will hardly attribute to the Afghan War; the difference between those two years, *i.e.*, the rise in expenditure, is Rx. 1,611,492. I maintain that there is no addition of military expenditure which is not accounted for by the increase of the army and by the various beneficial measures which have been introduced for the welfare of the British and Native troops. For example, in the case of the latter, the increase of pay to the Cavalry and Infantry.

"There is a curious idea which is prevalent, that in the Council of the Governor General there is a strong military party ever insisting on the increase of military expenditure, always demanding the advance of our frontiers, and ever

ready to plunge the country into expeditions or campaigns. I can only say that my experience teaches me—and it is a pretty long one—that such a policy does not exist and never existed. It is perfectly true that, as Lord Lansdowne remarked some years ago in this Council, our military liabilities have increased because on our northern and southern limits we are approached by two great military powers. Now, we desire to keep on the best of terms with them and to avoid the least chance of collision; but as the state of things which Lord Lansdowne described has come to pass, the most elementary prudence dictates that we should provide adequate means of security. We have no quarrel and desire no quarrel; but the security of our land frontiers can only be obtained by an efficient and mobile army. An increase in the Army, of the most moderate description, was resolved upon some twelve years ago by Her Majesty's Government and the Government of India; and, apart from increases in pay to the Native Army, which were absolutely necessary, and of expenditure on measures of improvements essentially necessary for the welfare and efficiency of the soldier, whether British or Native, there has been no expenditure which is not accounted for by that increase. I have gone over this subject over and over again and can come to no other conclusion.

"As to there being a military party always desirous of advancing the frontiers of India and carrying out what has been termed "the forward policy," I should like those who think of the question to define what a forward policy is. In the history of all nations with enormous land frontiers such as we possess in India, it has undoubtedly been found necessary to exercise some control over the tribes in mountainous or difficult country on the land frontiers, and that has been the case in India. The result of what may be called the "backward" policy—going into the hills, and burning villages, and then coming out again—was certainly not successful. The great settlement of the limit of British influence with the Amir of Afghanistan, which has advanced so much under Your Excellency's guidance and which we trust will be completed at no distant date, will contribute enormously to the pacification and civilisation of the tribes immediately beyond the border of the plains. We have an example in what has been done by Sir Robert Sandeman, and how peace now reigns where anarchy and bloodshed always prevailed. I can vouch for the fact that among all the statesmen to whom is attributed the support of the forward policy, there is not one who desires to do more than to exercise such a measure of control as will secure and make safe the countries for which we are primarily responsible. I have always been an advocate of the very gradual extension of that influence, but it is inevitable that our influence should be extended, and I believe it to be in the best interests of humanity.

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“ But when we talk of the vast military expenditure which has occurred in obtaining the Army in India, taking into account every charge which can possibly be assessed, what does it amount to ? The trade of India, I am told, may be totalled at over Rx. 459,000,000 ; the cost of the Army, as we find in the Financial Statement, including charges in England, exchange and everything, amounts to Rx. 24,500,000, including military works, that is to say, 5·34 per cent. of this enormous trade ; and this Army is for a country containing some 300 millions of human beings and an area of $1\frac{1}{2}$ millions of square miles—a country, too, possessing many thousands of miles of land and sea frontier which it is necessary to guard.

“ In his speeches in this Council my predecessor on more than one occasion alluded to what he called the last official will and testament of my lamented friend Sir George Chesney. Sir Henry Brackenbury informed the Council that Sir George Chesney had left with him a minute showing what were the reforms and improvements which he considered were still necessary in the Army of India. As Sir Henry Brackenbury pointed out, most of them have been accomplished ; but the memories of India are short, and I venture to think that sufficient justice has not been done by the public, or even by the Army, to the great efforts, attended in most instances by complete success, which were made by Sir George Chesney during his long and distinguished career for the improvement of the administration and organisation of the Army in this country.

“ In his speech in this Council last year Sir Henry Brackenbury summarised the wants of the Army. He said that the Army required more officers, more transport, and more garrison artillery.

“ I can assure the Council that the first subject—the want of officers—has not been overlooked by the Government of India ; it has been for many years a subject of anxious consideration, but our financial condition has never been prosperous enough to admit of our bringing the proposals to increase the strength of officers on the Indian establishment into practical effect. All I can say at present is that the subject is not likely to be shelved, although we must recognise the difficulty, if not the impossibility, of our adding to our military expenditure until our exchequer is in a more satisfactory state.

“ In the matter of transport, I should be disposed to say that what we require is not so much an additional number of transport animals and carts, for we already have a large number of mules and carts, but an improvement in the organisation we possess, so that cadres of transport may be more readily expanded, additional attendants and reserves of this class of followers obtained, and that

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we require also that transport should be more largely and usefully employed in time of peace.

"As to increasing the garrison artillery in this country, I fear that must be postponed, and that we must look to the artillery volunteers to help us, at all events at the great ports. We already have very efficient bodies of volunteers who would prove valuable auxiliaries in the case of an attack by a naval power.

"It is scarcely necessary to inform the Council that the system of Military administration and the division of the army into four great Commands, has continued to be during the past year an unqualified success. That is one of the reforms largely due to Sir George Chesney ; its key-note was decentralisation of military business and military finance, and in the further development of those principles I look hopefully to the future.

"If in the presence of the Commander-in-Chief I venture to express my own belief that the efficiency of the army of India is at a very high standard, I am only repeating what has been said by far higher authorities than myself. During the last ten or twelve years, under Lord Dufferin, Lord Lansdowne, Lord Roberts, Sir George Chesney, and in more recent years under Your Excellency and the present Commander-in-Chief, great improvements have been effected in the Army of India. Every year these improvements have been carried to greater completeness by the Commander-in-Chief and by my predecessor, Sir Henry Brackenbury, contributing to the comfort and welfare of the soldier, both British and Native, and to the maintenance of an efficient and mobile army administered economically, in the truest and best interests of the Indian Empire.

The Hon'ble SIR JOHN WOODBURN said :—"My honourable colleague on the left (Sir James Westland) has got a formidable business before him. He has had very voluminous criticisms to meet, and it may perhaps lighten his task if I take up the answers to those remarks that have been made with regard to Famine work in India. In the first place, I should like to express the great pleasure with which I heard my friend the Hon'ble Babu Joy Gobind Law praise the efforts of the local Governments and officers in mitigating the pressure of famine in the land. Those remarks have the entire approval of the Government of India. His Excellency himself and I on another occasion have expressed the high appreciation of the Government of India, and now I am glad to say the people of India have endorsed it—of the disinterested and devoted efforts that the local officers have made in famine relief. The Hon'ble Mr. Sayani in his remarks asked us to bear in mind the recommendations made

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by the Famine Commissioners, and to consider how far those recommendations had been given effect to during the twenty years that have elapsed since they were published. The first of these recommendations was the greater efficiency of relief, and I think everybody will agree with Babu Joy Gobind Law and others who expressed their opinions in the matter that the efficiency of the relief in this famine is certainly superior to the efficiency of the relief in any previous one. The measures which the Famine Commission suggested as the result of their enquiries and experience have been for the first time at the disposal of the local Governments. They have been acted upon with intelligence and promptness, and the result has been, as I think I may say with confidence, a measure of completeness in the application of relief such as has never before been attained. It is not possible in any human endeavour that there shall not be imperfections, and I admit freely that there may have been occasions in the conduct of our operations in which the success has not been as great as we hoped it might be. But taken as a whole, I reaffirm that the efficiency of the relief on this occasion has been equalled on no previous occasion. The efficiency of the relief has been greatly assisted by the railways which have been carried over India. The Hon'ble Mr. Cadell and the Hon'ble Mr. Rees both bore testimony to the assistance which has been given and the quickness with which supplies have been poured into the countries requiring them: that system of communications, that scheme of railways has without doubt not only assisted the supply of food to the people, but has greatly lessened the cost of the famine operations themselves. One speaker referred to the famine wage being a mere subsistence allowance. The famine wage was fixed at the instance of the Famine Commission as the result of their experience in operations of the kind. They came to the conclusion that unless the wage was a subsistence wage only, it would act as a temptation to people to abandon private work of every description and to flock to the Government relief works, and thus it would paralyse private undertakings of every description throughout the affected area. Mr. Cadell spoke of the relief given on this occasion by the suspensions of the Government revenue as one of the best methods that have been used on this occasion for the mitigation of distress. I should like to take this opportunity of expressing not only my own grateful thanks, but the grateful thanks of every local Government of India to the Finance Member for the readiness and the generosity with which he responded to every application made to him, whether for direct expenditure upon famine relief or for his sanction to the suspension of the revenue demands, whenever local Governments thought these suspensions expedient. In these matters there has been a great change from

the attitude of the Government twenty years ago. The next recommendation of the Commission concerns the provision of communications and the extension of railways. I have already spoken about the railways. As to canals, Mr. Trevor has mentioned that large sums are being spent every year on every project which is likely to be useful. Experience has taught us in the past that many of these projects are neither remunerative nor do they add materially to the expansion of agriculture and the prosperity of the peasantry. It is proper therefore that in the light of this experience Government should be cautious and circumspect in the extension of irrigation projects until they are satisfied they will answer the purpose for which they are intended. The most radically important of the arrangements which the Famine Commission contemplated is the improvement in the condition of the people. It is perhaps inexpedient that a Member of the Government of India should express any very confident opinion on that matter, for he may be said to be not an impartial judge. Measures have, however, been taken from time to time by the Government of India to take stock of their position in this respect, and they believe, rightly I hope, that the condition of the people is steadily improving. The opinion of Mr. Charlu is an opposite opinion, but I should like to refer him not to the opinion of Englishmen like Sir Griffith Evans and Mr. Rees, although they are both men of large experience of India, but the opinion of a distinguished fellow countryman of his own province, Diwan Bahadur Srinivasa Raghava Aiyangar, whose book I read in Madras the other day with interest. He has written a large book in which he has concentrated all the researches and experience of his life in India, and he has come to the conclusion that the condition of the raiyats in Madras has immensely improved during the last fifty years. I cannot say whether the opinion of this gentleman is right or wrong, but there is the opinion of an Indian who has devoted his attention to the subject. I remember that one of the conclusions he came to was that the raiyat in Madras was now called upon to pay out of his produce exactly two-fifths of what he was expected to pay out of that produce forty years ago. If that is a just conclusion there can be no doubt that the comfort and prosperity of the Madras raiyat is now very much greater than it was then. In this connection I jotted down during this discussion some notes from papers which are accessible to all Members of Council. If it is true that the Indian raiyat is more capable now of withstanding famine than he was forty years ago, I think we ought to get some evidence of that from the expenditure of the famine account. Now if Hon'ble Members will look at the Famine Commissioners' Report they will find that the expenditure on the famine in Behar in 1873-74 on precisely the same area

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which is stricken by famine now was 6½ crores of rupees. If it is true, as my friend the Maharaja of Durbhanga has said, that the present is the greatest calamity, the most severe disaster that has befallen India during the current century—if that is true, then we should expect the expenditure on the famine of 1896-97 to be somewhat in proportion. Now, if Hon'ble Members will look at the Budget estimates they will find that the estimate of the famine expenditure for this vast disaster is less than the expenditure on the single famine in the district of Behar in 1873-74. In 1873-74 in those identical districts in Behar which are visited by famine now the daily average on relief for the period of ten months was 960,000 souls. At this present moment the famine has lasted several months, and I am grieved to say that there is every prospect of it lasting for several months more, but even at this present moment, when we are, I hope, half way through the famine, the total number on relief works is not half of what it was throughout those ten months twenty years ago. I do not assert that this is a conclusive or complete reply upon the question of the condition of the people; no doubt there are other circumstances which affect the result which has been attained in the present year. Nor do I assert for a moment that the people are not poor, or that the Government can in the least relax its efforts to improve their condition and their welfare, but I do venture to believe that this is a corroboration of the information which reaches the Government from many sources that the condition of the people is better now than it was twenty-five years ago, and that one of the causes why the expenditure per head of the population this year is so much less than it used to be is that the people themselves are really better fitted to stand famine when it does come. Mr. Playfair made a remark about emigration as a relief to the population. In all these remarks the Government of India heartily concur. They have done all that they can in the past to assist emigration outside India. They have done all that could be suggested in the way of assisting people to migrate from one part of India to another, where food was cheaper and more land was available, and where the means of livelihood were more easily obtained. But in India the system of helping natives of one part of the country to migrate to another has, I regret to say, never been very successful. The remarks that Mr. Playfair and the Maharaja of Durbhanga have made will be communicated to the Chief Commissioner of Assam. I am afraid that some of the experiments in that direction in Assam before have not been very successful. The extreme unhealthiness of the country has deterred people from emigrating and undergoing the privations which are incident to the opening of an unhealthy locality. But there is nobody who from his energy and experience in these matters is more

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likely to work out a practical scheme for the emigration of the people than the present Chief Commissioner of Assam. Any assistance that the Government of India can give to prepare a scheme of that kind will be most cordially and gladly given. My friend Mr. Bhuskute spoke about the Charitable Relief Fund. I did not quite follow all his remarks at the moment, but I think if he will look at the despatch which was written by the Government of India to the Secretary of State he will not find it stated there that any of those objects which he mentioned lay outside the scope of the system of Government relief. What was said was that the prime work of the Government of India was the preservation of life. The Government of India never said that the help of orphans, the assistance of cultivator, the provision of food for the *pardanashin* lay outside the scope of their benevolence. But they did say these were the objects to which private charity could best direct itself. Not as long as human nature remains sympathetic will it be possible to prevent private charity coming to the relief of the poor, and what the Government of India did suggest was that these were the directions in which private charity would be most useful. They did say they were unable with their official organization to get the information which was reached by private committees. There was work therefore for private committees to do in that direction which was valuable for the help of the poor. Now that mention has been made of this Famine Fund, I should like to take this opportunity of repeating what the Maharaja of Durbhanga said, and expressing as far as I can on behalf of the Government of India our admiration of the munificent gifts of the charity and good will of England. I feel with the Maharaja that out of that charity and good will has sprung a new bond of sympathy and good feeling which must unite the people of India and England into a warmer community than has existed for many years—a community of feelings and interests which we all, Indians and English alike, welcome as a fresh departure in warmer and closer accord."

His Honour THE LIEUTENANT-GOVERNOR said:—"My Lord,—If in spite of the invitations held out to me I say very little to-day, it is not because I have little to say, but because I recognise the fact, which I insisted upon last year, that there ought to be no distinction of interests between the Supreme and the Local Governments. We are all under the shadow of a common calamity, and this is not the time or place for me to discuss the question whether the burden of that calamity has been equitably adjusted to the shoulders that have severally to bear it. There are no doubt points at issue between the Government of Bengal and the Financial Department as to the local budget for next year and the details of the new Provincial Contract, but those issues must be settled in

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an official manner by official correspondence. I will only, therefore, now express the hope that the Government of India will, when the present period of storm and stress has passed over, see its way to reconsidering the precise terms of the present settlement, and will, if it can, restore to Bengal some portion of the contribution which we are now called upon to make to meet the enormous deficit caused by famine. I believe we shall be able to show at the proper time that the way in which the emergency has been met in Bengal will compare favourably—I do not say as regards efficiency, for other Provinces may hold their own in that respect, but as regards economy—with the results in any other part of India.

“I must, however, be allowed to throw out one general suggestion with reference to the policy of Provincial Contracts as at present worked. I do not entirely accept Mr. Sayani's views of these contracts, but there is much force in some of his trenchant criticism. We have, as he has pointed out, the authority of Sir David Barbour in his evidence before Lord Welby's Commission for the statement that the present practice is not in accordance with the original intention. He says:—‘I must say that when the Provincial system was started, I do not really think it was intended that the Provincial Government should have a portion of their resources taken away periodically.’ ‘If you take all the surplus you to a certain extent remove all the inducements to the Provincial Governments to economies. It is a weakness: the periodical revision may be necessary under present conditions, but it diminishes the value of the system. Take the Province of Bengal, with a population of between 70 and 80 millions of people: well that province is big enough to have an independent financial system.’ He goes on to explain that owing to financial exigencies the Government of India takes at revision not only its own share of the increase in the divided revenues, but also a portion of the increase that has accrued to the Provincial Government. I do not know that I agree with Sir David Barbour when he says he ‘would rather see the Central Government embarrassed than the Provincial Governments starved,’ but he is certainly dissatisfied with the existing system. Again my predecessor, Sir Charles Elliott, speaking with all the authority of the President of the Financial Committee of 1885-86, and an ex-Member of the Supreme Council when the Bengal Contract of 1892-97 was under consideration, strongly urged a modification of the present system ‘so that the contract should be a continuing one, not subject to sudden ruptures and renewals, but that its leading principle should be that all the revenues of the province should be Provincial, the Government of India receiving a certain percentage on the entire sum which should be the contribu-

tion of the Province to Imperial Government and defence.' He also represented 'the unreasonableness and the hardship of requiring every province to give up a constantly increasing share of its revenues whenever a new contract is framed.' I am not now concerned with defending or advocating Sir Charles Elliott's particular proposals: I take perhaps a stronger view than he did of the claims and responsibilities of the Imperial Government. But I quote him as being with all his unique experience profoundly dissatisfied with the present system. Sir J. Westland will probably tell us, as he told us last year, and has quite recently told me, that Provincial Governments do not understand the system or its *raison d'être*. My Lord, I think we do understand it—at any rate we have learnt by suffering what we have to accept as the authoritative interpretation of it. But what I venture to urge is this, that the Government of India should, with the consent of the Secretary of State, refer the whole question to a Conference at which the Provincial Governments should be adequately represented, and endeavour to lay down the lines of a system which would be satisfactory to the Provincial Governments while meeting fairly the undoubted exigencies of Imperial finance. No system can be sound which with all its admitted advantages of diminishing Imperial interference in petty details, leads to so much quinquennial bickering and heartburning and involves so much uncertainty and haphazard in Provincial Administration. My Lord, I wish to do nothing to diminish the power or prestige of the Imperial Government. My instincts and experience are all in favour of a strong central administration. But I do not think that the present system is favourable to strong administration. It places the Imperial Government in what seems to me a false position—a position of apparent antagonism to its own local agents. In framing it and working it, successive Finance Ministers and Secretaries of State have simply dictated their own views without giving Local Governments an opportunity of being heard, except as to details after principles had been laid down authoritatively, I had almost said despotically. I should wish to see Your Excellency's Government initiating a change in this respect. The Local Governments want to have their say as regards principles also. It would, I feel certain, strengthen, and not weaken, the Imperial position. Again, if the policy of the present day is to be one of decentralisation in legislation and finance, let us for any sake devise a workable scheme. As matters stand, the Provincial Government is bound to justify to its local Council and the local public financial measures which it is only allowed to criticise within hard-and-fast limits laid down by the Financial Department of the Government of India. Speaking for myself, I am ready to give loyal effect to all the orders and policy of the Supreme Government. If I found I could not conscientiously do this, the remedy is easy, and in my own hands.

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But it would be better for both of us—and I speak for all Local Governments—were our financial relations regulated as much as possible by automatic self-acting principles—save when some serious calamity like widespread famine or national exigency like a great war comes to sweep away all ordinary rules and rally, as they would do, all the Local Governments to the side of the Supreme Government in simple and self-sacrificing unity. That is, my Lord, the present position, and I refrain from any criticism of the Hon'ble Member's Budget. I cannot, indeed, admit that the contract arrangements of the next five years ought to be dominated by the fact of famine in their first year. Here, however, I find myself tempted outside the lines which I laid down for my own guidance in this debate and I will say no more. I will only therefore urge again that the time has come for examining here in India—and not by Commissions of non-experts sitting at Home—the whole question of the financial relations of the Provincial to the Supreme Government, and I am sure that if in making this examination Your Excellency would only take the Local Governments into co-operation and confidence, a happy issue would result both for them and Your Excellency's Government.

“I have now, before I close, to say a very few words with regard to the speech made by the Hon'ble Mr. James. The Hon'ble Member has arrogated to himself the rôle of enlivening the sombre and dreary course of the discussions in this Council by a series of light and playful pleasantries. I was at first, therefore, somewhat doubtful as to whether I was to take seriously the attack he made upon the Province I have the honour to respect, but as he went on it appeared to me that he really did mean it, and then I could only account for the attack by recognising the fact that we had among us a smiling Rip Van Winkle come from the sands of Sind who was absolutely ignorant of the whole course of administration in the recent history of Bengal, and who had not taken the trouble to get up the case which he was so ready enough to start. He made an attack indirectly upon the Permanent Settlement. I need scarcely say that no responsible Government would ever dream of making any attack upon the Permanent Settlement of Bengal. The idea that the Permanent Settlement can be touched is an old exploded fallacy which I believe no Government in India—until we have come to be ruled by Socialists from White-chapel—would ever dream of putting forward. But it is said that because Bengal has benefited so much by the Permanent Settlement, it is right, proper, and fair to the other Provinces of India that it should be severely taxed, and the hon'ble gentleman told us that we ought to levy local rates and local taxes. As His Highness the Maharaja of Durbhanga has already pointed out,

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the slightest acquaintance with the Bengal Statute Book would have revealed to him the fact that Bengal does now levy an enormous amount in local taxes, no less than 87 lakhs of rupees being realised by provincial and local rates in Bengal. The Hon'ble Member made various suggestions as to local taxation."

The Hon'ble MR. JAMES :—"A Police rate—Provincial taxation, not local taxation."

His Honour THE LIEUTENANT-GOVERNOR :—"He certainly suggested that we ought to impose local rates. If Provincial is used in a limited sense, I may say that half of the sum I have mentioned is provincial taxation, and is devoted as at present to works in Bengal. The Hon'ble Member described an imaginary conversation of his with a Collector who pointed to a road and said he had got half a lakh of rupees from Government for that road. Well, if we got half a lakh for that road, he got it from provincial cesses, for the Government of Bengal has no funds of its own to spend for such purposes, except such funds as it receives from these cesses. Then as regards the question as to whether the Bengal Government pays its fair share of taxation as it stands. I think the faintest study of the Yellow Book would convince the Hon'ble Member, if he chose to refer to it, that this province pays far more than any other province in India, and if it is able to do so, I maintain that arises largely from the settled condition of its land tenures. What has to be recognised is that since the Permanent Settlement the lands and landed interests have become largely sub-divided. Infinite varieties of tenures have been created, and sold and resold for value. The landed interest in Bengal is not represented merely by a few rich landholders as Mr. James seemed to assume. We have some rich landholders, and I am happy to say that the rich landholders do more than their duty by their estates, but we have an enormous landed interest in Bengal contributing to Provincial and local taxation of various kinds. I will not detain the Council longer. I will only say the Province of Bengal is quite open to examination in regard to its finances and in regard to the position which it occupies with reference to its contributions to the funds of the Imperial Government."

The Hon'ble SIR JAMES WESTLAND said :—"My Lord, I shall have to address myself perhaps at some length to the observations regarding the system of Provincial Contracts which have been made by the Hon'ble Mr. Sayani and by His Honour the Lieutenant-Governor of Bengal, but before

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doing so I desire to point out to the Council how entirely justified I was in the opening remarks which I made in pointing out that the Finance Minister was on these occasions subjected to continual demands for money, and that he got no assistance whatever in finding a way to obtaining that money. I find the Hon'ble Mr. Stevens and the Hon'ble Mr. Sayani, both of them, pressing me with the view of getting additional assignments to their respective Provinces. His Honour the Lieutenant-Governor has also made exactly the same demand. The Hon'ble Mr. Stevens has pointed out the desirability of our engaging in sanitary and other improvements, and the Hon'ble Mr. Bhuskute has also pointed out that it is desirable that at the cost of the revenues of India money should be furnished for the re-establishment of the peasants who have been left in dire distress in consequence of the famine. For all these purposes it will be seen that money is sought for from the Finance Minister, but with the exception of certain proposals from the Hon'ble Mr. James not a single indication has been made as to where the Finance Minister is to find the money. There is always a theory that by setting some mechanical operation in motion the rupees will be produced, and that is the notion against which I warned the Council before the debate began, but which apparently has guided the Hon'ble Members in some part of the recommendations which are made to me. It is quite true that one suggestion has been made with regard to the revenue, namely, that we should extend the system of the Permanent Settlement in Bengal to the other Provinces of India. This suggestion was made by the Hon'ble Mr. Sayani in almost the same breath in which he pointed out the desirability of securing all sorts of beneficial progress to the Provinces and to all Provincial Departments. Surely it is impossible for any Finance Minister to carry on the government of a country with perpetual demands for progress in all expenditure, if he has to settle his principal source of revenue in a permanent fashion so that no further income can be got from it.

“I shall come back to the question of Provincial Contracts and the relations between the Provincial Governments and the Supreme Government, but I wish first of all to make some remarks upon the observations which the Hon'ble Mr. Charlus has offered with reference to the Famine Fund. I should have thought that the current year in which we are spending an unlimited quantity of money upon the very objects for which this Famine Fund was set aside, gave sufficient proof of the wisdom of the policy on which that Famine Fund was based. I should have thought that this was the last year which any adverse critic of the Famine Insurance policy would select for criticism, because it is the year in which, as it were, we have finished the prescribed cycle of events,

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the year in which all the preparations which have been made according to the policy of Famine Insurance were coming to maturity, and in which we were now to prove whether the Famine Fund really had met its objects or not. I am not going to bandy quotations with the Hon'ble Member regarding the original intention of the pledges which have been given by the Government on the subject. I am very glad to see one thing, however, and that is that he admits in his speech that the words of Sir John Strachey at least do not support the extreme view which he takes in this matter. Sir John Strachey was even more the author of Famine Insurance than Lord Lytton was, and if he finds that Sir John Strachey's ideas regarding the administration of the Famine Fund do not altogether agree with his own, I should think the first suspicion that ought to cross his mind is that it is he and not Sir John Strachey that is wrong. But I suppose he will admit that Lord Lytton himself is an authority on the subject, and that Lord Lytton himself can state exactly what it was that he meant, and I would take this opportunity of quoting a short explanation which Lord Lytton gave and which bears upon this very subject. He said in discussing one of the Financial Statements :—'As regards the alleged diversion of our famine surplus from the purpose for which it was raised, I think that my Financial Colleague has sufficiently shown that there has been no such diversion of it. The Government of India, when defining that purpose, distinctly repudiated any intention of regarding or treating the proceeds of famine taxation as a separate fund, or a branch of the revenue in any wise differing, as regards the financial conditions of it, from the funds required for the administration of justice, the maintenance of military establishments, the provision of public education, or any other recognised permanent claims upon the revenues of the State.'

"So that Lord Lytton's opinion also regarding the proceedings which had been taken at that time is not in conformity with the Hon'ble Mr. Charlus' views as to the way in which our Famine Insurance Fund ought to be managed. I should think also that the Famine Commission might be reasonably quoted as an authority on this subject. They delivered their Report on the 7th July 1880 so that it can hardly be said that their views on the subject were based on any intention of justifying the misconduct of the numerous Governments which have succeeded Lord Lytton's. Their statement is—'To this end arrangements were made to secure a surplus of one and a half millions of income over ordinary expenditure in addition to the annual surplus of half a million otherwise regarded as proper. It was determined that this surplus should not take the form of a fund specially allocated to meet the cost of famine relief, because such an

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arrangement would be financially inconvenient and objectionable. The intention was simply that a source of revenue should be provided which would enable the Government to carry out the principle on which it had for some years insisted—that the relief of famine distress must be regarded as a charge constantly liable to recur which must be met like all other obligatory items of State expenditure.' When the Hon'ble Member, therefore, says that the Famine Insurance Policy cannot be carried out without setting aside separately from the general revenue accounts in some separate form or other a distinct body of money, he is evidently basing his opinion not on the authority of statements made by the founders of the fund and by the Famine Commission at the time of its institution, but upon some pre-conceived notions of his own which he has read into the statements then made.

"His Honour the Lieutenant-Governor has been referring to a certain tax which was imposed in Bengal for the provision of roads, communications and other local expenditure. Now, it is very curious that this particular cess is one of the items and in fact the principal item in what was called the famine taxation. It will be found quoted in the Financial Statement of 1879-80, where Sir John Strachey, enumerating the taxes which had been imposed on account of famine, began the list by putting down the Bengal Public Works cess, at that time 33 odd lacs. This cess was by law applied to the construction of roads and to various other local requirements, and if that cess was imposed as "famine taxation" and was declared to be applicable to roads, etc., and has been so applied ever since, I ask the Hon'ble Mr. Charlu how, according to his plan, it can possibly be the case that when a particular tax was declared to be part of the famine insurance taxation, the sum so collected became *ipso facto* the fund which was instituted. It must be obvious if in the policy of the Famine Insurance it is laid down that a tax shall be levied upon lands in Bengal, and that it shall be applied to communications, roads and other local objects, and that the levy and expenditure of this tax is nevertheless part of a Famine Insurance Fund or Grant (I do not care by what name it is called),—surely it is perfectly obvious that in that policy there was no intention to bottle up a Famine Grant in any particular shape or to put it into any particular receptacle into which, when the famine came upon us, we should be able to dip our hands and find the money ready for us. The Hon'ble Member goes on to tell us that it is perfectly obvious and imperative that a Fund such as was created by Lord Lytton's Government must be re-established, and then he goes on to tell us 'it is useless in this connexion to point out as I once did that if all that was suggested at the time had been done since the last great famine,

there ought to have been seven crores either in the shape of paying and fertilising irrigation works or as a credit to the Fund, entitled to be now called out over and above what has been spent under that head.' I ask, is that not exactly the position in which we are at present? Have we not got 7 crores? Hon'ble Members will see the exact figures given in my Statement. The exact figure comes to a little over seven crores, but we have got that money exactly in the position the Hon'ble Mr. Charlu says it ought to be, namely, either in the shape of fertilising irrigation works or as a credit to the Fund. It seems to me therefore that, according to the views which are taken by the Hon'ble Member, although we may not have followed—and in my belief ought not to have followed—the method which he lays down, still we have attained precisely the result which his method would have reached, and the attainment of that result is the best proof that the Famine Insurance policy of the Government is that policy which ought to command his assent.

"I am not going back over the old ground. Hon'ble Members for the most part know, as well as I do, that Sir John Strachey and the founders of the Famine Insurance Fund looked forward to the time when we should not be able to meet our current expenditure out of our current revenues, because our expenditure would be dreadfully enhanced by the necessary provision for famine relief, and our revenue would be very much curtailed by the same cause. We have reached that stage now, and under ordinary circumstances if a Finance Minister were to present a Budget which declared that in the current year there was a deficit of two millions and that in the next year he expected a deficit of 2½ millions, he would be bound at the same time to state in what manner he intended to provide for that deficit. In any sound financial system it would not be possible to pass over that deficit without pointing out in what manner it was proposed to meet it. But the whole object of the Famine Insurance Fund is to provide beforehand for this very deficit, and as pointed out in my Statement, we regard and accept this deficit now as a set-off against previous surpluses brought about by reason of the Famine Insurance Policy, and we therefore meet the deficits of these two years by simply putting them down in our accounts, and we nevertheless claim every credit before the world for a sound financial position.

"Now, my Lord, to go on with this vexed question of the Provincial settlements. The Hon'ble Mr. Sayani, if I correctly followed him, stated that the arrangements of the Government of India were made upon the theory that the revenues were not the revenues of the separate Provinces and were not appropriate to the expenditure of several Provinces, but were the revenues of a

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common fund, the Local Governments being merely the agents of the Government of India for their realisation. I think he mentioned the theory in some words like these, only for the purpose of condemning it. Well, I wish to assert that theory in the most positive manner I can. The revenues of India are the revenues of the Government of India—its constitutional possession. The Government of India is a body created by Act of Parliament, and if reference is made to that Act of Parliament, it will be seen that the revenues of India are the revenues of the Government of India and of that Government alone. Every action that the local Government takes in respect of them must be justified by a specific order of the Government of India; the Local Governments derive their powers entirely from the Government of India, and apart from that Government they exercise no financial powers whatever. Now I may go on to expand a little and show what the real meaning of this claim is. I may begin by taking an illustration. I will imagine that the residents of Calcutta come to His Honour the Lieutenant-Governor of Bengal with a remonstrance regarding the application of the revenues which are levied in Calcutta itself. The stamp revenue in Calcutta, the excise revenue in Calcutta, the assessed taxes levied in Calcutta, all amount to a very large sum. The inhabitants of Calcutta, I will imagine, make a representation to the Lieutenant-Governor that it is unjust that these revenues levied in Calcutta, and paid by the residents in Calcutta, are distributed over the expenditure in other places. His Honour the Lieutenant-Governor would justly point out that this claim was based on a false foundation. He would point out that the wealth of Calcutta was entirely derived from its being the commercial centre of a large tract of country; he would point out that the administration of this tract of country was in the hands of the same body (whether you talk of the English Government or of the Government of India or of the Government of Bengal) which administered Calcutta. He would point out that if the districts behind Calcutta were in the hands of another power, if they were not organised, if they were left either to anarchy or possession of a foreign Power, Calcutta would never be what it is,—it would not be a centre of the wealth and commerce of the great Province of Bengal. He would point out further that in taxing the people of Calcutta he was only taxing the general wealth of the Province of Bengal. Its commerce all tends to this centre. Many wealthy landlords who derive their revenues from the lands in Bengal come to Calcutta and spend it here. Calcutta is a city which is inevitably linked with the Districts of Bengal and cannot be separated from them and would not exist without them. He would further say it was out of the question that different principles should apply to the taxation and administration of Calcutta and of the districts of Bengal, and he would say that

for financial purposes they must be taken as one single fiscal body and that the tax levied in one place must be considered appropriable to the expenditure all over the provincial administration.

“But now I go further and ask why this principle should stop at the confines of Bengal. The division between Bengal and the North-Western Provinces is merely a geographical line. There is no division as regards the distribution of wealth or trade. There is no division as regards the fact that all this country, whether the North-Western Provinces or Bengal, supplies the commerce of Calcutta. Calcutta derives its commerce and its wealth from the whole of the North-Western Provinces and even from the Punjab as well as from Bengal. The same argument therefore which justifies His Honour the Lieutenant-Governor in using the taxation which is levied in Calcutta as part of the general funds usable for the general purposes of his administration, carries us farther and shows that the appropriation of this taxation cannot be confined within those boundaries, but the amount must be, in part at least, equally appropriable even further North. Bengal is a wealthy country which has many large cities; but its wealth is derived from the fact that it lies in such a position that the wealth and trade of other Provinces drain through it. The revenues of Bengal therefore cannot be justly claimed by the people of Bengal as entirely appropriable to their own purposes, but must be considered at least with reference to the claims upon them arising out of the administration of the Provinces further away. I am taking Bengal only as an illustration, but exactly the same arguments apply to the revenues of Madras and Bombay. They are all territories which derive their wealth from the fact that they lie between a hinterland and the sea, and that through them the wealth of that hinterland passes to the sea-board.

“I take another illustration to shew that the revenues of these provinces cannot be claimed as appropriable only to expenditure within their geographical limits. Supposing Bengal existed, as at one time it did exist, as a separate Province; that the North-Western Provinces were in the hands of a foreign Power which owed no allegiance to the British Crown. What would be its necessities? It would have for one thing to maintain a very large army. In the case of Bombay, if you go a century back, you find that it was surrounded by great and warlike Chiefs of Rajputana and Central India, and by a powerful Mahomedan Chief, the Nizam; the Mahratta powers were continually on its frontiers; and Bombay had to maintain its integrity by possessing a large military force. The same may be said of Madras. Mysore at one time was a foreign territory and Madras had to protect itself by

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a military force against Mysore and also against the Government of the Nizam. The British Power has advanced since these days. It now covers the whole of the interior country, and the consequence is that Bombay, Madras and Bengal have no longer to maintain within their borders the military forces which under a different system they would have to maintain. The number of soldiers in Bengal is very small, but the reason is that the army, which under other circumstances we would have to maintain in Bengal, has passed forward into the Districts of the North-Western Provinces and is now scattered over those Districts and also over the Punjab. The warlike populations, which under other circumstances would swoop down upon Bengal, and against which Bengal would have to protect itself, are now themselves peaceful subjects of the British Throne, and are held from a military point of view by the soldiers which are located within their territories. Similarly, in the case of Bombay we have now moved its troops forward. They are stationed in Mhow, they are stationed up the valley of the Nerbudda, they are stationed within the Nizam's territory at Hyderabad. But those military forces would have to be located in the military districts of Bombay, if circumstances had not changed so as to enable us to carry them forward into other lands. Now can it be legitimately claimed in any way that the revenues, on the one side of Bengal or on the other side of Bombay, are not legitimately appropriable to the maintenance of these forces. Every Province in India gains enormously by the fact that the other Provinces in India are held under the same dominion as itself. It might be possible to imagine a state of things where Bengal was possessed by the English, the North-Western Provinces by Russia and Bombay by some other Power. Under these circumstances, what would happen? Would not each of these Provinces be burdened by an enormous military expenditure from which at present it is entirely free. So that every Province benefits by the fact of the other Provinces being grouped and combined with it under the single tenure of the British Power. If that is the case, you see there again the argument which prevents any one of those Provinces from claiming any exclusive right to the benefit of the revenues raised within its geographical area, and justifies the Government of India in looking upon the whole of those revenues as contributed to one common fund which is to be administered not for the benefit of the particular Province but for the common purposes of the Empire.

"I need not go on to talk of the other mutual relation between the Provinces. Railways now run joining one Province to another and linking them into one common system. You have the charges of the central administration in this country and the charges which are administered by the Secretary of State. You

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have the payment of interest on debt. In all of these each Province has its share. On all these grounds you find that it is absolutely impossible—even if you were to attempt to sit down and work out the problem—to assign any particular revenues as properly appropriable to the expenditure in any one Province.

“Still less is it possible to consider them as assigned to the comparatively small portion of the expenditure which is called Provincial, and here there is one great mistake made by many members. The importance of Provincial expenditure naturally bulks very largely in the eyes of civilians. They see round them what is being spent upon civil administration, and they see in every direction the many requirements that have to be met in civil administration, and in all those matters in respect of which financial powers are given to the Local Governments. It is not unnatural for them under these circumstances to regard the administration of the Provinces as the main purpose of the revenues of the Government of India. But really this is not the case. If you look at the accounts, you will find that there is no justification for looking at the Provincial Governments as having to provide for such a large proportion of the expenditure. I pointed out this last year, but I would ask the attention of Hon'ble Members to the Yellow Book which I laid upon the table a week ago. If you look at the accounts there on page 13, where the whole of the expenditure of India, in India not in England, is distributed between Imperial, Provincial, and Local, you will find that the expenditure on Imperial account amounts to 44½ crores and the expenditure on Provincial account amounts to only 20 crores—less than half the Imperial. So that, even as regards the distribution of expenditure between Imperial and Provincial, the Provincial only bears a very small share. This also shows you how impossible it is to base any theory of financial administration upon a system of the appropriation of the revenues of each Province to that Province and to no other Province.

“Every Hon'ble Member will admit, I fancy, the entire truth of the theory which I have been urging—the theory which regards all revenues as revenues of a single empire—so far as concerns the circumstances which existed before the Provincial service scheme was initiated. Before 1870 every expenditure, wherever it was incurred, was expenditure of the Government of India. Now I would ask what is there in this Provincial scheme which leads Hon'ble Members to suppose that it ever was the intention of the Government of India to give up any portion of its revenues. That was in no degree the purpose of the scheme, taking it either in its initial form in 1870 or in its subsequent form in 1877. It was merely lopping off a certain portion of the common revenue and placing that portion of revenue in the hands of the Provincial Government, as agents of the Government of India, under certain definite conditions and terms, and telling it, “you have the charge of all this

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expenditure, and we give you so much of our revenues in order to meet it." You will not find in any of the documents relating to the institution of the Provincial service scheme any foundation whatever for the theory that the Government of India at any time parted with its dominion over its own revenues or intended to apply any new system of administration to them. In the same way as before 1870 or before 1877 it was free to apply revenues derived from any part of the Empire to the expenditure in any other part, in that same way it remained free and has remained perfectly free up to the present time. And so when the Hon'ble Mr. Sayani tells me that the Government of India is always coming down on the Provincial Governments and asking them for more and more, and when His Honour the Lieutenant-Governor begins to talk of my demanding money from him in this last Provincial Settlement—a contribution from his revenues—I deny the position altogether. I admit that the Government of India five years ago assigned certain revenues to the Government of Bombay, to the Government of Bengal and to other Governments, but that assignment was made for five years only. It was distinctly limited to that term. At the end of the five years the Government of India re-enters absolutely into the rights it previously possessed, and then, if the Provincial Government is to continue to exercise any financial powers, a new Provincial Settlement has to be made.

Now upon the question of periodical revisions I wish to point out that, if it were possible to regard the assigned revenue and the assigned expenditure of any Provincial contract as both of them absolutely stationary, it is obvious that a contract made in 1877 upon the basis of the stated amounts of expenditure and of revenue, is a contract which could subsist for all time. But both revenue and expenditure are progressive and, I am thankful to say that, at present, at any rate, apart from the calamities of the present season, revenue is more expansive than expenditure. Now upon an increasing revenue there are these claims: In the first place there is the claim of the tax-payer. The tax-payer has a right to demand that we shall not spend the whole of our taxes if we can carry on the administration with a smaller amount. He has a right to say that we should be as economical as possible and that we should not consider ourselves justified in perpetually levying from him the same rate (and an increasing amount) of taxation if by any means we can secure a reduction of it. That, therefore, is the first claim upon an increasing revenue—the claim of the tax-payer. The second claim—and I deliberately put it in the second position—is the claim of an increasing expenditure. In a country like India, progressive in all Provinces, more in some and less in others, there are continually new requirements which have to be met. I admit that the increase of revenues ought in some measure to be diverted to meet these requirements; but it is obvious

that if we admit an increase of expenditure equal to the increase of revenue, we shall never have anything whatever wherewith to satisfy the first and primary claim which I regard as that of the tax-payer. What we actually do when we take a Provincial Contract, is that we divide the revenue for a time between the Imperial Government on the one side, and the Provincial Government on the other. As a whole, the revenue, Imperial and Provincial, is about equal to the expenditure, Imperial and Provincial. Altogether the total revenue does not exceed the expenditure more than 2 or 3 per cent. of the amount. While we hand over to the Provincial Government a share of that revenue equal to its expenditure, we keep for ourselves on Imperial account a share of the revenue which is equal to our share of the expenditure. Now taking both of these together, as I pointed out, we would be in a very unsound financial position if we used the whole of the increased revenue in meeting increases of expenditure. The obligation lies upon the Provincial as well as upon the Imperial Government to limit its expenditure in such fashion that it shall have some revenue to give up—some revenue which can be utilised, if possible, for the remission of taxation. It is this necessity—an absolute necessity of a sound financial system—which gives rise to these periodical revisions of the Provincial Contracts. It is not consistent with sound finance that we should find ourselves at the end of five years in such a position that the Provincial Government has got to retain the whole of the revenues that were assigned to it five years before, because it is obvious that if that were the case there would be nothing remaining, so far as the Provincial share of the revenues is concerned, to satisfy what I have called the claim of the tax-payer. Now in what possible way are you to make a contract of a permanent character which will meet this claim of the tax-payer. There are two ways in which you can do so. In the first place you can follow the plan which we at present adopt, that is to say, we make over the revenues definitely for five years; we make a comparison of revenue and expenditure when we come to the end of the five years, and if we find it possible, we call upon the Provincial Government to give up part of its revenues, that is to say, part of the increase of the revenue which has taken place during the five years. There is another way in which it can be done, and that is that instead of giving the Local Government the whole of the increase of its share of revenue, we can say it is only to get half or some other proportion, and the remaining half is to be resumed to the general account in order that, if possible, it may be utilised for remission of taxation.

His Honour the Lieutenant-Governor has quoted from Sir David Barbour an opinion which Sir David Barbour gave before the Commission now sitting

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in London, that this intention of periodical revision was not present to the minds of the original authors of the Provincial system. I am afraid that Sir David Barbour at that moment had forgotten his facts. I shall read a sentence which is taken from the Financial Statement of 1877-78, the very Financial Statement which developed the system of assignments of revenue. In fact Sir John Strachey in this statement is talking of the new provisions for the assignment of specific revenues in place of an assignment fixed in amount. What he says is:—

"The most important of the revenues transferred are excise, stamps, and the hitherto reserved revenues under Law and Justice: the net revenue assigned under these heads is £640,600; and the transfer has been made subject to certain conditions. These sources of revenue have gone on pretty steadily increasing throughout India; and it is not proposed to surrender to the Local Governments any part of that normal growth of income which might have been expected to continue if no change of system had been made. On the other hand, while we desire that the Local Governments shall share largely in any increase of revenue to which their own improved administration may lead, it is evidently reasonable and necessary that the Imperial revenues should share in this increase also."

This, as I say, is the declaration made at the time of the assignment of revenues. It is obvious, therefore, that the provision for the revision of the contract in the sense of withdrawing from the Provincial Governments part of the revenues they enjoyed, was an essential part of the original revenue-assignments system.

I ought to have mentioned when I was talking of the two measures which may be adopted to resumption of part of the increase of Provincial revenue, that it is more advantageous for the Local Government that it should get a full share of this increase of revenue for five years, and then have the excess taken from it, than that the excess should be taken from it every year as would necessarily be the case if it were allowed only portion of its share of increase and not the whole. So that of the two possible systems, that system which has been adopted is the most favourable one to the Provincial Governments. But there is another reason why the system of revision is necessary, and that is that the settlement of a permanent contract involves a dip into futurity which our financial experience at least shows us we are entirely unwarranted in making. I regret to say that there is nothing more uncertain in many respects than Indian finance. Last year we were swimming with our heads far above water, looking forward to a time when part of the taxes which have of late years been imposed might be considered as capable of remission. Before we had gone very far we saw that

the calamity of a famine was upon us, and at the end of this financial year we proclaim deficits of large extent. Is that not a lesson that one ought not to prophesy too securely about Indian finance, or make arrangements which involve an assumption of permanency in the relations between revenue and expenditure?

"There is one thing to be borne in mind in respect to these revisions, in respect to any contract of the kind, and it is this, that the Government of India is responsible for everything that is done in the matter of expenditure and revenue all over India. That is a responsibility of which it can never wash its hands. It can never say to a Provincial Government, 'I have handed over to you certain revenues, and I am very sorry you have gone beyond them but you must get out of the difficulty as you best can.' We cannot remain in that position and stand aside. We are as much responsible for a deficit in the Provincial accounts as we are for preventing a permanent deficit in our own account. It is, therefore, obvious that if we make a permanent contract with a Provincial Government, that contract must be an entirely one-sided one. It is a contract that must be based on these terms : that if everything is successful, and if the Local Government finds its revenues sufficient for its increase of expenditure, then the contract would remain good. But if the Local Government through any calamity loses its revenues, or finds an excess of expenditure over revenue which is perfectly unavoidable, then the Government of India would have to come forward to help it. The contract can be permanent only in the cases in which its permanency favours the Local Government.

"It is rather assumed in all these discussions that a revision of contracts must necessarily be a revision in favour of the Imperial Government. Now I would draw attention to the fact that in the current revision, at any rate, the revisions have not been all in favour of the Imperial Government. We have found, as a matter of fact, that through certain circumstances which I need not here explain, certain Provinces, namely, the Punjab, the North-Western Provinces and the Central Provinces, are all in such a position that they cannot be expected to get on without increase to their previous assignments of revenue. The revision of revenue in these cases has to be made to the detriment of the Imperial revenue. It may be said that we might have left those Governments to flounder in their deficit. But we cannot divest ourselves of responsibility, both financial and other, for their administration, and moreover we are their bankers ; they cannot provide funds out of their present assignment to meet what we consider their necessary expenditure, and it is perfectly impossible for us to leave them in that condition. We have satisfied ourselves that this deficit of Provincial

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resources cannot be met otherwise than by adding to the Provincial revenue, and we have therefore in those three cases come forward to add to the assignments given them in 1892, and to establish them again on a sound footing, running from 1897. It is very natural that His Honour the Lieutenant-Governor and the other Governments which find themselves in prosperous circumstances, should decry this system of revision, and say that it is extremely desirable that revisions should not take place and that they should be left exactly in the position in which they are at present. But if a vote were now taken among the Local Governments, I can give the names of three who would give an opinion directly contrary to the opinion expressed by His Honour the Lieutenant-Governor. It is very curious, but I was reading a short time ago the record of certain deliberations which took place in 1892 among the members of the Government of India on this very question of prolonging the terms of the settlement. Sir David Barbour at that time was Finance Minister. He pronounced it to be impossible, as it most certainly is, but one of the members who pronounced very strongly in favour of prolongation and declared that the term of the contracts should be made longer was Sir Charles Crosthwaite who afterwards became the Lieutenant-Governor of the North-Western Provinces. If he were now asked for his opinion he would say, I am afraid, that Sir David Barbour was perfectly correct and would admit that the system of revision was necessarily a part of the Provincial contract.

“There is another theory to which utterance has been given to-day in the speech of the Hon'ble Mr. Sayani—a speech I admit which was very pregnant in suggestion, and which it will be useful for us to read at leisure—he made a suggestion that it was wrong that two-thirds of the revenue should remain Imperial and that one-third only should remain Provincial. I watched to see whether he would give any reason for this opinion; there was none; he simply said there were certain objects of expenditure which were very desirable under Provincial Governments, and if they had more than one-third of the revenue they would meet that expenditure. I have not the smallest doubt of it. I do not wish to hint that Local Governments make bad use of their money, on the contrary, I am quite sure they would make excellent use of more money if they had it. But taking the figures of 1895-96 the total amount of expenditure for which revenue has to be provided comes to 44 crores of rupees of Imperial expenditure, and 20 crores of Provincial expenditure. Well, we have for that purpose, as I have pointed out, a nearly equal amount of revenue, namely, 64 crores to distribute. At present we give 20 crores to meet Provincial wants and we keep 44 crores to ourselves to meet Imperial

expenditure. Now, if we are going to start on some abstract principle that the Provincial Governments ought to have some theoretical proportion of this revenue and that that theoretical proportion is something more than 20 crores, that we ought on a sort of a general consideration of comparative necessity of Provincial heads of expenditure and Imperial heads of expenditure to give to the former more than 20 crores, then I ask how are we to provide for our own 44 crores? We have only 64 crores altogether. If we give 21 and thus enhance the Provincial share of revenue by one crore or 5 per cent., we reduce our own available revenues to 43 crores. How, with that 43 crores of revenue, we are to meet 44 crores of expenditure, I confess I do not know. Of course it would result in our imposing some new tax in order to find the missing crore. And that, as I said in my first speech, is what I desire to bring home to hon'ble members; that is, there is no use of our talking of providing for increases of expenditure of any kind without considering where we are to find the money for it; that if expenditure is increased it means that we have either to put a direct burden upon the tax-payer or, at least, postpone a remission of taxes which would be otherwise possible.

"The Lieutenant-Governor has alluded to another matter which I cannot help thinking a very serious one, namely, the consequences of the Provincial Governments having, like the Government of India, expanded their Councils. These Councils take, and are justified in taking, and it is their business to take, a very deep interest in the finances of their Provinces. They naturally see the requirements of the Provinces, and they naturally bring those requirements sharply and continually before the local administrations. The financial questions do not now lie between the Government of India and the head of the local Province. They are now questions between the Government of India and a local Governor, subjected to all the urgencies of his local Council. There is one difficulty in this position at present, a difficulty which will have to be met when we examine the question which His Honour has pressed upon us, a question to which I may say I have given no small amount of consideration. The difficulty I allude to arises from the fact that, under the present constitution of Provincial Finance, the Local Governments do not have to find funds by exercising their powers of taxation. A local Governor is not in a position to say to his Council regarding a great part of the expenditure pressed upon him that 'if you want this expenditure, you must be content to bear the necessary new taxation'. At present the expenditure is pressed upon him always in the shape of requesting him to get a new assignment from the Government of India. The burden, therefore, of supplying the money under present circumstances falls upon the Government of India. It is here that the

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difficulty arises, because each Province has to weigh its demands for expenditure not against the burdens which it itself would have to bear, but against the possibility of throwing burdens upon the whole of India. Now in touching upon the subject, I wish it to be understood that I do not speak for my colleagues. I have stated that I have given some consideration to the question of an alteration, in some respects, of the Provincial system, because I feel with His Honour the Lieutenant-Governor that the present system is one which cannot last. The Government of India cannot be placed in the position of having to bear all the expenses and all the odium of having to impose new taxes ; but at the same time if the expenditure, which is pressed upon us by the various Local Governments, is to be met, it is a question of new taxation and of nothing else. The idea which has struck me as a possible issue out of this—an idea regarding which I have conversed with various high officers and also with His Honour the Lieutenant-Governor—is that we should separate the Provincial Revenue and Expenditure into two classes, one being the general account and the other the local account in every province. There is at present local taxation levied for local purposes, but there is no definition as between the appropriation of Provincial revenue, and the appropriation of Local revenue to these purposes. Local Boards bear only a portion of the expenditure for medical purposes, for educational purposes, for roads and various other things, and this is the class of expenditure in which Local Councils are naturally most urgent. It includes a class of expenditure which, as my Hon'ble friend Mr. Stevens mentioned, is extremely urgent in Bengal, namely, that of sanitary improvement. But as matters are at present arranged, the local taxation is nowhere equal to meet the whole of this expenditure, and the consequence is that the Provincial Government has to meet a great deal of it itself. The result is that when pressure is put upon the Local Government to find funds for this class of expenditure, it is in the form of demanding further funds out of the general revenues for meeting the expenditure and not of proposing any increase of Local burdens. Now it strikes me that it would be well to separate off the whole of this class of expenditure, whether it is met out of local taxation, or whether it is, as at present, largely met out of the general revenues, into a separate account, and in respect to that separate account, to make a permanent assignment from general revenues to the Local Government. There would be no revision wanted in a contract of that kind. If, for example, we found that we could separate off the whole of that expenditure as it stands in Bengal, we would say that for this expenditure a certain definite sum fixed once for all would be given out of general revenues in addition to Local taxation to cover the whole amount, then we might make that portion of the account an absolutely separate one. We would treat it as a separate branch of finance under

the Local Government and under the Local Councils. The result would be that the Local Councils when they pressed, as they are continually pressing (and I do not in the least degree wish to indicate that their action in pressing is unreasonable on their part), but when they press for expenditure of that kind, they would also know that they would have to find the means for it by some sort of local taxation. That is the theory of financial control and responsibility; the whole theory is that those who press for expenditure should know that they will have to bear the burden of it. If, for example, we were to hand over the cesses and taxes as revenues for local purposes, we would be placing in the hands of Local Councils a power of getting more revenue if they thought it worth while. There is a system of finance of this kind which I took the opportunity of studying in Belgium some years since. There is there not only a central Financial body, but a Provincial body whose functions are defined exactly in this way, that is to say, certain classes of expenditure are made over and are to be provided for by those Provincial bodies and the Government makes them a definite and final assignment for the purpose. The assignment in Belgium is part of the assessed taxes and the local taxes besides. The result is that these Provincial bodies, if they want to extend the class of expenditure in their charge, have to do it by finding local taxes or by adding to the assessed taxes. The assessed tax in Belgium is not equal in every Province. Of the total amount part is an assessment common to all Belgium which goes to the central Government, part is an assessment varying with each province, and going to the Provincial Councils. The Hon'ble Mr. James will also be glad to hear that one of the sources of Revenue of the Provincial Councils of Belgium is a dog-tax.

"These are the general lines in which, it seems to me, a solution of many difficulties will be found. We will have to continue the present system so far as it relates to the general functions of the Government, that is to say, the administration of the country, the administration of law, and the various other big branches. With regard to this part of the account, we have to do exactly as we do at present, continue the five years' contract system, but it is not for the most part in that class of expenditure that new and heavy demands are made on the Local Governments.

"And here I take the opportunity to say something about a particular demand in Bengal pressed upon me by more than one speaker to-day, and that is with regard to the General Hospital in Calcutta. In this matter I can speak for the Government of India and for His Excellency the Viceroy as well as myself. We perfectly recognise the extreme urgency of this demand. It is very sad that when we compare the City of Bombay and the City of Calcutta, we

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find one of them with magnificent hospitals founded by merchant Princes, and the other so devoid of proper provision of the kind. We do not possess these merchant Princes in Calcutta, and the consequence is that we have a General Hospital in which I agree with my Hon'ble friend Mr. Chalmers that the only thing to be done with it is to raze it to the ground. Now I will read a paragraph from the Government of India's letter of the 17th March last, to the Government of Bengal on this subject.

"The Government of India feel that this decision (that is to say, that we could not afford all the money the Lieutenant-Governor asked for) will, in one respect, cause great disappointment to His Honour the Lieutenant-Governor, namely, in respect of his plans in connection with the European General Hospital in Calcutta. They do not differ from His Honour's estimate of the urgency of this work. * * *

"The strain of the present famine has unfortunately further postponed the expenditure; but the Government of India, while excluding from immediate consideration any additions to the assignment on account of this special demand, hope that it may not be found impossible for them to give some assistance towards it when the financial horizon becomes clearer."

"That is hardly a pledge, though I admit that it means that if we were well off we should try to find our way to helping the Lieutenant-Governor of Bengal to build a hospital, which would be worthy of Calcutta and would meet the tremendous demand that there is in Calcutta for a decent European hospital.

"The Hon'ble Mr. Stevens has also accused me of want of generosity towards Bengal in this last Provincial settlement. I reply to the general accusation of illiberality by pointing out that at least I have been more liberal in this revision than in any previous revision the Government of India has been, inasmuch as in three provinces out of the eight I have enhanced assignments. But with that one passing objection I will address myself to his figures on the subject. And in passing, I demur altogether to His Honour's statement that the matter is in dispute between the Government of Bengal and the Financial Department. It is quite true that the Government of India has issued orders on the matter through the Financial Department, but His Honour the Lieutenant-Governor is sufficiently well-acquainted with the course of business in the Government of India to know that in an important matter like this, although those orders were issued through the Financial Department, they are really the orders of the Government of India as a whole. Now I wish to draw attention to one paragraph in the Financial Statement, in which I showed the exact figures of the way in which the various Provinces had been dealt with. If reference is made to paragraph 50 it will be seen that in the present revision we have allowed

for expenditure in Bengal which is 10·9 per cent. in addition to the expenditure which was provided for in 1892. I think that is a very fair allowance on the face of it. If any Government increases its expenditure at the rate of 10·9 per cent. in five years, I do not think it has much to complain of if we say we do not see our way to allow of any further increase. His Honour the Lieutenant-Governor has made a claim that his province contributes more to the Central Government than any other province. The question of what each province contributes is a very difficult one, and to tell the truth I do not think it can be solved. It is rather singular that precisely the same claim has been made on this occasion on the part of the Government of Madras. I know the Government of Madras believes that it is a sort of milch-cow for the supply of the other Local Governments of India. I do not wish to pronounce any opinion as to whether any Government contributes more than or less than its fair share. It is absolutely and entirely a question of opinion because although you can take much of the revenue and say it belongs to a particular province, you cannot say with respect to very large sections of the expenditure how much, in any distribution between the Provinces, ought to fall upon each. The Hon'ble Mr. James has been somewhat severely attacked in respect of his observations on this point, and I desire to come to his rescue in explaining some matters relating to the Government of Bengal. Although I do not altogether agree with what he said, still I may say that in respect to the question of the amount which the Government of Bengal contributes to the common fund, there is something to be said for the view that in one respect at least Bengal does not pay the same amount of revenue and is not assessed on the same scale as the other provinces; that is of course in respect to its land revenue. Now I do not want to say anything about the Permanent Settlement; I accept it as a fact and there is an end of it. But there is one thing to be remembered and it is this. Supposing the various Provinces of India had each remained from the beginning on a separate financial basis; that their funds had not been joined altogether, as the Scotch lawyers say, in hotch-pot; that they had always been conducted on entirely separate financial systems, such as exist at the present day in the Australian Continent which has five separate Colonies, each of which is financially separate from the other. Supposing Bengal and the other Provinces had been independent up to the present day, I think it is quite evident that Bengal would have had to put up with a smaller scale of expenditure than other Provinces for the simple reason that it would not have the means of providing what the other Provinces can pay for; its revenue being in one respect assessed on a smaller scale than the other Provinces. I do not for a moment say that we ought not to place it in respect of expenditure on a level with other provinces, because my theory is, as I have already ex-

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plained, that the revenues of India are the revenues of one single body and the expenditure must also be recognised as the expenditure of one Empire. But I think that it is quite fair to remind Bengal that in being placed on the same level with other provinces in respect of its demands for expenditure, it is receiving at the very least an adequate measure of justice from us.

"My Lord, I am very sorry at this late hour to take up more of the attention of the Council, but I do wish to make one or two remarks about the question of the poverty of India. There is one false coin which I want to nail to the counter, and that is that statement about the R27 which has appeared over and over again in the arguments of every individual who lectures upon the poverty of India. I do not know how often I have seen it, but I cannot say I have heard it in Council until to-day and I will now show exactly what the statement means. I am afraid that the Hon'ble Members who have hitherto been arguing on the basis of this R27 statement for the poverty of India have failed to take into consideration what its real meaning is.

"The statement is made in paragraph 173 of the Financial Statement of 1882-83. I brought that Statement with me as I brought a great number of other documents. Long experience has shown me the general line of argument that will be taken in these discussions, and I bring accordingly a number of documents with me on the chance of their being required, and this is one of them. The statement accurately quoted is that 'it has been calculated that the average income per head of the population in India is not more than R27 per year.'

"Now this R27 is always talked of as the income of a family. The Hon'ble Member to-day compared it with the English agricultural wage. The English agricultural wage is a wage upon which a family lives. This R27 is nothing of the kind. It is the average income per head of the population. Well now, if you look at the census returns for India you will find that the proportion of males between 15 and 50 years of age is as nearly as possible one in four of the population. This statement of R27, therefore, is exactly the same as saying that the average annual income enjoyed by every male person in India between the ages of 15 and 50 is four times R27, or R108, that is R9 per month. Well, no person who knows India would base upon a statement that to every male adult there was an average income of R108, or of R9 a month, the argument that India was utterly poverty-stricken. I quite admit that there is unfortunately a very large number of male individuals who do not possess the R108, but that is by reason of some other gentlemen, who are more

fortunate, running off with so much more than their share of the average. Far be it from me to deny that, reckoned by western standards, the population of India is a poor population, but such descriptions of its poverty as have to-day been given are not justified by the calculation that every adult male in India enjoys on the average an income of Rs 9 per month.

"As the Hon'ble Sir Griffith Evans pointed out, it is very common to look back upon the good old times, but if there were golden times in India before we ourselves came into the world, I have never seen any facts brought forward in support of the statement, and the facts quoted by the Hon'ble Mr. Charlus seem to me to have a very peculiar application to it. He says it is a matter of common notoriety that last century European adventurers came over here and went home with their pockets full of loot. Well, the allegation with which he was contending was that the natives of India were subject to robbery and oppression of every kind; that they never got anything wherewith to enjoy themselves; and to say that European adventurers then joined in the loot is surely not to say that the people were better off in India at that time. But as bearing upon the particular question I will recall one statement which Hon'ble Members will find for themselves in the history of famine given by the Famine Commissioners. The only famine of ancient times of which we have any particular information is one in which the Famine Commissioners say it was computed that one-third part of the population died. Well, if one-third part of the population died,—we won't say that no part of the population dies now—no doubt a famine like the present cannot be survived without a large increase of mortality, but it is absolutely certain that nothing like one-third part of the population will die this time—the mere fact that one-third part of the population died proves that at that time the population was extremely poor and were not enjoying a golden age. A theory has been started—not in this Council—that famines are entirely due to the wickedness and neglect of the Government of India. My own impression is that famines occurred before the British Government in India came into existence, and that the British Government cannot be charged with introducing the state of things in which famine occurs and in which famine reduces the people to great misery. It is certain that we cannot look back as I am afraid some gentlemen do—I am not speaking of members of this Council—we cannot look back to, and sigh for the return of, the halcyon days in which the failure of the monsoon was the death-warrant of one-third part of the population affected.

"I pass on to a few questions which Mr. Playfair propounded to me and to which I must either give an answer or refuse to give an answer. I find

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that, barring questions which I have already dealt with, the only question he has asked me is that relating to the loan. I am afraid I must, on the present occasion, refuse to give any information as to what the intentions of the Government are. We mean to make the fullest use of that reserve which we express every year in the Budget when announcing our intentions. I will only say, with reference to one point, namely, that we have no information as yet which would warrant us in saying that we shall have any contribution from Native States towards the loan. So far as we know the loan, if it is issued, will be offered for public subscription.

“ The Council will be glad to know I have no more matters on which I have taken note which will require any observations from me. I thank Hon'ble Members for the attention they have given me during the time I have taken, and I regret that I was not able to collect my remarks within a shorter time. It has been necessary for me to occupy the Council for some time, as I cannot avoid replying to the remarks that have been made on the Financial Statement ; and such remarks on an occasion like the present form the main portion of the day's business.”

His Excellency THE PRESIDENT said :—“ The comments of Hon'ble Members, though they have covered a wide field, have naturally to a large extent assumed the form of a criticism of the action of the Government in one or other of the Departments for which my Hon'ble Colleagues are responsible, and they have offered such explanations as were available. I suppose of no question is that more true than of the Provincial Contracts which have bulked largely in to-day's discussion. So far, therefore, as the action of the Government of India in this matter on this occasion may be deemed to require defence, I associate myself entirely with the Finance Member, and wish to add nothing.

“ I should, however, like to say a word or two on the attitude towards each other of the Government of India and Local Governments on matters such as this. There is, I think, in some quarters an unfortunate tendency to represent their interests as, if not hostile, at any rate as distinct and separate, perhaps conflicting. I consider this a mischievous mistake. The Government of India and the Local Governments have each their functions to perform ; but, as the Lieutenant-Governor has pointed out, they are all parts of the Government of the Queen-Empress in India, and it is their duty to look for agreement and not for difference. For my part I entirely sympathise with the

Lieutenant-Governor and the Local Governments in their desire to have means at their disposal to improve their administration and to minister in various ways to the well-being of the people. We in the Government of India are not altogether without aspirations of the same kind, but I admit that the Local Government is brought necessarily nearer to the every-day needs of the people. The question is not as to the object, but as to the means of attaining it. Now a subordinate Government in any country can attain its objects either by using resources under its own control, or by drawing upon resources which are outside its own control. So long as it restricts itself to the first, it has a just claim to a large measure of independence. But, unfortunately, that state of things is seldom possible unless the purposes for which the subordinate Government is created are confined within narrow limits. In all other cases the subordinate Government is compelled to appeal to the Central Government for assistance, because it is the Central Government alone that can levy and administer the funds that are derived from the general taxation of the people. And this must include all the more important heads of revenue.

“The appeal on behalf of the subordinate Government is no new thing: I have seen it again and again in various forms, and not only in this country. Sometimes it is for a larger share of the revenue, sometimes for greater permanence in the amount of the assignments. In every case, if the Central Government does its duty, it is told it has given less than what the Local or subordinate Government wants. I think myself that it is desirable to make as much as possible of the revenue of a Local Government consist of moneys which are entirely under its own control, and it may be well worth while to consider, before the termination of the new contracts, whether the Government of India could not devolve upon Local Governments the responsibility of levying some part of the revenue which now consists of allotments from Imperial Funds. The Hon'ble Sir James Westland, speaking on his own behalf, has indicated that he is not averse to the consideration of the subject, and the Lieutenant-Governor has made a suggestion as to bringing it before a conference, of which I will only say that it will receive from me, as a friend of decentralization, all the consideration which is due to any suggestion coming from him. But whatever the Imperial assignment, be it a larger or a smaller proportion, I maintain that the Government of India will fail in its duty if it does not retain a constant and strict control over it. Remember, every assignment of this kind is a direct hindrance to the remission of taxation. So long as the same body imposes the taxation and is responsible for the expenditure, it can be called to account

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if taxes become excessive; and it will always bear in mind the necessity of diminishing, if possible, the imposts on the people. The tying up of a large part of its income by its permanent devolution to a spending authority, which is not also a taxing authority, directly diminishes these incentives to economy, and the inevitable result is that growth of income is used for increase of expenditure and not for remission of taxation. Without a surplus, remission of taxation is rarely, if ever, practicable; but, as I share with my Hon'ble Colleague the hope that the financial prosperity of India is suffering only a temporary eclipse, I think he was bound to use every effort to secure that the full opportunity remains when the sun of prosperity shines forth once more.

"The consideration to which I have just referred, *i.e.*, that we need not deem ourselves enveloped in a perpetual cloud of misfortune, leads me to another point on which I desire to say a word. I have observed it said that 'the Viceroy's zeal for railway construction, which in itself is commendable enough, is now leading him to insist on an expenditure which the country cannot afford;' and I have noticed that most Hon'ble Members have alluded to the subject and have done so in terms to which I can take no exception, and have made an earnest, I might say a personal appeal to me to re-consider this matter. Now I never like to take to myself credit that does not belong to me; and if zeal in railway construction is commendable, I can only, as I have said before, share the commendation with successive Secretaries of State. They and I came to the conclusion that the time had come when the rate of progress in railway construction might with advantage be increased, and I was able last year to explain to the Council the general outlines of the programme which we hoped to carry out. I believe that no one then thought it unreasonable. Certainly it did not exhaust the possibilities; for we found, when we looked into the matter a few months later, that we had received some 130 other schemes for the extension of railway communication. But it is said the times are different, and there is a pressing demand for a large sum of money. Well, I will be perfectly frank in the matter. This seems to me simply a question of ways and means. We have our financial advisers in India, and our financial advisers in England. If between them they cannot find the funds required for a programme of railway construction, beyond all question it must be curtailed. I should be the last man to object. So far they do not think this necessity has arisen, and I am glad of it, as I suppose most Hon'ble Members are glad. I am glad,

however, for special reasons of my own. I have confessed to some share in increasing our rate of railway construction, but I think I have been far more anxious to systematise our methods. I am convinced that the system, or rather want of system, which used to prevail, was the cause of an immense amount of unnecessary labour, annoyance, and waste. Mr. Trevor has explained to you certain steps we have taken to ensure a comprehensive review of the situation. I look to great results from that review, when the procedure has been completely developed. But there is one thing essential to its success, and that is that the decisions which result from it should be absolute—that the programme, when settled, should be adhered to. I believe that never before has a more strenuous effort been made to adhere to a declared programme than during the last year. So far from being carried off our heads by the glamour of new lines, we have resolutely resisted many a temptation to add to them. One of the chief difficulties in famine relief operations is to find works on which to employ the people, and not unnaturally new railways are frequently suggested. We have strictly adhered to our principle not to embark in any railway not included in our programme. And we have been able to do this without in any way curtailing the opportunities of local authorities; for, as one of the results of our conference, we were able without any delay to indicate to all Local Governments what lines in their districts were sufficiently advanced in the way of survey or otherwise to enable us to define the alignment, and we told them that in these cases we were prepared to make such arrangements that the earthworks should be available for relief works.

“I hope I have said enough to show that my only object is to treat railway construction as a simple matter of business. I believe strongly in its being beneficial to this country. I desire to see its progress steady rather than rapid, and I know that sudden changes and contractions are fatal both in method and economy. But I have never wished, and would never consent, to set it above all other considerations.

“It is impossible not to read famine in every page of this Budget. It has swallowed up the hopes the Hon'ble Finance Member held out to us last year, and we are still unable to see clearly how or when we are to escape from its influence. I could have wished that the Hon'ble Mr. Ananda Charlu, who has in former debates criticised the action of the Government in the matter of famine insurance, had seen his way to acknowledge that the experience of this winter has shown that the Government has not, after all, been so far

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wrong. Can any one venture to calculate what the position would have been if the Government, during the last fifteen years, had not imposed taxes for famine insurance, and spent the money on the improvement of the means of communication and other protective works? Further, if the estimates which the Local Government have made are correct, the sum total of the deficits which my hon'ble friend has to make good does not amount to more than $4\frac{1}{2}$ crores of rupees. But the famine insurance money, so far as not spent on protective works, has been used to permit the Government to avoid the creation of debt. That means to say that at this present moment the Government would otherwise have incurred 5 crores more of debt, and it could now raise 5 crores, if necessary, for the purposes of famine expenditure without increasing its liabilities beyond what they would have been had the idea of famine insurance never been propounded. The Government can raise this money now, and on better terms than ever before; and it seems to me that the fact that they have dealt wisely and prudently with the yearly balances devoted to this purpose is abundantly proved. I think there will be no dispute that we are at the present moment providing without stint whatever is required for coping with the great calamity. I would fain hope that the recognition of these facts would tend to promote a sense of the integrity of the Government, and also general good feeling. We have alongside of it that remarkable manifestation of generosity which has poured into India from all parts of the world during the last few weeks—a constant flow of subscriptions, large and small, exceeding yesterday a crore of rupees. It is impossible to estimate the blessings which will accrue to many a sufferer, and I think I may without impropriety on behalf of this Council acknowledge the deep gratitude we feel to the Lord Mayor of London, and all those who have worked with him to bring about this splendid result, and to testify to the sincerity of their sympathy with their fellow-subjects in distress.

“One word only I would add. My hon'ble friend Mr. Sayani, in the course of his remarks, referred to one point, namely, the condition of the people. No one feels more keenly than I that Government does not discharge the whole of its duty even if it provides adequate funds for meeting calamities like that of this year and administers them well. These calamities are, I fear, inevitable in the circumstances of India. But Government is bound never to lose sight of the condition of the people, or to fail to take any opportunity it can of ameliorating it. Sir J. Woodburn mentioned the other day that the subject, and specially the indebtedness of the people, had been under our consideration. It is one of the disappointments

[*The President; Sir James Westland; Pandit Bishambar Nath.*] [26TH MARCH, 1897.]

of this year that our work in this respect has inevitably been postponed. Our programme of work had been laid out, and it might by now have been well advanced, but the events which have had the result of practically doubling the already heavy work of the two departments under the charge of the Hon'ble Member have been too strong even for his indefatigable energy. But this I can say, that we have no intention of dropping the subject. Personally I may be deprived of the opportunity I had desired of associating myself with reforming legislation. I cannot but be conscious, as I am speaking with a few minutes to the close of the fourth session during which I have had the honour of presiding at this Council, that the deliberate forms of Indian legislation do not encourage the expectation that I can see any large measures such as those I have referred to pass into law during my time here. But we can at least pave the way, and I have every confidence that in sympathy for the people, and in earnest wish for improving the conditions under which they live, the present Government of India will be able to show a record of which they need not be ashamed."

The motion was put and agreed to.

LOCAL AUTHORITIES' (EMERGENCY) LOANS BILL.

The Hon'ble SIR JAMES WESTLAND moved that the Report of the Select Committee on the Bill to enable local authorities to borrow money for temporary emergencies be taken into consideration.

The Hon'ble PANDIT BISHAMBAR NATH said :—" The Bill to enable local authorities to borrow money for temporary emergencies. I am afraid it is rather late. I have only to offer a few remarks. The addition of a sub-clause to section 2, as has now been proposed by the Select Committee, does not afford a substantial relief. If the permission to be given to local authorities to borrow money for temporary emergencies means or implies imposition of a fresh tax or taxes, sooner or later, by empowering or authorizing such authorities in that behalf, I crave leave to demur to the measure.

" The present situation is a critical one, as it has not inaptly been described by a contributor to a well-known daily local paper. His words are to the following effect :—' Famine on right; starvation on left; plague in front; and death on back.' In connection with the other minor troubles to which the exigencies of the time have subjected the people rather sorely, I believe it would not be out of place altogether if I were permitted to say here, simply

[26TH MARCH, 1897.] [Pandit Bishambar Nath.]

for the information of this Council, that the military vigorous operations, conducted in the city of Poona and Bombay, for cleansing and searching purposes, innocent in themselves, indeed, are supposed to cause annoyance and irritation; while a rule framed regarding the burial of the dead bodies of bubonic patients, with chloride of lime, is reported to have been condemned with indignation by almost all the influential representatives of the Muhammadan community at Lucknow. If the rule were enforced, such treatment of the dead would become intolerable. Moreover, such insignificant incidents, however well-intentioned they may be, are, I am sorry to find, apt to be misconstrued by the people of this country when they are panic-stricken.

“ Leaving this little digression aside, I beg to resume that the imposition of any fresh tax, emergent as it may be, would, to say the least, be regarded as out-heroding Herod. As the people have enough of imperial and local imposts to pay, it is not expedient to devise further means for adding to their unbearable burdens, at least until they are out of danger.

“ The Hon'ble Sir James Westland has cited chapter and verse from certain enactments relating to the Municipalities and District Boards in Bombay, Punjab, Central Provinces, Burma, Bengal and the North-Western Provinces and Oudh, with the object of showing that the present measure imposes no obligation upon the local bodies, but that it simply enables them to borrow money, if they desire, on the security of their funds, for meeting their obligation. I am not prepared to dispute the soundness of the argument of the Hon'ble Member. I have also full sympathy for the present distress of the weavers of Sholapore and the lace-workers in Delhi. What I mean to object to is that, if in the event of their additional borrowings, the local bodies find the funds at their disposal insufficient for repayment of the loans they might be obliged to raise, a fresh tax shall have to be imposed, the proceeds of which would in all probability be set apart for satisfaction of the debt, without allowing to spend such proceeds on general purposes. Where a tax is once imposed, no subsequent appeal proves successful in getting rid of it, even after expiry of the probable period for which it is levied.

“ As the North-Western Provinces and Oudh Municipalities Act (Act No. XV of 1883) does not provide for the establishment and maintenance of relief works in time of famine, those municipalities must, I think, come within the purview of the sub-clause that has now been added to section 2 by the Select Committee.

300 LOCAL AUTHORITIES (EMERGENCY) LOANS ; AMENDMENT
OF INDIAN STAMP ACT, 1879.

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"It is true that local bodies will not be extravagant in expenditure upon emergencies, and that their borrowing powers would be exercisable subject to the previous sanction of the Government of India or that of the Local Government, but if they borrow money for famine purposes and then have no means available for its repayment, how are they to meet the liability they might incur except by imposing taxation? They cannot stop their ordinary or starve their necessary works?"

The Hon'ble SIR JAMES WESTLAND said:—"I do not think it necessary to make any further remark on this subject unless that I think the section introduced by the Select Committee prevents, so far as the province represented by the Hon'ble Member is concerned, the operation of the Act in the direction to which he objects. It is quite true that in Bombay the Municipal authorities have powers to do what in the North-Western Provinces they have no power to do. We are not conferring these powers upon them, and we are not saddling them with any expenditure they are not bound to make. Any result of that sort which may arise, will arise not by reason of the Act, which I shall presently ask the Council to pass, but by reason of the Act which at present stands on the Statute Book in regard to Municipalities in Bombay."

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that the Bill, as amended, be passed.

The motion was put and agreed to.

INDIAN STAMP ACT, 1879, AMENDMENT BILL.

The Hon'ble SIR JAMES WESTLAND moved that the Report of the Select Committee on the Bill to amend the Indian Stamp Act, 1879, be taken into consideration. He said:—"It will be observed that I have an amendment to propose presently. The amendment is purely a formal one. It arises in this way. As the Bill was drafted, it made a reference to the General Stamp Act of 1879, but the provisions of the Bill are that certain sections be incorporated in and become part of the Act of 1879. The consequence is that the Act of 1879 is to be quoted not as the Act of 1879 but as 'this Act'. Hon'ble Members will observe that the amendment is little more than a grammatical one, and I shall move it in due course. There is also another remark which I desire to make with reference to the operation of the Bill. The Secretary of the British Indian Association, writing on be-

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half of the Association, says that he entirely approves of the objects of the Bill, but he points out one curious bye-effect. It is this: In the second schedule to the Act it is provided that certain leases, namely, agricultural leases, shall be altogether exempt from taxation. The Act itself, in the part of it which we amend, provides that transfers of leases shall be liable to the same duty as leases. That provision we now cancel by making transfers of leases liable to a specific duty, but that specific duty unfortunately covers all transfers of leases. The consequence is that it covers transfers of leases which are free under the Act as it at present stands, the transfers, namely, of those agricultural leases. This is an effect which was not in the least degree intended. It is a simple matter and one in respect to which it is not necessary to move a formal amendment. At the same time, the Government will take the opportunity of using the powers of exemption which it possesses under the Act of 1879 and will to-morrow issue a notification declaring the exemption of this particular class of transfer of lease from any duty to which it may be liable under the Act. By this means the object which is sought for by the British Indian Association will be gained."

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND also moved that in the proviso to section 7B, proposed to be added to the Indian Stamp Act, 1879, by section 1 of the Bill, as amended by the Select Committee, for the words and figures "under the Indian Stamp Act, 1879, prior to its amendment by this Act," the words and figures "prior to the twenty-sixth day of March, 1897," be substituted; and for the words "that Act" the words "this Act" be substituted.

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND also moved that the Bill, as amended, be passed.

The motion was put and agreed to.

RELIGIOUS ENDOWMENTS ACT AMENDMENT BILL.

The Hon'ble RAI BAHADUR P. ANANDA CHARLU moved for leave to introduce a Bill to amend Act XX of 1863 (*to enable the Government to divest itself of the management of Religious Endowments*). He said:—"I ask for the forbearance of the Hon'ble Members when I make a few remarks, with which I mean to supplement what I had to set forth—necessarily very briefly—in

the Statement of Objects and Reasons. I wish you, in the first place, to note how I have been at pains to proceed along the line of least resistance. The first paragraph in my Statement of Objects and Reasons makes this abundantly clear, as I venture to think. The control I have provided is at the minimum standard of interference consistently with its proving effective. Agreeably to my first ideas, I would place even the dismissal of trustees for proved misconduct in the hands of the *Central* Committees. In my view this appeared, and still appears, to be an adequate enough guarantee in the interests of the trustees, and my reasons are as follow.

"The control by the Committees that have been appointed for the purpose under Act XX of 1863 has been *nominal* at best, and the responsibility for it is universally traced to the *defective* law, which at present drives either the dissatisfied Committee-men or dissatisfied worshippers to Courts to displace trustees guilty of misconduct. The most palpable fact to be noticed is this, that while the Committee-men or the worshippers have to find their own funds to bring the culprit to book in these circumstances, the trustees—in safe and unrestrained possession of the endowment funds—draw upon these latter to the full bent of their most extravagant inclinations. In such an unequal fight it is too often the case that the complainants get worsted. But it is worthy of note that, even in cases where they are *successful*, the trustees removed take prior care to show the possession of very little tangible property to recoup the victors as to the costs incurred; and the consequence is that these costs had often to come out of the very endowment-funds which the litigation was started to *protect*. Therefore, in either case, the endowment is a distinct, heavy and unjust loser. Any system that will obviate this most undesirable result must, for that single reason alone, be a decided improvement upon the present state of things. In view to gain this paramount object, I eliminated all necessity to go to law. This I did by making the District Committee primarily and the Central Committee ultimately to be the final arbitrator on the question.

"Another stumbling-block in the way is section 18 of the present Act, which provides for a preliminary enquiry before a suit is filed. It is, so to speak, twice-cursed, *i.e.*, (1) it harms the one who seeks to condemn, and (2) harms no less the person whose condemnation is *bond fide* sought. By the way, one cannot but note that all the most useful provisions of the law in relation to discovery and the like are not available to the parties. Firstly, it has always been impossible, in the nature of things, for any plaintiff to begin with all his evidence cut and dry. Nor would it be possible for him to anticipate all pos-

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sible defences. In such circumstances the materials with which one would ordinarily go before the Court as plaintiff would be necessarily meagre, and an immense risk is thus run. This cannot but act as a frightful deterrent even in the face of very strong *prima facie* grounds for suspicion. So much for the operation of the section as against the would-be plaintiff. Its effect, as against the trustee, is no less serious. To begin with, he must find that, at the end of the preliminary enquiry, if the suit were allowed, he would in a sense stand condemned before ever the suit has actually been launched. *The judge, who would have to try him, had already made up his mind against him so far, that he could not bring to the trial a mind without a bias.* He could not, as matters now stand, help becoming, so to speak, a grand jury, a policeman and a judge *rolled into one*. This state of things is utterly inconsistent with justice, either to the would-be plaintiff or to the trustee, and its only effect has been vexatious harassment of the trustee or a needless embarrassment to the public-spirited men who, in an unlucky hour of righteous wrath, go, so to speak, to the hazard of the die.

“ One plausible objection to this part of my scheme is that persons who have ‘ vested interests ’, as the trustees are too often called, would thereby be irremediably at the mercy of five or six men. My obvious answer to this is that, even in matters of life and death in the Provincial towns and in other matters involving serious loss of liberty, reputation or property in the districts, five or six men as jurymen *do* at present give a final verdict. I ask if the forfeiture of an honorary office is, comparatively speaking, of much graver importance? I think not; and let me point out that the present Act itself contains, in the provision to refer disputes to arbitration (section 16), an exactly similar mode of giving finality, such as belongs to the verdict of a jury. I may add that there can be no ‘ vested interest ’ to do wrong. At best here is a choice between two evils, and prudence counsels the choice of the lesser one. My view is that of the two evils—the evil now existing and the evil of possible injury to a trustee—the latter is by far the lesser one. *As for the endowment itself*, the balance of advantage is overwhelmingly in its favour, among other reasons, by placing law-Courts beyond temptation to all the parties concerned. This is the conclusion I have come to after considering all the bearings of the case. In this conclusion I have a vast following.

“ But I have since had reason to believe that such a provision might be viewed as rather a drastic or violent provision to start with, and that the existing safeguard of a suit and of the decree of a District Court would most probably be insisted upon as an indispensable provision. I have altered my scheme in

deference to such a view; but, after all, if the rest of the Bill is acceptable, this change, I think, will make little appreciable difference. Perhaps it is, on the whole, expedient that the intercession of District Courts is not altogether eliminated on the single point of the dismissal of the trustees. This will reassure, rather than alarm, the trustees and their friends, and I see no practical advantage in staking my proposal on insisting on placing the power of dismissal in the hands of the Central Committees of each religion or sect.

“As regards the principle of constructing the district electorate, I have departed as little as possible from the provisions of the Act (XX of 1863) now in force. That Act provides, indeed, that the Local Government shall name the members of the first committee, but it lays down at the same time that the nomination shall be in accordance with the wishes of the respectable followers of each religion. In my Presidency, *i.e.*, in the Presidency of Madras, committees contemplated under Act XX of 1863 were mostly, if not in all cases, formed. To them, rather than to the Local Government, I have assigned the duty of working the Act, if my Bill will be so fortunate as to ripen into an Act. In taking this course I am only carrying out the principle of the existing Act, XX of 1863; for what that Act insists upon is that some system of election should be devised to fill up vacancies after the first members have been named by the Local Government. I have taken care to avoid the principle of ‘one man, one vote,’ as I found it to work no small mischief where, in my innocence, I counselled it to be tried in regard to one temple, and I have therefore restricted myself to the opinion being taken of the better classes of worshippers—classes by no means difficult to spot. The classes excluded by such a provision may be set up by designing men to protest, from a selfish motive, but these will soon see fit to acquiesce in what my Bill provides for. Having regard to the limited purpose for which the electorate must come into being, we need not aim at any broad fundamental principle or strive after a council of perfection. It would be quite enough to seek for some system which might fairly serve as an analogy and adopt it or adapt it as the case may be. The system upon which the list of jurors is drawn up offers a fairly good analogy to go upon. A little more care and trouble in reaching the proper men must result in a list good enough in all conscience. A list constructed with very much less care is good enough to supply persons fit to pronounce a *final* and indefeasible verdict on no less than a question of life and death in the Presidency-towns, and in respect of liberty, reputation and property in the districts. I venture to think that there can be no ill-adaptation of means to the end, if the district electorate is built up, as are our jury-lists, with the further safeguards I have

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provided. What I should like to point out here is that no other workable and acceptable system has been possible for nearly a quarter of a century now, or seems to be possible in any near future, and 'not to decide' in favour of my scheme is, so to speak, to decide in favour of the anarchy of the present. If there have been disinterested and self-denying founders of grand charities in the past, the communities which produced them will surely produce men who, in the present day, would safeguard them by doing, after all, very much less, namely, by seeing to their preservation only. It is a well-known Aryan dictum, universally believed in by every true Hindu, that he who *preserves* a Dharma renders as good service as its *founder* himself. What is now needed is a *real* opportunity to do so. Once there is a *reality* of a controlling agency in lieu of the present moribund or checkmated committees, *and the trustees see it, they will themselves* initiate desirable reforms *of their own accord* or do so under mere persuasive pressure, so as to utilise the funds at their disposal in broader senses of charity than they recognise or can or will realise at present and thus give effect to the spirit of the intentions of the donors. To speak an unvarnished truth, there has been of late so little in ter-action between them and the educated classes that each set has misjudged the other. Brought into closer relations, as the two sets would be under my scheme, and they understand the altered conditions, I am honestly hopeful that, after a brief period of transition, during which temporary mutual jealousies would give place for a final and better mutual understanding, all friction, worth the name, would disappear and a harmonious action would follow.

"I hope and trust that the general intelligence of my countrymen, in whose shrewdness I have great faith, would realise the soundness of my position.

"I have made an important departure from the *status quo*, namely, that the members of the committees would hold office *for a term of years* and *not for life* as now. From this I expect a vast amount of good. Whatever the conditions in 1863 or soon after that date, they have materially changed since. Men, ready to render honorary service to the public, have come to the front in larger numbers in recent years, and the system of imposing public duty for a term of years rather than for a life-time has not only come into considerable favour, but has been found, on the whole, to work excellently well. This by itself, without more, is reason enough for the departure. Apart from that consideration, there is, I think, solid reason for holding that the system which I propound is by far the best, as it offers opportunities to correct initial errors, without having to wait till death brings relief—a species of relief which does not come conveniently or for the wishing. Short of gross misconduct, which entails the prescribed pains and penalties, we can well conceive of forms of

dereliction of duty which would tell prejudicially on the well-being of the trust, but without drawing on the culprit those pains and penalties. Such cases are bound to be not a few. To afford, at short intervals, opportunities for reaffirmance in case of fitness or for supersession in case of incompetency is a decided advantage which cannot be overrated, not to speak of the invariable good that must come of letting fresh blood in, even with the risk of replacing one set of good men by another set of good men. A widespread ambition, in the adherents of a religion, to emulate one another and to displace one another for no other tangible reason than to serve the public is, on the whole, sufficiently beneficial to be favoured, fostered and given the freest scope to. To block its way is, to my mind, an attempt to thwart the course of a natural law. These constitute my justification for standing up for a term of years in preference to a tenure for life.

" Another point in which my scheme differs from the present law is that I abolish the distinction which the present law makes between the endowments which had been under the direct control of the Government at one time and those that had not been so. I see no sound reason for maintaining that distinction. One class is as much trust-property as the other. Malversation of the one class is as culpable as of the other. If only some of the trusts came originally under the Government supervision and not the rest, it was, I think, purely an accident. There could be nothing inherent in the trusts which had remained outside Government control, necessitating that they should so remain outside that control or any control for that matter. Even the actual initial founder of an endowment could not, after he had once dedicated the endowment to the public, touch it or claim to divert it from the purpose declared at the time of dedication. A mere successor of his is *à fortiori* absolutely debarred from frittering or whittling it away. I have not the least doubt that, had such cases been brought to the notice of the Government as they occurred, the Government, as then disposed, would have taken the trusts to which they related as fully into their hands as they had done as regards the others. I therefore maintain that the distinction under reference is utterly untenable and unnecessary.

" In submitting my Bill to His Excellency for sanction, I inserted in it a section, exempting the Central Committees from payment of all Court-fees, and I did so as a hope was held out to that effect by His Excellency in 1894, when dealing with a Bill sent up from Madras. But the terms of the sanction accorded to me did not cover that section. I have therefore omitted it. But I take it that the objection to having such a section at the present initial stage may not preclude hope that it may yet receive consideration at later stages of the Bill.

"I have made no secret of my Bill. It has been published far and wide. It has elicited a great many personal opinions in its favour. Most of the organs conducted by my countrymen in English have decidedly pronounced in its favour. Others, I feel confident, will follow suit. With the intelligence of the country on my side—with the strength of the *Amrita Bazar Patrika*, the *Indian Mirror*, the *Hindu Patriot* and the *Bengalee* of Calcutta and of the *Hindu* and the *Standard* of Madras, of the organs conducted in English, and the *Hitabadi*, fast developing into a powerful and leading vernacular paper, explicitly behind my back already, and above all with the Government standing neutral and aloof, I cherish a strong hope that the Bill will successfully pass through the ordeal."

The Hon'ble SIR JOHN WOODBURN said:—"The Government consents to the introduction of the Bill which the Hon'ble Member has from laudable motives prepared. But it must be distinctly understood that the Government is not a party to it. The Government has laid down the principles of its relations to religious endowments in the Act of 1863, and to those principles it adheres. The Bill of the Hon'ble Member is in the main an endeavour to secure through the existing non-official committees a closer control of the management of these endowments. That is an aim which can only be successfully prosecuted, should it appear that it has the general support of those interested; and the Government reserves to itself an absolute right to oppose the Bill, if that appears expedient, in its later stages."

The motion was put and agreed to.

The Hon'ble RAI BAHADUR P. ANANDA CHARLU introduced the Bill.

The Hon'ble RAI BAHADUR P. ANANDA CHARLU moved that the Bill and Statement of Objects and Reasons be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned *sine die*.

CALCUTTA;
The 26th March, 1897. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.