

*Wednesday,
26th March, 1902*

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

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ABSTRACT OF THE PROCEEDINGS
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ASSEMBLED FOR THE PURPOSE OF MAKING
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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., c. 67, and 55 & 56 Vict., c. 14).

The Council met at Government House, Calcutta, on Wednesday, the 26th March, 1902.

PRESENT :

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

His Honour Sir John Woodburn, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Sir Arthur Power Palmer, G.C.I.E., K.C.B., Commander-in-Chief in India.

The Hon'ble Mr. T. Raleigh.

The Hon'ble Sir E. FG. Law, K.C.M.G.

The Hon'ble Major-General Sir E. R. Elles, K.C.B.

The Hon'ble Mr. A. T. Arundel, C.S.I.

The Hon'ble Mr. Denzil Ibbetson, C.S.I.

The Hon'ble Sir A. Wingate, K.C.I.E.

The Hon'ble Mr. F. A. Nicholson, C.I.E.

The Hon'ble Mr. D. M. Smeaton, C.S.I.

The Hon'ble Mr. C. W. Bolton, C.S.I.

The Hon'ble Rai Sri Rám Bahadur.

The Hon'ble Mr. Gopal Krishna Gokhale.

The Hon'ble M. R. Ry. Panappakkam Ananda Charlu, Vidia Vinodha Avargal, Rai Bahadur, C.I.E.

The Hon'ble Mr. L. P. Pugh.

The Hon'ble Sayyid Husain Bilgrami.

The Hon'ble Mr. R. P. Ashton.

The Hon'ble Mr. R. G. Hardy, C.S.I.

The Hon'ble Rai Bahadur B. K. Bose, C.I.E.

The Hon'ble Maharaja Rameshwara Singh Bahadur, of Darbhanga.

The Hon'ble Mr. M. C. Turner.

QUESTION AND ANSWER.

The Hon'ble MR. BILGRAMI asked :—

“Will the Government be pleased to say whether statistics are available to show the number and value of all Muhammadan religious and charit-

84 QUESTION AND ANSWER; CENTRAL PROVINCES PÁNDHARÍ TAX (ABOLITION); UNITED PROVINCES (DESIGNATION).

[Mr. Bilgrami; Mr. Denzil Ibbetson; Sir Edward Law.] [26TH MARCH, 1902.]

able endowments, how many of these are under direct or indirect Government supervision, and how many are managed by private trustees?

"If complete statistics are not available, will the Government be pleased to order information on these points to be collected, district by district, with the view of bringing all such endowments under proper supervision?"

The Hon'ble MR. DENZIL IBBETSON replied :—

"No such statistics as are described in the question are available: nor would it be possible to collect them with any approach to either accuracy or completeness. The trustees of such endowments are under no obligation to furnish information concerning them, it would in many cases be impossible to ascertain their value, many of them are in reality family settlements in the form of *wagf*, and the Government of India are not disposed to undertake an enquiry which would necessarily assume an inquisitorial nature, which would in many cases be keenly resented, and the object of which would almost certainly be misunderstood."

CENTRAL PROVINCES PÁNDHARÍ TAX (ABOLITION) BILL.

The Hon'ble SIR EDWARD LAW moved that the Bill to abolish the pándharí tax heretofore levied in certain parts of the Central Provinces be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR EDWARD LAW moved that the Bill be passed.

The motion was put and agreed to.

UNITED PROVINCES (DESIGNATION) BILL.

The Hon'ble MR. IBBETSON moved that the Bill to recognise and give effect to a change in the constitution and designation of the territories formerly known as the North-Western Provinces and Oudh be taken into consideration.

The motion was put and agreed to.

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The President.*]

The Hon'ble MR. IBBETSON moved that the Bill be passed.

The Hon'ble RAI SRI RAM BAHADUR said :—" My Lord, instead of recording a silent vote on the motion now before the Council, I beg leave to say a few words on this Bill before it is passed into law. The change of name of what used to be called the North-Western Provinces and Oudh has been effected by a proclamation issued by Your Excellency in Council, and the present Bill is intended to be a measure of a purely declaratory nature; but I feel it my duty to say, my Lord, that the new name given to those Provinces is not geographically correct, inasmuch as the North-Western Provinces were comprised of several other Provinces and portions of Provinces besides that of Agra; nor does it seem, my Lord, that the name now given can be of any great political significance. The popular feeling is generally not in favour of the new name. Then, again, the dropping of the title of the Chief Commissioner, too, is not in consonance with the feelings of the people of Oudh, and it will be against one of the most cherished traditions with which that Province has been associated ever since it has come under the British rule."

His Excellency THE PRESIDENT said :—" I understand the Hon'ble Member to have raised an objection to the institution of this new title. I should like to say, in reply, that I took the most careful steps, in consultation with the late Lieutenant-Governor, and the present Lieutenant-Governor, of the United Provinces, to ascertain what was the feeling of the Province on the matter, and the objections which I understand the Hon'ble Gentleman to put forward at the last moment are, I believe, not entertained in the Province itself. On the contrary, we were most scrupulous to consider the feelings of Oudh, which no one is more anxious to respect than myself, by the retention of the name of Oudh in the new title of the Province. That title stands as follows :—" United Provinces of Agra and Oudh." We were advised in some quarters that those scruples might be disregarded, but I declined to do it. Oudh stands just as well off under the new system as she did under the old, and the advantage of the change is that for a cumbrous and unintelligible title, identical neither with geographical meaning nor with sense, we have substituted a title acceptable, I believe, in the Province itself, and which I think fairly answers all the requirements of the case. I do not know whether my remarks will remove the objections of the Hon'ble Member, but I can assure him that I have good reason to believe that those objections are not popularly shared."

The motion was put and agreed to.

[*Sir Edward Law; the President; Mr. Turner.*] [26TH MARCH, 1902.]

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1902-1903.

The Hon'ble SIR EDWARD LAW moved that the Financial Statement for 1902-1903 be taken into consideration.

His Excellency THE PRESIDENT said :—" Before the Hon'ble Mr. Turner commences his remarks, I should like to add a word of qualification and caution to something that I said with reference to this debate last week. When I invited Hon'ble Members to lay upon the Table such portions of their speeches as they did not propose to deliver, I clearly did not mean to extend to them a liberty greater than that which they enjoy under the existing rules of debate. It would never do for an Hon'ble Member to take advantage of this permission, which was given in the interests of economy of time, in order to lay upon the Table and to secure the privilege of print for a dissertation or essay upon some subject which would have been pronounced out of order had it been delivered in debate; otherwise it might be in the power of any Hon'ble Member to escape the ruling of the Chair by presenting his speech instead of delivering it. It seems desirable, therefore, that in future, Hon'ble Members should forward to the Secretary of the Council in advance any such portion of their speeches as they may desire to bring under this permission, in order that he may place the speech, or the extract, before the President, and secure his ruling as to whether it is in order. On the present occasion, as Hon'ble Members have not had notice of this intention, I trust that in laying upon the Table any portion of their speeches they will not present anything that would be likely to have been disallowed from the Chair. In this annual debate on the Budget, it is true that a very wide latitude is commonly allowed, but even this latitude has its limits, and, unless checked in the manner I have described, it might easily be open to abuse."

The Hon'ble MR. TURNER said :—" The Financial Statement so ably and lucidly expounded at our last meeting by the Hon'ble Member at the head of the Finance Department is, I venture to think, one of the most remarkable, if not the most remarkable, Budgets ever presented to Members of this Hon'ble Council—remarkable in that revised figures for the year 1901-1902 show the surprisingly large surplus of nearly £4,000,000 sterling of revenue over expenditure, a result which has probably exceeded the most sanguine expectations of Your Excellency's Government; remarkable also in that the result has enabled Your Excellency by a stroke of the pen to write off in the Budget for 1902-1903 such a large sum as 2 crores of rupees of uncollected land-revenue in the provinces which have, so to speak, been desolated by famine in the past few years. As to the wisdom of this there can be, my Lord, but one opinion—a unanimous chorus of approval.

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The collection of arrears would have necessarily been extended over a considerable period; it would have entailed much hardship and suffering and have caused much distress amongst those poor uneducated tillers of the soil who are now accustomed to look up to the British Raj as the Power who succours them in time of trouble and who is to their limited imagination a 'little father of the poor'.

"There is, however, a very deserving class for whom I regret there has been no relief allowed, having regard to the prosperous condition of the finances of India. I allude to the poorly paid educated class who have to earn their livelihood as writers in various Government and mercantile offices throughout India and whose incomes vary between Rs. 50 and Rs. 100 per mensem.

"The income-tax, when re-introduced into India in 1886, was imposed to meet a deficit of over £2,000,000 (two millions) sterling, and it was then absolutely necessary that all classes should contribute towards what was practically a National Defence Fund; in other words, to pay for the Frontier defences. But, my Lord, the time has arrived when it is unnecessary to tax what I might almost call the 'impoverished' class. There is no doubt that the cost of living, specially in towns, has very greatly increased since 1886, and the Native clerk who has to maintain himself and his family and to keep up a respectable appearance on a very limited income finds the income-tax press upon him in a manner that few of us can realise. Not only do these men suffer, but there are a number of pensioners and widows in receipt of pensions to whom even the small amount deducted on account of income-tax tells most heavily. I would therefore earnestly beg that the Government of India take into consideration the question of raising the limit of the income-tax from the present figure of Rs. 41-10-8 per mensem or say Rs. 500 per annum to Rs. 100 per mensem or say Rs. 1,200 per annum. The loss to Government would be somewhere about 40 lakhs of rupees—an amount scarcely noticeable in the improving resources of the country.

"I believe it to be perfectly true that Native employés with limited incomes experience as much difficulty in making both ends meet as do the unfortunate people in England who also suffer from the same evil.

"In the course of the debate in 1886 a remark made by the late Mr. Gladstone was quoted and which I now repeat. Mr. Gladstone said: 'Whatever you do in regard to the income-tax, you must be bold; you must be intelligible; you must be decisive; you must not palter with it'; and this advice I would respectfully tender to Your Excellency's Government in regard to a substantial increase of the limit of taxable incomes.

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"I am also somewhat disappointed at seeing no provision made in the Budget Estimate for 1902-03 for what I may call a grant-in-aid to the City of Calcutta to assist the Local Government in carrying out the very necessary improvements in this the capital of India. The improvements are a necessity to enable us to cope with that great question of providing decent house-accommodation for the masses, also to successfully fight disease such as plague, which can apparently only be kept in hand by a liberal allowance of fresh air, sunlight and sanitation.

"The cost is beyond anything that the ordinary resources of the Municipality can provide. I am one of those, my Lord, who think that the great cities of India, Bombay and Calcutta especially, should be helped by Imperial grants to fight the great and terrible infliction of plague. Bombay and Calcutta are the two principal gates of the Indian Empire, and it is as much to the interest of the whole of India as it is to the ports named that the towns should be kept in a healthy condition.

"The Hon'ble Member has stated in regard to exchange that there is no occasion to specially dwell on this question, and I would only do so with the object of making a suggestion which may be worth considering.

"Government have practically attained their object during the past twelve months by obtaining an average rate of 1s. 4d. per rupee for Council drafts, and, with the Gold Reserve fund now amounting to some 3½ millions sterling, they are in a particularly strong position to meet any unfortunate or unforeseen possibilities. I am of opinion that Government should now put on a bold front and declare their determination to have a minimum rate for the sale of Council bills. The lowest rate obtained for bills in the past year was, I think, 1s. 3½d., and, although it was necessary to make a shipment of gold to the extent of half a million to obviate a further possible fall, it has been proved that, by manipulating a comparatively small amount of the Gold Reserve fund, exchange can be steadied and a further downfall beyond a certain point can be arrested. That point is 'gold point,' or, in other words, the rate at which it pays Banks to import gold into India when the Secretary of State refuses to sell Council Bills under a certain rate. The minimum rate might be fixed at 1s. 3½d., care being taken to sell either Council transfers or transfers under the Gold Note Act at about 1½th per rupee over the gold import rate ruling at the time, and this would help to ease the market at times of pressure and prevent the Bank rate rising over 8 per cent. The benefit of fixing a minimum rate would be to inspire confidence and thus give a greater firmness to the market by showing that Government are determined to prevent a

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serious fall in exchange while prepared to meet the market in a reasonable way and that they are also prepared to face fluctuations in the value of the rupee between $1-3\frac{1}{8}$ and say $1-4\frac{1}{8}$. In this connection, I would refer to the matter of the establishment of a Central Bank, as to which Government have wisely decided that for the present it is not desirable or suitable to establish. I think myself that the present Banking institutions in India, so far at any rate as affects foreign trade, are quite sufficient and that the way to prevent a serious rise in the Bank rate is to meet the demand for Council Bills or transfers as has been done in the past year. The rate of 8 per cent. would now seem to be the maximum Bank rate, and there is no doubt that in ordinary times any undue stringency can be averted by the Secretary of State selling up to the market demand. Government balances in the Presidency Banks are also an important factor in this matter of stringency of money, and I am glad to note, from the latest return made by the Hon'ble Member, that Government would seem to be increasing their balances during the busy months.

"I listened with considerable interest to the remarks of the Hon'ble Financial Member on the subject of countervailing duties on bounty-fed sugar, and the statement made that it might be necessary for Government in view of the proceedings of the late International Conference at Brussels to review the present position in the matter of countervailing duties. From the remarks made and from the statement submitted it would seem that the duties imposed specially against bounties paid by foreign Governments have had little or no effect in restricting the excessive imports of this bounty-fed beet sugar into India. It is indeed a question which will require the very serious consideration of the Government, for, apart from the fact that countervailing duties were only imposed against the bounties paid by Governments, and that logically these duties would cease with the abolition of Government bounties, there is the fact that foreign-made sugar is undoubtedly fostered by what is called the 'cartel' system and by the extraordinary concessions made in regard to carriage by rail and steamer. It is a matter which vitally affects one of the great industries of India and therefore demands the very earnest attention of this Government.

"With Your Excellency's permission I will read extracts from letters just received from Mauritius as showing the effect of the cartel bounties on the sugar-trade between Mauritius and India, which trade is almost entirely in the hands of Indian merchants:—

Extract of Mauritius Agent's letter No. 484 of 8th March, 1902.

The *Warora* leaves practically in ballast, not a bag of sugar beyond the 1,496 bags booked for Bombay, transhipment at Colombo, being obtainable. We write you separately

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on the position of our sugar market and would here venture to draw attention to the serious prospect which threatens the freight market between this Island and Bombay, should the operations of the Continental cartels be allowed free scope to flood the Indian markets with cheap beet to the detriment of Mauritius sugars.

Extract of Mauritius Agent's letter No. 148 of 8th March, 1902.

We shall be interested to hear what effect the result of the Brussels Conference is expected to have on the Indian markets, and whether the Indian Government is likely to apply additional countervailing duties to neutralize the indirect support received by German and Austrian beet sugars through the operations of the cartels.

"As regards the Budget Estimate for the coming year, it cannot be denied that the estimates have been framed with extreme caution. I would specially refer to the matter of countervailing duties on imported sugar, which have been taken at what I consider a low figure, namely, 24 lakhs as against the revised estimate under that heading of 37½ lakhs for 1901-02.

"There is every reason to believe that with the threatened abolition of Government bounties the imports of sugar both from Germany and Austria will considerably increase in the coming months. For the same reason ordinary duties on sugar should increase rather than diminish.

"I also notice that no estimate for increased earnings has been given under the head of 'Telegraphs.' I note the reason for this in the Budget Statement, but to my mind, seeing that the use of the telegraph is daily on the increase among all classes in India, we should reasonably look for a satisfactory increase in profits. I trust, my Lord, that the time is not far off when there will be only two classes of message, 'urgent' for which the public are quite prepared to pay a special rate as now charged, and the 'ordinary' which latter might be based on the present charge of deferred telegrams. I am aware that it will naturally lead to a great increase of traffic which will throw a great strain upon the Telegraph Department and will require new lines and an increased staff. But with a well organised system and with a well paid and satisfied staff there should be no difficulty in meeting all the requirements made upon this great service.

"The estimated net Railway receipts are, I observe, placed at £294,000 as against £817,000, the net result in the revised estimates for 1901-02. This I consider unduly low. I trust, my Lord, the Government of India will not look upon railways in India as forming a too important part in the revenues of the country. Railways are a means to an end, and that end is the development of the country at large and the progress of civilisation by means of easy and cheap

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locomotion for the masses. We must not, therefore, attempt to unduly inflate the earnings of railways by maintaining a high level of rates. For instance, if the rate on coal from the collieries to Calcutta be found too high in view of the present existing competition with Cardiff coal at the great consuming ports such as Bombay and Colombo, the rate should be reduced just as steamer freights have been reduced to meet the position. Here then is a case where an officer specially appointed to watch and assist trade interests, such as a Director of Commerce and Customs, would be able to do good service to the State and to the trade of the country by carefully looking into and examining points raised by the trade affected. My Lord, it is time indeed that Government should do their utmost to assist commerce, not only by investigating such questions as I have raised but by doing what is possible to assist in the promotion of schemes for the development of industries in India—schemes which are well thought, well considered and well supported financially.

"In conclusion, I would congratulate Your Excellency and your Government on the very hopeful prospects for the coming year. If we are spared the infliction of famine, if we have only to deal with the ordinary course of events, there is seemingly no reason why the coming financial year should not shew a splendid surplus far in excess of that estimated by the Hon'ble but cautious Member."

The Hon'ble MAHARAJA OF DARBHANGA said :—"My Lord, it is hardly necessary for me to assure Your Excellency that there is universal and genuine satisfaction throughout the country at the prosperous financial circumstance revealed by the Budget Statement which was presented to this Council last week.

"'Fortune,' says the Hon'ble Member in charge of the Finances, 'has given us an unique opportunity, and we have spared no pains to make the best of it.' I gratefully acknowledge that this is indeed the case. The remission of nearly two crores of rupees of arrears of land-assessment in distressed districts will be widely appreciated; and the motive and the value of the boon which is conferred is in no way lessened by the circumstance that in all probability a portion of these arrears would ultimately have proved irrecoverable. Then, again, the proposed grants-in-aid of irrigation works, education and sanitation are one and all unexceptionable. They will be heartily approved and afford a striking indication, if indeed any indication be required, of Your Excellency's unceasing efforts to better the condition of the people of the country.

"But, notwithstanding these substantial concessions and allotments, and notwithstanding the conclusions which may reasonably be drawn from the figures

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placed before us, the Hon'ble Member in charge of the Finances appears to entertain anything but a cheerful opinion regarding the future. As I read the Budget Statement, I find myself bidden more than once to be cautious in my anticipations on the subject of future surpluses and to refrain from counting with too much certainty on the continuance of the financial prosperity which forms so prominent and so pleasing a feature of the situation today. The Hon'ble Member is, no doubt, right in thus warning us against over-confidence; and I hardly like, in face of these gloomy prognostications, to plead for a remission of taxation, should our good fortune attend us for yet another year. But it was certainly hoped by many that with the handsome surplus which it was expected would be declared, a revision of the system on which the income-tax is collected might have been attempted. This has apparently not been found possible; yet I trust the proposal will not be altogether lost sight of. May we not look on a future occasion, when the conditions are as favourable as they are today, for an exemption from the tax of all incomes below Rs. 1,500 a year? The present limit of Rs. 500 a year is far too low, and on people of the class who earn sums from Rs. 50 to Rs. 200 a month the tax presses very hardly. There is surely some ground for extending consideration to them in the fact that in England not only is the taxable limit fixed at £160, that is to say, Rs. 2,400, a year, but there is a perfectly well-graduated system of income-tax in the case of small incomes above that amount. And if we turn to other countries, we shall find that graduated systems of income-tax have been successfully established in Prussia and many other States of the German Empire, in Austria, Sweden, Denmark and Switzerland, in the towns of Holland and Belgium, and in English colonies, such as Victoria, South Australia and New Zealand. Cannot a similar principle be introduced in India, which is admittedly a far poorer country than England? I would respectfully beg Your Excellency to direct your attention to this matter. The judicious treatment of it will ease the burden of many a poor clerk and many a struggling head of a family who can ill-afford the heavy contribution levied upon him in the shape of income-tax. To ask for the total abolition of the tax I recognize to be useless; but I would submit that it may well be made less hard and unyielding in its incidence.

"I now turn, my Lord, to the discussion of a question which, to my mind, calls loudly for consideration on an occasion such as this: and while, as I have already said, I sincerely join in most respectfully congratulating Your Lordship's Government on the prosperous condition of the finances of the country, I feel I cannot keep it in the background. How comes it that, in spite of a surplus and in spite of the fairest anticipations for the future, Indian industries continue so much depressed? It is well known that, as a rule, the produce and the

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manufactures of India find a sale in European markets and elsewhere on account of their relative cheapness rather than on account of any special merit they may possess. But, as matters now stand, other countries, by cheapening the cost of internal carriage, by the adoption of a more scientific treatment of crops, and by taking advantage of what I may call the march of civilization, have put themselves in the position of being able to compete with Indian produce and manufactures in the matter of price, altogether irrespective of quality. This is, no doubt, a serious factor in the situation, and makes it perfectly clear that to hold our own the cost of Indian articles must be reduced to a still lower figure. But in the present depressed condition of trade this is hardly possible, unless some reduction can be made in the cost of internal transport. I am not blind to the encouraging indication afforded by the increase in the customs-revenue of a marked development in the purchasing and consuming capacity of the country. I rejoice at it and I freely admit that it is the requirements of the indigenous population which are responsible for this satisfactory result. But the growth will never be steady and substantial, unless a healthy flow of exports is stimulated by the cheapening of the rates of carriage. The more the exports that go out, the more the imports that will come in and help to swell the volume of the customs-revenue. The Hon'ble Member in charge of the Finances, I observe, acknowledges with regret that, while money in London seeking investment is sufficiently plentiful, the number of investors to whom Indian stocks are familiar is, unfortunately, extremely limited. Now, why should this be so? There are many industries in India to which it might have been expected that, under normal circumstances, English capital would be attracted. But what English capitalist will put his money today in tea or indigo, or such manufactures as cotton-goods and paper, or in flour and oil mills? Jute manufactures and coal are the only two industries of which it may be said with any degree of truth that they are fairly prosperous; yet in the very nature of things they cannot absorb much English capital, for it would need only the investment of a comparatively small amount in the raising of new jute-mills or in the increase of the output of coal to swamp these two industries. The other industries are, it is true, some of them, in their infancy, but they are not prospering as well as might be expected. I should not like to say that any of them are permanently overdone—overproduction is a phrase which is nothing more than a relative term, meaning, generally speaking, that at the price required to meet the cost of production, including a living wage to the worker, consumption must be limited. But they require encouragement, and encouragement in a particular direction. Anything that operates to reduce the cost of production must advance the position of a country in respect of the articles with which it can

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deal. It is for this reason that manufacturers in Lancashire, Sheffield, Bradford and Leeds, and manufacturers and producers of agricultural products in India, are so very largely interested in the promotion of cheap internal communications in India. The Hon'ble Member speaks of the competition of coal shipped from Europe, and recognizes that, when freights are low, this competition makes itself severely felt. He invites us to hope that improvements in arrangements connected with the land transport and handling of coal will leave a larger margin for profits on shipments. But upon what does he base this hope? What improved arrangements have been made which are connected with land transport. Is it proposed to lower the rates so as to enable the collieries to bring down their coal to Calcutta at a freight of one rupee a ton, so that it may compete with foreign imports? How is a great mineral traffic to be developed unless the railways will work at a rate which will make the mineral marketable throughout India? In England robust competition has played a most beneficial part in reducing the cost of internal transport; and the same factor has been at work in lowering the cost of carriage over seas. Ship-owners cannot be accused of hampering trade with India; nor can India complain of her geographical position. India's incubus is to be looked for, as I venture to think, in the heavy railway rates, in the absence of all competition among the various railways which enables them to keep up those rates, and in the want of adequate means of internal communication by means of feeder lines. The need for feeder-lines to carry traffic to the big systems and of small-gauge lines to open tracts which even the metre gauge will never serve, is admitted on every side. These are undertakings with which Government cannot reasonably be expected to burden itself; but unhappily the would-be promoters, without whose aid they cannot be constructed, hang back except in isolated instances. In spite of the frequent publication by the Railway Department of notes on the construction and financing of branch lines by private enterprise, the results do not indicate that the proposals and terms offered commend themselves to merchants, investors and financiers. If I am rightly informed, the Hon'ble Member in charge of the Public Works Department has under his consideration the question of revising the existing rules in regard to the construction of feeder lines by the agency of private companies, and it is not perhaps therefore necessary for me to say very much on this head. But, if Your Excellency should think fit to favour the Council with a public exposition of policy, I need hardly say that it will be received with the utmost interest. For this is a matter in which not only certain syndicates are concerned, but the whole country. If progress is desirable in the construction of lines of railway by private enterprise, the Railway Department must (if I may be allowed to say so) strive to accom-

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moderate itself more to the views of its constituents. Liberal inducements must be offered to private promoters, and business men met in a business-like fashion. Capital is impatient of delay, and the delay which is incurred in negotiating concessions with the Supreme and the Local Governments is one of the most potent factors in deterring financiers at home from under-writing a proposal for the construction of an Indian railway. I would submit that, in instances where Government neither guarantees interest nor provides capital, it need not concern itself with regard to the capital cost or the flotation expenses. The public, as original subscribers and afterwards as purchasers of the stock, are quite competent to take care of themselves. Then, again, there are many instances where a Government guarantee is necessary to attract capital, although a project may be financially sound. And, inasmuch as trust-money cannot be invested without a Government guarantee, I would submit that a more generous policy might be adopted, and Government guarantees more freely and liberally given, in order to attract capital. The fact that the State is the owner of many of the main lines is perhaps sometimes an unfortunate one. I do not say that the main line should not be consulted in regard to any branch-line schemes, but I would urge that it should not have the power to block such proposals on the mere selfish ground that they intrude on its monopoly of traffic. For it is active competition in trade and traffic that India is so urgently requiring; and it is, therefore, if I may respectfully say so, much to be regretted that in his address to the Indian Railway Traffic Association the other day, the President should have set his face against competition and said that 'Government desired to see compromise made without resort to active competition.' It is just this want of active competition which is at the bottom of the deplorable treatment served out to coaching and goods traffic by the railways serving Bengal. They have no need to seek out trade and traffic in order to ensure their existence, as English railways have to do, and there is consequently an utter failure to meet the requirements of trade in the carriage of goods. It may be urged that a policy of push is impossible; yet what has been the result of that policy elsewhere? Is it not recognized to-day by the commercial world, if not by the whole civilized world, that but for the energetic extension and development of railroads in America, the vast mineral resources of that country could never have been utilized as they have been, or the finances of the country placed in so prosperous a condition? It has never been the practice in the United States to regard promoters of railway schemes with suspicion. Cannot similar principles be adopted in India? Whatever may be the reason, the fact remains that Rothschilds and Barings and Morgans and other great London financial houses will not turn their attention to Indian

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railway schemes and that they have not brought to India that wealth which they have expended so freely upon railway schemes in other and competing countries. It is a pity to allow all this available capital to flow into Argentine and Chile, and elsewhere, when there is so large and important a portion of the British Empire where it might be so usefully and profitably employed. What if a few railway lines do not pay, and even if some have to be wound up? Commercial enterprise does not consist of a long unbroken record of successes. In my humble opinion, if Government could see its way to withdrawing gradually from active interference both in the promotion of railways and in the traffic of the railways in India, it would be conferring a substantial benefit upon the commerce of the country. The duty of Government, as it appears to me, lies rather in the direction of inducing, by every means in its power, capitalists to construct railway lines without coming under a guarantee of interest, or if that is impossible, for the reasons I have stated, then to encourage them by guaranteeing a small rate of interest or a rate of interest for a given term of years and permitting the shareholders in the line to have the whole of the profits. And, in order to safeguard the public from the imposition of excessive rates which would produce too high a range of profits, Government should, I submit, abandon the average minimum mileage rate, and concern itself in protecting the public by enacting a maximum mileage rate, as the Home Government does.

"I have so far proceeded on general principles, and should now like, with Your Excellency's permission, to take a concrete instance, with which I am personally acquainted. The Sakri-Jainagar Railway is an important feeder-line which, it has long been proposed to construct. Its length is some $30\frac{1}{4}$ miles, and already some twenty-eight million feet of earthwork have been undertaken and completed as a famine work. Four years have elapsed since then, and nothing done in the interval; and the question now is—Who is to finish the railway? One proposal is to induce the Bengal and North-Western Railway to undertake the work; the other and the better alternative takes the form of an offer from Messrs. Martin and Company, who are willing to submit an estimate for laying a light railway or steam-tramway. Now there can be no doubt that, if the District Board could raise a loan for initial outlay on account of laying the lines and rolling stock, the venture could be worked at a satisfactory profit; for the line divides the country between the Bairagnia line, which connects Sitamarhee and Darbhanga, and the west line from Sakri, which runs into the Bhagalpore District at Nirmali, and it passes through the thanas of Madhubani and Khajauli to the borders of Nepal. It is purely, therefore, a

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district feeder, and I submit that the time has clearly come for Government to hand over the project to the District Board of Darbhanga, leaving them to make their own arrangements with Messrs. Martin and Company or any other Calcutta firm for the construction and working of this light feeder railway. In any case, a definite answer should be at once demanded from the Bengal and North-Western Railway as to their willingness, or otherwise, to complete the work. As I have said, four years have gone by without anything being done, and I venture to think the instance is a good one of the discouraging delays which seem to beset the initiation in India of works of public utility such as these. Everyone in the district will be benefited by the line; nearly the whole of the earthwork has been completed; and yet the Railway Department cannot be induced to move.

"I hope Your Excellency will not think that I have been acting an ungracious part because, in the observations I have been venturing to make, I have been dwelling upon shortcomings instead of indulging in well-deserved congratulations. Nothing has been further from my mind, but it is an undoubted, if regrettable, fact that in the Lower Provinces, for which I am privileged to speak, there exists grave dissatisfaction concerning the matters I have laid before you. And I am encouraged to speak freely because we have not only found out that Your Excellency does not discourage criticism, but we have reason to believe that Your Excellency is not averse to efforts to direct your attention to matters of public grievance and complaint. We have had a conspicuous example of this in the deputation of Mr. Robertson to inspect the various Indian railway systems and in the recent Resolution of the Government of India on the question of the introduction of third-class corridor carriages fitted with latrine accommodation. The last-named is a concession which the travelling public have been awaiting for years; and I am rejoiced to find that effect has been given to the representations made by my late brother when he occupied the place in Council which I have now the honour to hold. The boon will be greatly appreciated, and I can assure Your Excellency that you have thereby earned the thanks of thousands.

"There is another instance of Your Excellency's kindly interest in the welfare of the people which I beg to be permitted to gratefully acknowledge. During the debate on the Assam Emigration Bill last year, Your Excellency was pleased to suggest that the sale of tea might be profitably developed in India itself. That suggestion was readily taken up by the Chamber of Commerce; and what has been the result? There can be no doubt that the Tea Expansion Commission is making most satisfactory progress under the energetic direction of Messrs.

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Andrew Yule and Company, and the results must be most encouraging to Your Excellency to whom the idea is due. I see in a daily paper that from September to December the amount of tea sold in pice packets was valued at 2½ lakhs of rupees, while for January and February the value of the pice packets sold amounts to nearly 2½ lakhs—an increase of about 80 per cent. Similarly, for the five months, August to December, 66,800 odd cups of tea were sold through the agency of the Expansion Commission; while in January and February the sales were close on 50,000 cups. Such a marked increase shows a large field capable of further development, and we may, I think, augur the happiest results in the future for the enterprise. One of the great points about the Commission undoubtedly is that it brings within the means of the poorest, unadulterated pure tea at the very cheapest price, and the end has by no means yet been reached. Much remains to be done in the Bengal districts and in Northern India, where the field is practically unlimited, and there should be no difficulty in securing the custom of the 170 millions of railway travellers who must thirst for the comforts for a cup of tea when on their journey. If the Commission meets with the support it deserves, I venture to think that we shall hear no more in a few years of the overproduction of tea, for India with its three hundred millions of inhabitants should easily consume 20 million pounds of tea annually.

“There is another subject of importance to which I desire, with Your Excellency's permission, to very briefly refer. I allude to the possibility of the removal of the countervailing duties on sugar in India, in consequence of the findings of the recent Brussels Conference. As one who has all along been an advocate of countervailing duties, I trust that no such idea will commend itself to Your Excellency's Government. Authorities at home, who have approved of countervailing duties for India, are emphatic in their warning that the Government of India should not entirely remove those duties, unless the cartel system in Germany and Austria is given up. In other words, India must countervail cartels. For the benefit of those of my Hon'ble colleagues who may not have had the opportunity of minutely studying this interesting question, I may point out that this cartel system is a combination between the growers and the manufacturers of sugar. The former agree to sell the whole of their produce to the latter at a certain price. The latter agree, in return, to demand a certain price on all manufactured sugar sold for home consumption. Now it might be supposed that the importation of foreign sugar would interfere with this arbitrary price fixed by the cartel system, but it so happens that this has been prevented by the high customs tariff in force, as the following illustration will show. Germany produces about 1,250,000 tons of sugar at a cost of something

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like £9 a ton; while the consumption of sugar in Germany amounts to about 750,000 tons per annum, which is sold at the rate of £12 a ton. The balance of the crop, which is 500,000 tons, is exported at a price of £8-10-0 per ton, which represents a loss of 10s. a ton. It will be observed that the loss on the quantity exported is more than made up by the profit on the sugar sold for home consumption, exclusive of other hidden trade-profits: and it is clear, therefore, that this cartel system can only be maintained in a country if the customs tariff is so high as to shut the importation of sugar from abroad. I understand from Reuter's telegrams that one of the recommendations of the Brussels Conference is to reduce to a uniform rate of 6 francs the customs tariff, which now ranges from 25 francs per hundred kilos in some countries to a still higher tariff in others. We have yet to see if this uniform rate of 6 francs will be sufficient to support the cartel system by preventing the importation of foreign sugar into the cartel countries; but in any case I would submit to Your Excellency's Government that no step should be taken in the direction of removing the countervailing duties until the position is thoroughly and fully understood. The cartel system is, of course, a trades combination pure and simple, and, as such, must be distinguished from the old bounty system, which was a direct invitation by Government to sugar exporters to enlarge their business on favourable terms. Now, it may be asked why Continental Governments are so much interested in the cultivation of beet sugar. In the first place, it brings in a land-rent or cess; in the second place, it provides employment for a numerous class; and in the third place, it has given birth to a number of important industries, which have been of the greatest benefit to a nation. These industries are by no means confined to the actual product, for the refuse from the beet provides excellent fodder, and as cattle are largely used for agricultural and draft purposes on the continent, such pursuits as dairy-farming and cattle-rearing are indirectly very substantially benefitted. Such being the case, I submit the Government cannot be too careful in watching the attitude of Germany and Austria; and I would venture respectfully to submit that the utmost caution should be exercised in a matter such as this. The Countervailing Duties Act is slowly but surely doing its beneficial work, and I hope it will be long before it disappears from the Statute-book.

"I have very little more to add, but I venture to say a few words in connection with what has fallen from my Hon'ble friend who represents the Bengal Chamber of Commerce on the subject of the improvement scheme for Calcutta. There are no two opinions regarding the necessity and the desirability of such a scheme: but the matter which is troubling the minds of the inhabitants of Calcutta is its financing. It is understood that no increase in the

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municipal rates is contemplated; and the question is on every one's lips, How, then, will the enormous sum be obtained which will be required to carry it out? If a Government loan is floated, as the public generally hope will be the case, from what sources will the interest be met? The municipal revenues are incapable of meeting the charge, for the Corporation have already more than enough to do with the funds at their disposal: and it is not easy to point to any particular branch of imperial revenue which can be conveniently set aside for the purpose. Your Excellency may have observed that the question is exciting considerable interest in Calcutta; and, while as a ratepayer of the City and a representative of the ratepayers in my capacity of elected Member for Bengal, I am confident that Your Excellency will attach due weight to any expression of our views which we may at any later stage submit, I would venture to add that public anxiety would be sensibly allayed, and much misunderstanding averted, if any indication could be afforded of the intentions and proposals of Government.

"With these observations, my Lord, I beg to be permitted to bring my remarks on the Budget Statement to a close. I fear I may be held to have trespassed unduly upon the time of Your Excellency and of the Council; but the importance of the occasion must be my excuse. I shall be more than rewarded if even the smallest of my suggestions is deemed worthy of Your Excellency's attention."

The Hon'ble RAI BAHADUR BIPIN KRISHNA BOSE said :—"My Lord, taking advantage of the permission kindly given by Your Excellency, I beg to lay on the table a note* on the recent resolution of Government on Land Revenue policy and administration.

"Regarding matters dealt with in the Financial Statement, I have only two remarks to make. The decision to utilize a portion of the money which favourable financial circumstances have placed at the disposal of Government in giving remissions of land-revenue, which has fallen into arrears under the stress of agricultural misfortunes, will, I make no doubt, give general satisfaction. It will not only give a much-needed pecuniary relief, but will remove a great cause of anxiety and embarrassment to the landholding classes, and thereby materially help in the process of recovering the ground lost during the past six or seven years. The generous manner in which the Central Provinces have

* *Vide* Appendix I.

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been treated in this matter will evoke feelings of deep gratitude among the people there. I have to say the same of the decision to abolish the pándharī-tax. This tax was introduced in the early days of the Central Provinces Administration, as it was found to be in force under the Bhosla Rulers of Nagpur. But the Central Provinces, as constituted in 1862, included territories which had never formed part of the kingdom of the Nagpur Rajas and where the people had never paid any pándharī. Nevertheless, for the sake of uniformity, I presume, the tax was ultimately brought into operation throughout the Province. Its objectionable features have often been the subject of comment, and its disappearance will be hailed with delight and thankfulness."

The Hon'ble MR. HARDY said:—"My Lord, before I refer to one or two points arising in connection with the Budget that has been so lucidly presented to the Council, I desire to join Hon'ble Members who have already spoken in congratulating the Government of India on the financial results of the year. In spite of lingering famine and persistent plague, the revenues of the country have exhibited not only stability, but a remarkable elasticity and power of expansion.

"It is natural, in view of the large surplus of the year now closing and with the prospect of a substantial surplus in the coming year, that pleas for the lightening of taxation should make themselves heard. The question of the remission of the income-tax has already been raised in more than one quarter. If the demand is for the abolition of the tax, I think it only needs to be formulated to be rejected. The classes who pay income-tax derive, from the security British rule gives them, greater benefits than any other part of the community; and to allow them practically to escape taxation would be a grave injustice to all other taxpayers. But the proposals of the Hon'ble Mr. Turner and of the Hon'ble the Maharaja stand on a different footing: and although the minimum of assessable income they respectively propose appears higher than is necessary, there is much to be said in favour of raising the present minimum. I cannot, indeed, agree with the Hon'ble Mr. Turner that natives of this country in possession of incomes of from 500 to 1,000 rupees a year are in any sense of the word poor men: and the case of the clerks employed in Calcutta and other large cities is exceptional. But the difficulties in correctly ascertaining the incomes of the smaller taxpayers are, as assessing officers know, very great, and the belief is general that the tax presses too heavily on the poorer classes of assesseees, while their richer brethren escape too lightly. The duty of assessment, hearing appeals, and collecting the tax, adds a very heavy burden to the labours of our over-worked establishments. From statistics which Mr. O'Connor has kindly prepared for me, it appears (I am taking the figures for 1899-1900) that

while the total number of assesseees is 501,000 who pay Rs. 1,93,00,000 income-tax, classes I and II, *i. e.*, the assesseees whose incomes are below Rs. 1,000, number 308,880 and pay only Rs. 35,13,500. In other words, more than three-fifths of the assesseees are persons with an income below Rs. 1,000, and they pay less than one-fifth of the tax. The relief to both the assesseees and to the assessing staff would be great if incomes below Rs. 1,000 were exempted; and a more careful enquiry into incomes over that sum would be possible and would, I believe, result in an appreciable increase in the tax paid by the wealthier classes.

"Turning now to matters which more directly concern the Provinces I have the honour to represent, I desire to recognise the great liberality which has been shewn by the Government of India in framing the Budget for the coming year. With the aid of the special grants amounting to 13 lakhs and by indenting on their existing balances, the United Provinces hope to be able to meet the administrative requirements of the year, though difficulty may arise, if, as is likely, large remissions of takavi have to be made. To this point I shall refer later. The Local Government is particularly grateful for the liberal remissions of land-revenue, and especially for the Government of India's having taken the entire burden on their own shoulders. These remissions give the Provinces a clean revenue slate, the arrears, which were virtually the result of famine or of the exhaustion of agricultural resources consequent on famine, being wiped out. But I cannot help expressing a regret that it has not been found possible to extend similar help in the case of the takavi arrears for the same period. These arrears amount with interest to over 9 lakhs of rupees, and represent advances made by Government for seed, cattle, wells to enable the poorer agriculturists, tenants as well as landlords, to weather the strain and stress of bad years. If it be the desire of Government—as I doubt not it is—to help those agriculturists who most need help, none can have greater claims to consideration than those tenants who in the time of their extremity invoked the aid of Government, and who are now unable, without extreme hardship, to repay the debts then incurred. It is not the intention of the Local Government to deal hardly with these men. On the contrary, it feels the necessity and justice of remitting arrears which cannot be collected without undue pressure. But if the Local Government adopts this attitude, unassisted by the Government of India, it will be a heavy loser. For it is responsible to the Government of India for the repayment of these loans, and any remissions which may be granted become a debit against Provincial Funds. It follows that, if the Local Government deals liberally with its debtors and receives no assistance from the Government of India, it will be compelled to lose a sum

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nearly equivalent to the 8 lakhs special grant which it has received. I may be allowed here to point out that while the United Provinces are grateful for the liberality shewn them in the matter of land-revenue, they receive only 6½ lakhs out of Rs. 1,98,00,000 remitted throughout India: the remission being only one-sixth of the amount allotted to the neighbouring Province of the Punjab, which pays a much smaller total revenue.

"There is only one more point with which I have to trouble the Council, and it relates to the Provincial Settlement which is now expiring. It will not be denied that the United Provinces cannot carry on the administration on the present contractual terms. The Local Government began the year 1899-1900 with a balance swollen with heavy recoveries of famine-arrears, and has been living on these and on occasional grants from the Government of India ever since. For the coming year the prospect of falling below the minimum balance has compelled economies leaving the lowest sum with which it is possible to carry on the administration. That sum, omitting all special grants from the Government of India, and an abnormal item of railway expenditure, is 385 lakhs.

"Starting from 385 lakhs as a minimum, an assured increase of 10 lakhs a year under Education will have to be added: a lakh is needed for improved supervision of the Police: 4 or 5 lakhs are required if the district boards are to be placed on a proper financial footing. The necessity for aiding the large municipalities in completing drainage-schemes and in carrying out other sanitary reforms is especially urgent in view of the inroads of plague. Many of the municipalities of the United Provinces have large populations, but they are not wealthy as a rule, and the expense of introducing waterworks has hampered their finances. I say nothing of the normal growth of the needs of the administration: the normal growth of the revenue may be trusted to provide for these. But whenever the terms of the settlement are revised, I would urge that a sum of 4 crores is needed for the efficient administration of the United Provinces. They contribute largely to the Imperial coffers; and within the last ten years they have increased their land-revenue income alone by 42 lakhs, three-fourths of this sum being a credit to the Government of India. A careful calculation shews that the United Provinces contribute a larger proportion of the income raised within their borders than does any other Provincial Government, Madras not excepted. I do not endeavour to elaborate this point and I do not urge that a rigid calculation should form the basis of the coming settlement. But I trust that the Financial Member will take the fact into consideration when dealing with the difficult and delicate questions which will come before him. The United

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Provinces can fairly claim to be carefully and economically administered, and I venture to put forward a request for their liberal treatment in this period of financial prosperity."

The Hon'ble SAYYID HUSAIN BILGRAMI said :—"I will avail myself of Your Lordship's gracious permission on the present occasion to offer a few observations on topics affecting the prosperity of the country and the cause of good government in which both the rulers and the ruled are equally interested.

"One of the questions that have of late been agitating men's minds is that of famines in India and the poverty of the people. It is alleged that the system on which revenue is raised from land under British rule is responsible for the want of staying power betrayed by the cultivating classes under pressure of scarcity, that in point of fact famines now are money famines, not grain famines, and that the sin of having brought about such an economic catastrophe lies at the door of Government. The ability and moderation with which these views have been advocated have elicited from Your Lordship one of the most remarkable State papers of our day, based upon information furnished by expert administrators in all parts of India, whose sympathy with the people is unimpeachable. It has been shown that the condition of the cultivating classes is not so bad as has been represented, that it has all along been receiving anxious attention from the Departments concerned, and that still closer attention will, in future, be paid to the problems raised in this controversy.

"If, however, one who does not pretend to expert knowledge and can only speak from casual observation may be permitted to speak on a matter that is engaging the attention of the ablest men in the country, I would crave Your Lordship's indulgence for making a few very brief observations.

"1. In the first place then I wish to state that I have not seen any sign of the grinding poverty that is said to exist. Agricultural labourers in many parts of India no doubt live on inferior varieties of grain such as madwa, ragi, jowari, etc., but this has been their staple food from time immemorial. The better classes of produce, such as rice, wheat, etc., they are accustomed to convert into cash. On the other hand, observation leads one to conclude that the level of domestic comfort has risen within the last fifty years among peasant-proprietors and cultivators. They are better clothed and live in better built cottages and are altogether in better plight than their fathers. It has been observed that they resort oftener to law-courts and spend more on their weddings and other ceremonies.

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"2. But granting that poverty of the kind complained of does exist in some parts of India, the causes that have brought it about should, it seems to me, be sought elsewhere than in the weight of assessments. The increase of population in some provinces and the total absence of other industries has a constant tendency to increase the number of mouths to be fed on agricultural labour, and hence it comes to pass that wages do not keep pace with the rise in prices and the earning of the labourer tends to gravitate to a figure that will just keep body and soul together. If the natural resources of the country were better developed, if more capital were sunk in indigenous industries, an increasing proportion of the surplus population would be tempted off purely agricultural pursuits and the pressure on land would thus be relieved. Such industries as are to be found in the country are mostly in the hands of foreigners, and, although they employ native labourers, their proportion is not a hundredth part of what it would be if native capitalists came forward to open new industries for their own benefit and the benefit of the country.

"3. There can be no doubt that there is more money in the country now than there was, say, in the year 1800. This is proved, first, by the enormous rise in the price of commodities, secondly, by the steady increase in imports, and, thirdly, by the net imports of the precious metals. I do not propose to have much to do with figures, but I cannot resist the temptation of quoting the value in rupees of the imports for three years each a quarter of a century apart. The imports in merchandise in 1850-51 amounted to Rs. 11,55,87,890; in the year 1875-76 they had risen to Rs. 38,89,16,552, and in 1900-1901 they had mounted up to Rs. 80,89,45,896. The gross import of precious metals in 1850-51 amounted to Rs. 1,15,53,100 in gold and Rs. 2,65,64,980 in silver. In 1875-76 the imports rose to Rs. 1,83,63,811 gold and Rs. 3,46,43,413 silver. In 1900-1901 the amounts imported rose to Rs. 11,89,80,107 gold and Rs. 12,67,87,421 silver. The net imports for both metals amounted to Rs. 3,27,05,190, Rs. 3,10,04,801 and Rs. 13,48,91,672 for the three years respectively. This seems to me to be an evidence not of increasing poverty but of increasing wealth.

"4. Famine in any locality in the old days meant a total disappearance of food, as shown by the extraordinary height to which prices rose. It affected, moreover, a population less dense among whom proprietary cultivators very considerably out-numbered those who were merely field labourers dependent on daily wages. Now in times of famine the rise in prices is nothing like so high, and it may therefore be concluded that the catastrophe is not so acute or so crushing. But this advantage is counterbalanced by the fact that land has now more

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mouths to feed of a class utterly unable to offer much resistance, day-labourers in fields and villages notoriously improvident by nature and by habit, and living from hand to mouth. Some idea may be formed of their numerical strength from the following figures. Out of a population (omitting thousands) of 212 million souls there are 31 million field and casual labourers and 53 million landowners and cultivators in the British Provinces ?

“5. The experience of famine-relief officials points to the conclusion that since the early sixties peasant-proprietors are seldom to be seen on relief-works in times of famine. With the one exception of the last great famine, which was preceded in most of the affected areas by a cycle of bad years, and which involved a wholesale destruction of cattle from want of fodder and drinking water and the complete loss of crops, by reason of which cultivators in large numbers were obliged to resort to these works, day-labourers and artisans alone avail themselves of such means of relief. May not one conclude that economic conditions have improved since 1860, and that if the great famine of 1899-1900 had not been so absolute and widespread, involving, as it did, an area equal to nearly one-half of the whole of India, and if both cattle and crops had not been so utterly destroyed, peasant-proprietors and cultivators would still have kept away as before from relief-works ?

“6. There is no reason to believe that famines are more frequent now than in former days. Thirty or forty years ago every well-to-do native household harboured one or more so-called slaves, obtained sometimes in return for a small measure of corn from their parents in famine times. Parents still resort to this mode of saving their own lives and those of their offspring, but their number is nothing so large as it used to be. In pre-British times there was practically no India—there were a great many Subahs and Principalities, but no consolidated Empire; and calamities that befel one Subah scarcely ever affected other Subahs and were seldom heard of, certainly never recorded in Blue Books or other annals. Now-a-days a famine in any part of India, however remote, is not only known and recorded at once, but is predicted with greater or less precision long before it has made itself actually felt. Season reports keep the public *au courant* with crop prospects indicating different degrees of shortness by means of a sliding scale of proportionate figures. There was no census in the old days, and no one knew, except by a round guess, if any one took the trouble to guess, how many were swept away by famine or other scourges. Now the number of deaths is estimated and recorded with as near an approach to accuracy as possible, and all the world is soon placed in possession of the figures.

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"7. In well-watered regions famine is seldom heard of, as witness Lower Bengal. In the Rohilkhand Doab in the North-West there has been no famine to speak of since 1837-38. In the region irrigated by the Krishna and Godavery Canals in the Madras Presidency famines are rare and the people are prosperous. I think we are entitled to infer from this that the less a Province depends on the monsoons for its crops, the rarer are the visitations of famine in that Province.

"8. The increase of litigation in Behar, Oudh and other Provinces I take to be a sign of growing prosperity. The great increase of pleaders, mukhtars and the smaller fry who in one way or another live and thrive on work connected with litigation in district towns, in tahsils and in Munsif's Courts, affords indubitable proof of the growing prosperity of peasant-proprietors and cultivators.

"9. An impartial observer is bound to admit that if our peasantry were less reckless in borrowing money far beyond their means, to spend on ceremonies, if they were less prone to ease off labour when sufficient has been earned wherewith to pay rent and have in hand something over to live on during the year, we should hear very little of distress and poverty in ordinary times of scarcity. It is also to be remembered that famine in an isolated Province is now often a godsend to neighbouring Provinces where crop returns have been normal. This adds considerably to the recuperative power of our peasantry. Agriculturists have been known to recoup their previous losses three or four times over in a single prosperous season from a sudden rise in prices.

"10. Whether the State or the peasantry are entitled to the whole or part of the unearned increment is a question not to be determined by the theoretical economist but by the actual administrator according to the needs of the administration. Preparedness for the defence of the country from all possible external or internal foes, the development of its resources, the construction of roads, railways and canals, the diffusion of knowledge among the people, in fact all progressive advancement from good to better and from better to better still must depend, in an entirely agricultural country like India, on the continued and progressive enhancement of the surplus left over after allotting the cultivator his fair share of the net value of his outturn over and above the cost of cultivation and other such almost constant items of expenditure. If this surplus becomes stationary or grows less from year to year instead of increasing, then, we may take it, the State is in a decline, and that it is time for the statesman at the helm of affairs to look about him, for there are surely rocks ahead. If, on the other hand, the surplus increases from year to year, we are entitled to infer that the country is prosperous and that the State has the means at its disposal of continuing on a path of progress all along the line.

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" 11. This surplus from settlement to settlement amounts to as much as four or five times the original amount in some of the Indian Provinces where a thirty years' settlement is in vogue. This I take to be a sign of growing prosperity, not of impoverishment, and, if the cultivator was provident enough to save the progressive increment within the term of the settlement, he would for years to come be ensured against any famine short of such a famine as that of 1899-1900.

" 12. The allegation that light assessments are preventive of famine is, I submit, fallacious. Take for instance the assigned districts of Berar. This is notoriously the most favoured province in all India. Nowhere else are assessments so light or the cultivators more prosperous. According to the Famine Report for 1899-1900, there had been no drought in the Province and no failure of crops until the partial failure of 1896-97 and the total failure of the monsoon in 1899. This reduced the outturn to 25 per cent. of the average of the previous ten years, with the result that nearly 20 per cent. of the population went on relief-works, although the price of grain was never very high and there was plenty of it in the country. Yet the census of 1901 returned a decrease of 144,000 souls in the population! In the famine of 1869 in Ajmere, on the other hand, people were found dead of starvation who had money in their pockets.

" 13. It ought to be possible to make an organised effort in rural districts to persuade the cultivating classes to adopt more moderate expenditure of money at birth, marriage, affiance and other ceremonies. If such efforts have been successful among a proud people of immemorial traditions like the Rajputs of Central India, there is reason to hope that earnest efforts in this direction by some of our able and disinterested patriots, who wish to serve their country, would bear good fruit. A few men of light and leading working on this noble mission among the people would not only be able to help in arresting the advance of agrarian ruin, but would by personal observation throw invaluable light on the economic condition of the country and the truth or otherwise of the alleged growing poverty of the people.

" 14. It is sometimes urged that the action of Government has led to the gradual disappearance of village-communities, and that, when these institutions existed, the peasantry belonging to them were better able to withstand the pressure of famine than now. This, again, is a question which can only be solved by expert administrators on the evidence of Settlement-officers who have dealt directly with the cultivating classes and have had opportunities of studying phenomena with which outsiders can have but a superficial acquaintance. The

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common-sense view, however, of the matter seems to me to be that it is the general, moral and material progress of the country—the establishment of peace, the security of the highways and by-ways of trade and intercommunication, and the rise of individualism, that is really responsible for the disintegration of the old village-communities, the importance of which, I am not sure, we are not apt to exaggerate. The growth of personal freedom and individualism is indeed answerable for much more than this if the truth must be told. It is slowly dissolving the time-honoured caste system of India and the system of rigid guilds among artisans and craftsmen which is so closely allied to it. Whether these changes make for progress or the reverse is a question which, in the phase of transition through which we are passing, needs a great amount of assurance to answer one way or the other. It seems to me, however, that the causes at work are beyond human control unless it is contended that a reactionary return to an already remote past could be achieved by a simple compact between the rulers and the ruled. It is sometimes suggested that village-*panchayats* should be revived along with village-communities. But intelligent country people whom I have had occasion to consult discourage the idea. They contend that the institution does not any more carry the sanction of village public opinion and has lost the saving quality of finality. A great native statesman, whose views did not favour the judicial system of British Provinces, once initiated an extensive and elaborate experiment in this direction, not in villages, but at the capital of the State. He tried to get petty litigation disposed of by simple *panchayats* in each *mahalla* of the town. The experiment, however, proved a failure.

“15. It must be borne in mind, after all is said and done, that until the civilised world is able to solve the economic problem of poverty, States kept free from conditions retarding the normal growth of population will always have on their hands a certain varying proportion of the poor and the indigent. In European countries, where the low temperature attained in winter is an added evil, distress is much severer than we have any conception of in our warmer and more generous climate. The fact of the existence of poverty then has to be accepted in all countries, and all that the Government or the people can do is to endeavour, year after year, to alleviate its intensity and narrow its limits.

“Indian administration, my Lord, has given birth to two distinct schools of thought widely divergent in their principles and methods which may be briefly described as the Personal and Impersonal Schools. The first was more in favour in the days of the East India Company, but the opposite method has been gaining ground in these latter days. The advocates of this method would eliminate the

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personal element altogether from the administration, turn it into an automatic machine and reduce everything to rule of thumb.

"But it seems to me, my Lord, that for the mild, simple, law-abiding and thoroughly loyal character of the masses in India, an impersonal, automatic Government, however well intentioned, would be the most crushing of tyrannies. The personal equation can never be eliminated; it is, and it will continue to be, the most powerful factor in Indian administration. The people will take much and cheerfully at the hands of an official who enters into personal relations with them and is ready to take an active interest in their affairs, but the best intentioned acts of an unapproachable automaton are received with sullen acquiescence if not with positive distrust. The greatest danger of this Empire lies in too great centralization and too much red tape. At least in one great Province which is best known to me, the complaint is becoming more and more general, I do not know with what truth, that the new drafts in the services show less and less consideration for the feelings and susceptibilities of the people among whom they are placed. Now, I submit, my Lord, that if overwork has raised this barrier between District officials and the people, the sooner the barrier is broken down and demolished, the better it will be both for the happiness and contentment of the people and the stability of the Empire. If in some cases it is temperament, and not overwork, that stands in the way, then, my Lord, the sooner such officials are relegated to departments other than executive the better it will be for their own reputation and for the country. Indian administration is not their *metier*. The Indian Government cannot afford to lose touch with the people for the sake of men whose sympathies are not widely human and who only seek service here for a career.

"I believe, my Lord, that no sacrifice will be too great to bring the Government into touch with the people. In my humble opinion that is the one point towards which all effort both of the rulers and the ruled should be directed. If the fetish of centralization is an obstacle in the way, let the fetish be dethroned and let us revert to the days when there was less complication of procedure, less reporting but more direct government. The Viceroy represents the might and majesty of the Empire, but the Viceroy is not so potent as the District officer who has found his way to the hearts of the people by taking an interest in their affairs, listening to their little grievances, and treating their faults and shortcomings with that good-humoured tolerance which is one of the characteristics of the born ruler of men. I believe, my Lord, that the Indian people love an autocratic official provided he is sympathetic and just. They even prefer a high-handed man if he is accessible and kind. But a weak

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man with an irritable temper, a man without power of initiative, or a man overridden by precedents and red tape they secretly laugh at and despise. Above all, they love a gentleman and will do anything for him. Many an English administrator has left behind him a name which is a household word in our villages and towns, and is written indelibly on the hearts of the people. We want more such men if you can give them to us. It will be said perhaps that competition is not a respecter of persons and does not recognise caste. Be it so. We do not quarrel with competition, but at any rate let the choice of those who have to enter into direct relation with the people, fall on selected members of the service who have shown a capacity to rule.

"It is usual, my Lord, in European no less than in Asiatic countries to mark occasions of great national rejoicing, such as is about to be celebrated both in England and in India, with manifestations in some form or other of the Royal prerogative of kindness and mercy towards the people. May not then the people of this great dependency of the English Crown and its brightest jewel, look forward to some such mark of royal favour when our Gracious Sovereign is crowned Emperor of India? May we not hope that, as far as financial considerations will permit, a little of the burden of taxation that falls on the very poor will be lifted, and that perhaps my Hon'ble colleague, Sir Edward Law, will see his way to reduce to some small but appreciable extent the tax on salt which reaches down even to dumb animals? Perhaps also, if seasons are propitious and it is found that that Hon'ble gentleman's estimates of revenue receipts in some directions were too cautious, it may be possible to raise the minimum of taxable income from Rs. 500 to Rs. 1,000 or even Rs. 2,000.

"May we not also entertain the hope that in view of the help ungrudgingly rendered by us, in Africa and in China, the value of which has been freely acknowledged, part of the addition to our military burdens, amounting to nearly one-and-a-half millions pounds or over two crores in rupees, will be remitted. I refer mainly to the moiety of the increase due to bounties given to time-expired men in order to fill the gaps in the garrison of this country caused by the African War. This item, which for the two years 1901-1902 and 1902-1903 amounts to over sixty-four lakhs of rupees, should, I submit, like the other moiety, be borne by the Home Government. The cost again of taking a contingent of volunteers and native troops to England for the Coronation, amounting to a little over five lakhs, should, I submit, be borne by the Imperial Treasury, seeing that we are going to expend a much larger amount on the same ceremony here. In fact, it is in the just, if not generous, adjustment of the accounts between the two countries that the greatest hope of the people of India must lie for a long time

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to come. Even if circumstances should favour us with better surpluses in the near future than are anticipated in 1902-1903, these surpluses should go towards the lightening of the burdens of the poor and in making provision against famines, rather than in contributing towards expenditure with which we cannot be held to be justly chargeable and which a rich country like England can well afford."

The Hon'ble MR. PUGH said :—" My Lord, notwithstanding that I am tempted to speak upon many questions that arise upon the Budget and with regard to the state of the country, I propose to confine the few observations that I wish to make to one subject, and that is the revenue and expenditure in connection with the administration of justice, notably in Bengal. It is a sound principle which undoubtedly has been observed in England, at any rate since the time of King John, that the administration of justice ought not to be looked upon as a source of revenue. I do not, however, think that any reproach on that ground can be justly made against Your Excellency's Government if the administration of justice as a whole is looked upon, because, looking at it as a whole, no one can say that the surplus which is shown is more than what is necessary and what is reasonable. But as regards Bengal, though I am unable to ascertain from the Budget the figures with regard to Bengal, there can be no doubt, and I think the Hon'ble Financial Member will agree with me, that there is a very large surplus of revenue over expenditure realized in the administration of justice in Bengal. Well, then, it may be said that equality is the principle to be applied and the backward Provinces that have got to share in that. I venture to think that it is a sound principle that each Province should as far as may be, and speaking roughly, provide for its own wants in connection with the administration of justice. In Bengal, notwithstanding that there is this large surplus revenue from the administration of justice, there are serious and constant complaints with reference to the administration of justice. I will only mention three points in connection with this subject. First of all we have the High Court here in Calcutta. It is so undermanned, particularly as regards its ministerial officers, that the delay is a subject of very very serious complaint. I am speaking in the first instance of the delay in bringing causes to a hearing. But there is what perhaps must be considered of more importance, and that is that a very great number of references have to be made either upon the subject of accounts or upon some other subject, and there owing to the want of ministerial officers it is found perfectly impossible—and I believe it is impossible—for the present staff to get through their work.

"The second point that I wish to draw attention to is with regard to the Mufassal Courts. The Mufassal Courts are undoubtedly most inadequately housed—inadequately housed for the performance of their work, inadequately

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housed also for the protection and safe custody of the valuable records which are under their charge.

"The third point that I would draw attention to is the inferior class of men that are employed in the Mufassal Courts in the execution of decrees, so that it is a common saying that when a man gets his decree then his troubles really begin. The staff there is undoubtedly, as far as I can discover, very inadequately paid. The result is that they have to look to other sources of income more or less, if not altogether, illegitimate and illicit. Now that is a complaint which one never hears with regard to the High Court, and it seems difficult to understand why these complaints should be constant as regards the Mufassal staff provided by the Government, and these complaints should be altogether wanting when the staff is provided, as it is in the High Court, by the Sheriff of Calcutta.

"The whole of this subject that I am putting before the Council now so briefly has been fully dealt with by Sir Richard Garth, formerly the Chief Justice of Bengal, and by the late Mr. Broughton, and, as regards the state of the Mufassal Courts, that has been reported upon by Sir Henry Prinsep and, I believe, also by other Judges who have gone round inspecting those Courts. It may be said as regards those two heads, the inadequate housing of the Courts and the staff employed in the execution of decrees, that these matters concern the Local Government; but I apprehend that the answer of the Local Government would be clear and two-fold; first, that they do not get the surplus, and second that they have not the means of remedying these evils under the present circumstances of the Provincial Contract. I am not going to take up the time of the Council in enlarging on this subject, as my object in bringing it forward is that it should be taken into consideration by Your Excellency's Government, and that the Hon'ble Financial Member should turn a favourable ear to any reasonable request made to him, to induce him to furnish the necessary funds for the purpose."

The Hon'ble RAI BAHADUR P. ANANDA CHARLU said:—"My Lord, I cannot better employ the very limited time at my disposal than by inviting pointed attention to a very few out of the wide range of topics open to Members for discussion or suggestion today. First, I shall say a few words on a matter which has been, for years now, the subject of debate, but which, for special reasons, has come too much to the front to be passed over or lightly passed over. I refer to the bulk of our army, which has been growing apace in numerical strength and costliness in spite of ceaseless demer. For some years now, proposals for its reduction have been got rid of, invariably,

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or almost invariably, on the strength of expert opinion, which, in its turn, was based on *à priori* grounds of symmetry and fitness of things.

"Year before last, the merest suggestion in that direction evoked a decisive and emphatic pronouncement, without reasons gone into. Last year a similar proposition was met with a counter-proposition, in the shape of an expressive simile, *vis.*, that the fact of one's lending one's watch-dog for a while afforded no reason for dispensing with it altogether. The circumstances, under which *that* pronouncement was made, obviously precluded all opportunities for a rejoinder. Since then other things have come to pass and fresh light has come in, to justify a renewal of the proposal with as much good reason as strong desire. It has, for instance, come to pass that it is, not merely for a while, but for a considerably prolonged period, that we have been able to do without the watcher in question. During that prolonged period, methods were found, facilities were experienced and resources were tapped, which show that it is by no means an unsound argument to urge again, and urge with confidence, that, if for 365 days in the year a particular watch-dog could be spared to be lent out, sent off to far distant shores and kept fully engaged there, without any hitch, the least appreciable, here, *that* watch-dog, at any rate, was not kennelled and maintained for its keeper's own or immediate interests. It cannot but have too much the look and the character of something which is in evidence as a thing of pomp and pageantry or as a luxury or superfluity, which not even an over-flowing abundance would justify. In such a state of things, it will be hard lines on nine out of ten men—be they cultured or the men in the street—to expect them to be convinced to the contrary by the *ipse dixit* and even an angry and spirited remonstrance of the highest constitutional authority. In venturing to hold this language I am not unalive to what are loosely called imperial considerations. No one—certainly no responsible officer who cared to have a reputation or had a reputation to lose—has yet maintained, that, for purely imperial purposes or for merely ready mobilisation, without the inconvenience of parliamentary control or sanction, to any part of the globe, where England might be embroiled in war on her own account, an efficient and solid contingent should be fed, clothed and comfortably lodged in India and at India's expense; for such a thesis is too transparently outrageous to be seriously put forward except perhaps on the dictum that blood is thicker than water. But what is next door to it or next door to the next door is often made to do duty insidiously—be it said insensibly. It is, not infrequently, the unexpressed postulate, that Indian interests, in some undefined and undefinable way or other, are mixed up in all wars anywhere in the East; and ingenuity is never at a loss to conjure up plausibilities to masquerade as cogent

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reasons. Without pretending to keep pace with such ingenuity or to follow up its subtle and sinuous course, the one safe and *primâ facie* ground one can take, in fairness to this country, is to hold that, except where our troops fight on our borders, the issues involved are issues as between England and her distinctive prestige on the one hand and other European or Asiatic Powers on the other, individually or collectively. The European is the absorbing or paramount interest while the Indian is either virtually *nil* or infinitesimally small, and, owing to her connection with England, so infinitesimally small as to count practically for little or nothing. Whether this opinion is or is not altogether right, it really ought to make no difference in the contention that a substantial reduction in the present strength and cost of the Indian army might safely be made, and ought justly to be made, without any peril or fear of peril. The ample experience gained and the marvellous success achieved in the war which is going on in South Africa—not to speak of the proceedings which went on quite recently in China—have rendered it abundantly clear that the fullest facilities exist for England to throw masses of her troops from her own shores or from her colonies into any remote part of her empire in defence of her imperial or world-wide interests, without laying this country under contribution, without crippling its straitened resources and without inflicting on it what looks too much like a gratuitous and grievous burden.

"I do not, indeed, forget that capital is systematically made out of the fact that the so-called perfidious and madly-ambitious Russian Bear is all but pawing at our door, and that it requires to be vigilantly watched and constantly held in check to ward off direct mischief to this country. This cry of 'the wolf' has, by this time, become far too familiar and far too groundless to quicken any staid man's pulse. With all deference, therefore, to dissentient experts and nervous alarmists and notwithstanding all that apologists for the *status quo* may darkly hold forth, I share the firm belief that the alleged Muscovite designs on this country are among the wildest chimeras, floating about like children's toy-balloons along our river side or adjacent to the Eden Gardens. Even on the assumption that some room may exist for apprehensions from that quarter, I venture to hold that too much stress cannot be laid and too much reliance cannot be placed on the two impregnable bulwarks which I shall presently name, and which alone can be truly and confidently depended upon as safeguarding this country any day against Russia or any other intruding land-power—our peninsularity and our more than Alpine mountain barrier on the north doing the rest, even although some modern Hannibal or Bonaparte might turn up. One of these bulwarks is the continued existence of an intervening independent Afghanistan, with its amply-subsidised ruler, who may be

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always credited with the sanity, good sense, and selfishness even, of realising the supreme and exceptional value to him of British friendship above all else. The second bulwark is the loyalty of the people—not a blind child of a passing whim and therefore a volatile and variable loyalty—but a loyalty that is at once intuitive and discriminating—intuitive as it finds itself to be congenial to, and in full accord with, the teachings of their religion and their fathers and the unbroken tradition of even their chequered past, and discriminating because of its recognising the self-evident truth that it is not a whit less the Indian interest and the Indian gain than England's that a harmoniously-adjusted British overlordship should last in this continental country. Despite their well-meant and legitimate complaints, in matters domestic, of unsatisfied aspirations and of promises yet to be realised in practice, and despite the unmerited imputations of seditious ideas, reflected in the unwise and panic-inspired legislation of recent date—he that runs may see that England's Indian subjects, beyond all comparison, are true to her—so true that their rulers cannot distrust them without distrusting themselves or without distrusting their own capacity and righteousness to rise to the level of the declared intentions and the sagacious principles embodied and enunciated by the kindest and safest of their sovereigns and accepted and partially-fulfilled by the more level-headed and the more fair-minded of the custodians of that sovereign's credit and power. Such being my view of the stern and stubborn realities of the exact situation, I make bold to say that my first point is that a considerable reduction in the Indian army and its cost is both safe and just. If the above plan were impracticable owing to any technical difficulty, which, by the way, could only be temporary, or owing to any other reasons which, for the present, lie hidden from me, then my alternative proposal is that no time should be lost in determining upon a substantial contribution, for the maintenance of a decent portion of the army here, out of the British purse which is so much richer, not altogether without India playing the part of an important factor, directly or indirectly, in the production of its richness, as one may well and pardonably boast.

“Expediency and urgency, justice and generosity, all alike demand this as an imperative duty. I shall not linger on this topic to define the extent of the reduction or to name the amount of the contribution I contend for. Schemes, more or less distinct, have already been propounded, carrying about them proofs of care and painstaking, as also the weight of well-instructed authority. They are good enough at least as working hypotheses. What is needed is to command the eye that will see and catch the ear which will listen. If that eye and that ear are secured, the rest is smooth sailing, because much may

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well be left to the innate dictates of fairness and to the play of the generous impulses which awaken with the awakening of a sense of duty and of justice. I only hope that among the causes which block the way is not to be included that habit of mind which, in this as in other matters, would cling with affection to what it has long been accustomed to and which would warp the judgment so far as to make it obstreperous, persistent and indifferent to the obviously diminished needs of the altered conditions, like the mental frame of the fond prodigal, who, being accustomed to have about him a number of servants and appliances for comfort, has no patience with or cannot reconcile himself to suggestions of reduction in his supernumerary establishment or lavish expenditure.

“ My proposals may be viewed as absolutely inopportune and almost impossible, in the face of the many items of military expenditure, detailed in the Financial Statement, for which money has been partly allotted and partly held in reserve. I may be further reminded that some of these are part-performances of past obligations and others are in a manner forced upon us, as it were, by *vis major*. While I recognise the strength in this objection and deeply regret our liability to behests which we are helpless to resist or refute, I do not know whether any other time would be better suited; and I am afraid that, should one resolve to wait, one might do so eternally and not get a chance at all. I have long felt, and events year after year have but confirmed me in the feeling, that we in this country must, once for all, accept the situation as one involving a conflict of interests in many and varied forms, with the right of sanction and the power of veto lying in hands which seem ordained not to be stayed, forced or in any way influenced by this country. But all deadsets against claims to fairness and to generous treatment, like deadwinds, are bound to spend their force and give way, sooner or later—a consideration which makes it ever the duty of such as suffer from them to express their views frankly and unreservedly to the best of their lights. They, of all men, cannot afford to lie by in view to pick and choose. For them, no circumstances are too unpropitious and no effort is too early or too late.

“ But, after all, what is the real meaning of the changes which are on the *tapis*? They are, at best, like alterations and enlargements in a citadel such as exists, *should it continue to stand*, and they cannot surely make for grounds why such a citadel should remain or remain intact, if reasons are forthcoming for its partial demolition. To raise the pay or to give better weapons may, for instance, be a necessity if their recipient be indispensable. But the recipient is not a necessity in order that the privilege and the pleasure of bestowing higher emoluments and better equipment might be exercised. Reference has been

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made to the lesson taught by the wars in South Africa as warranting and even necessitating the proposed outlay and accession of strength. In my humble judgment, it is to mis-read that lesson to derive from it an argument *for* augmentation and *against* reduction. We have no Krugers, no disclosures of secret armaments or of hidden accumulations of arms and ammunition and no plots to overthrow English ascendancy, such as are set down, according to the latest version, as the head and front of the offending on the part of the Transvaal and the late Orange Free State. Where then is the similarity of conditions to call for similarity of steps? There is, in this citation of a so-called analogous case, a vein of naive humour, if not also of an assumption of undue credulity in others, which is admirably charming.

"Now, turning to the surplus announced, I heartily join in the expression of satisfaction, which has been iterated and reiterated in the Financial Statement. It is, besides, pleasant so far, that it is unaccompanied with any schemes of fresh or additional taxation unless indeed some such thing remains hid in one or other of the loans proposed and may some day confront us as an old friend with a new face. It would be pleasanter still, if we were told of some substantial reduction of taxation, on the basis of the surplus, in addition to the abandonment of arrears, which are either irrecoverable or oppressively recoverable—handsome and generous as the abandonment is. Rightly or wrongly—and it does not matter which—the impression is widespread and the conviction is deep that, once a tax is laid on, no matter under what representations or circumstances, it comes to stay, with no hope of being taken off—especially when the contrary process—the process of reduction or abolition—has never been in evidence, so long as one can recollect. It is undesirable that such a feeling of dissatisfaction and despair should exist. If only to remove or to weaken that feeling, a reduction would be expedient. There are some taxes which have been introduced with admissions, more or less distinct, that they are onerous and that if they are not the fittest, they are dictated by special emergencies, on the disappearance or diminution of which it is left to hope and even promised that they would be done away with, either wholly or partially. The salt-tax is pre-eminently one of that sort; and in its incidence it is the reverse of what the income-tax is, in so far as the latter falls mostly on those whose means are, in comparison, ample and assured, and who of all classes in a body politic can therefore pay it with ease, if not without that reluctance which is experienced in paying any tax at all. Whereas the salt-tax bears hard on the poorer and proportionately enhances the price of what is a necessary part of a necessary of life—consumed no less by those whose yearly income is below Rs500, which is the taxable minimum for the income-tax, than by those above it,

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the latter impost lets alone all below that minimum and reaches almost all who may be truly described as comparatively well-to-do, though some few of them may not have risen to the category of the very well-to-do. If there is to be a choice between the reduction of the salt-tax and the augmentation of the income-tax, I, for one, would gladly acquiesce in the latter being chosen, though as one of the victims I should in common with others feel a sort of dainty grievance in the interests of number One. For, as it has been said, 'it makes little to the life of a family whether its yearly income is £1,000 or £5,000. But it makes a very great difference when the income is £30 or £150: for with £150 a family has, with £30 it has not, the material conditions of a complete life'—a passage which has already been quoted by me more than once and one which deserves to be writ large and pasted to the inner walls of assessors and assesseees alike to obtrude continually upon the naked eye.

"The only two features of the income-tax, open to exception as now worked, are (1) that the taxable minimum is far too low, and (2) that the method adopted by the assessing staff is not only faulty, but has the effect, in a vast number of cases, of making the already low limit go down to strata a good many grades lower still. The first hardship will only be remedied by raising the limit of taxation from Rs500 to Rs1,500. The second evil required more words. According to the practice in vogue, the assessing staff presume too much on the strength of garbled and fabricated materials secretly supplied by their paid informers—always a tricky and dirty lot—and specially under the temptation to seek praise and promotion by the unworthy conduct of prying into and betraying secrets or by inventing them, if none such exist. Evidence and accounts are rejected, which do not square with the inspirations of that delectable knot of busy-bodies—a necessary evil perhaps—inspirations which are too often the figments of fancy, safe against exposure, because undisclosed. This system entails unmerited hardships, by the assessee not being given the chance to refute or explain. To those who keep books in accordance with the principles of book-keeping, as all Europeans are intelligent enough to do as a habit, as also many who imitate their good example, a change of method, in laying the burden of proof and in disclosures in view to explanation, will be no relief. They want none, as they pay or rather are made to pay their legitimate dues, and no more. But my remarks, adverse to the prevalent system, are nevertheless quite in place as an endeavour to obtain succour to persons who need protection and who are many times more in number. One very serious and undesirable result of the objectionable plan which obtains is that it introduces an element of grave doubt into our financial stability and makes us pause before we accept the situation as a healthy one.

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The drawback, or rather this source of disappointment, as to reduction of taxes is however compensated in a large measure by the promise made and hope held out that the surplus is reserved to work out three important schemes which are stated to be under consideration, *vis.*, (1) reform of the police, (2) improvement and extension of education in all its branches, including industrial and agricultural, and (3) sanitary measures. Each of them needs care and rigid limitations on the play of hobbies and the sweets of patronage. Intrinsic merit—consisting mainly of more grit, more trained intelligence, more devotion than is now availed of, and, above and beyond all, an intimate knowledge of the ways, habits and idiosyncrasies of the people—should be, as I am sure it would be, the true guiding principle; while even the wholesale importation of all the Scotland Yard detectives, all the Wranglers of English Universities, and all the Sanitary Engineers who might seek an Eastern career without these pre-requisites for success, would not better the situation, though they might cost a goodly pile.

“ Returning to the surplus from this unavoidable digression, I must perform an agreeable duty on behalf of my Presidency; and it is to make the warmest acknowledgments for the 27 lakhs which has been voted for minor works of irrigation. That this class of works has long been either starved or shut out of the liberality of the Government of India has been the burden of my song, time after time; and I am glad that, after all, the subject has attained to the dignity of being prominently taken into account at the fountain-head, as matters now stand, of all financial bounty and beneficence. Grateful as the recipients are for this initial grant, which is a handsome and solid grant as well, a great deal in the shape of metallic recognition, eventuating into an equable flow, remains yet to be secured for some years before the true goal is reached, *i. e.*, before this subject takes its place in the working groove and receives attention automatically and as a matter of course, as one pinch after another becomes felt. Facts which have come to me by personal observation and from credible information make it abundantly clear that the present step is not only a beginning, but is no more than the beginning of a beginning, if I may say so. But now that we have a substantial contribution, it is needless now to go into any detail, seeing, firstly, that an undoubted earnestness has been brought to bear on the subject, and seeing, secondly, that in the Irrigation Commission, which is now going through its labours, there are three—Mr. Ibbetson, —Mr. Nicholson and Mr. Rajarathna Mudaliar—who are fairly known to me, who, between them, possess the needful qualifications, and who, I feel sure, may be confidently looked up to, for doing whatever is necessary, by what they know and have seen, even though it should be far more, as I think it should be far more, than

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what is contained in the suggestions which they and their colleagues on the Commission have been eliciting.

" Having thus far rejoiced with our Finance Minister, I unhesitatingly re-echo also his pessimistic admonition put to us and the public as follows :—' I would, however, strongly deprecate exaggerated optimism. The vicissitudes of fortune in a country mainly dependent on agriculture must be borne in mind and we must not count too certainly on the continuance of the prosperity now enjoyed by the great majority of the people of India. We must not allow our satisfaction over generally good results to deaden our sympathy for suffering groups and classes.' There is certainly a deeper meaning than is found on the surface of this cautiously-worded official declaration of faith. The words 'precarious', 'fortuitous', 'abnormal', 'uncertain', and so forth, are too often interspersed in the Financial Statement to fail in reminding us that what we are jubilant about is little more than a windfall, and is more like the delusive hectic flush than the bloom of sound health and sustained vigour. Here I would fain stop. But in the face of the numerous points for comment, with which almost each of the first 98 paragraphs which summarise the Financial Statement bristles up, it is impossible. But, by way of a truce between the sense of duty and the sense of proportion, I shall only touch on one or two of them.

" The first of these few points, which I feel called upon to notice at some length, is the conclusion drawn, in paragraph-15, in favour of economic progress having been made. It looks to me, on an examination, to be an induction, based on insufficient materials, if not also at variance with undisputed and indisputable facts. The chain of reasoning may be summed up thus :—' Cotton fabrics and silver have been largely imported as shown by Customs returns. They are meant for the indigenous population. They must, therefore, have purchased the same. So they give proof of consuming and purchasing power. The presence of that power means fulness of pockets.' Now, with all respect, I must say that there is more than one weak link in this chain of reasoning. The refutation to one of the propositions which form the successive steps comes from the Financial Statement itself, and that is enough to vitiate the whole. It is contained in paragraph 36 and in the words 'it must be remembered that we have no means of ascertaining with certainty whether the market is overstocked or otherwise.' Suppose the market is overstocked, then is there proof of the presence of consuming and purchasing power? Is there not, in such a fact, the contrary proof, *i.e.*, proof of the absence of such power, and the presence of the gambling folly of the speculator? Thus it follows irresistibly that the consuming and purchasing power, which is the pivot on which the whole

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question turns, is either proved not to exist or is (at best) not proved to exist, on the hypothesis of overstocked markets. A contrary hypothesis we have no right to entertain. That we are also precluded from entertaining any such other hypothesis is abundantly clear when we make a true estimate of what little remains in the pockets of the cultivating classes after payment of kist and what demands exist against that little. On the highest and the most recent authority, the average income of a raiyat is less than half a dozen crowns for a full twelvemonth, or less than the typical, contemptible *tuppence* a day. Assuming this standard of wealth to be correct,—I have reason to suspect that it is too high,—can one be passing rich on even *tuppence* a day? Again, be it noted that out of it must come the cost of restoring to the soil what it loses by every crop—a loss of which some conception may be formed by noting that, as a competent authority has laid down, 'for every fourteen tons of fodder carried off from the soil, there are carried away two casks of potash, one of soda, a carboy of vitriol, a large demi-john of phosphoric acid and other essential ingredients'—a loss which nature, by water and fresh air and her other agents, could only partially repair; a loss which the raiyat was able to minimise by procuring forest and brushwood produce and the like as a free gift in the not remote past, which, called good old days by some, are by others, who claim to be wiser, described as stupid old times. Besides this demand upon him for productive chemical essences, he has, in order to give the soil the necessary mechanical preparation, to replace the dilapidated plough-cattle or supply the place of such as have died out, so that, unaffected or only partially affected by the widespread and fast expanding deterioration of the livestock, he may exact what the impoverished soil can yield; this means money. Thirdly, he has to extract, if I may say so, the very life-blood of the soil year after year, for he cannot leave any field fallow in alternate years or periodically as he used to do without having to pay kist for it in the good old or in the stupid old days; fourthly, he has to satisfy the revenue hunger which has set down certain areas as two-crop lands and charged, on that basis one lump kist to be recovered whether a second crop has been raised or no—implying thereby that the raiyat is no judge of his own interests, but is fond of malingering, as though he is a mere revenue-producing machine. These are some among the external auxiliary purposes each of which must run away with a good part of what modest or trivial residue may be left in his pocket. To these let us add the cost of his personal equipment—the consumption capital as it is called, and consisting not merely in what is necessary for bare existence, but what is needed for efficiency and some degree of comfort for himself and his family—let alone the education of children. I am not at all sure that this cumulative load is not enough to drive one to the much-abused and yet most opportunely useful money-lender. To these let us again add what are called conventional necessities which are dependent on social and

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religious injunctions. The duty, for instance, of relieving the poor—*Deenas* as the text terms them—is co-ordinated with the duty to one's wife and children, while it is a spiritual impulse or the sentiment of hospitality rather than notions of display or propensities to waste, which come into play on marriage and other festive days or on funeral and other inauspicious occasions. There is another way in which the people are put down as wasting their money. It is in investing in jewels. To my mind, this is a positive injustice. All that glitters is not gold, and all the trinkets which even the humblest are seen to wear are not of any considerable value. In days when the modern banking system was unknown, and even in the present day when Banks are not so many and so re-assuring as to draw the mass of tiny savings, jewels, after land, were so many saving banks and the persons who wore them were so many, strong rooms—their possessors acquiescing in the quantitative diminution by their wear in preference to losing them altogether.

"I may also point out in this connection that the emotion which plays a prominent part in investing in jewellery and in land is one's unselfish desire to live and even stint oneself to provide for the family in one's old age and more especially to leave a heritage to one's children—by no means a bad object, however much it will please the apostles of economic science of the present day that the savings should be put in business or invested productively—undoubtedly a highly desirable change, but a change which can only come slowly and gradually. When we know that, for the purpose of providing for certain conventional necessities, personal sacrifices are undergone even in such a place as Great Britain, where economic science is believed to be well understood, it is rather hard to expect such as have yet to learn the ABC of that science, to behave better at once and without the necessary preliminary favouring conditions, which I dare not dwell upon now. The Indian must cease to be an Indian before he can say 'after me the deluge' even to his children and then pray for his and their daily bread. If the Indian is anything, he is too thrifty, too cautious, too abstemious and too spiritual. Let him be blamed for these excesses by all means. But let not his virtues be denied or shown up as his vices."

The Hon'ble Mr. GOKHALE said :—"Your Excellency, I fear I cannot conscientiously join in the congratulations which have been offered to the Hon'ble Finance Member on the huge surplus which the revised estimates show for last year. A surplus of seven crores of rupees is perfectly unprecedented in the history of Indian finance, and coming as it does on the top of a series of similar surpluses realized when the country has been admittedly passing through very trying times, it illustrates to my mind in a painfully clear manner the utter absence

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of a due correspondence between the condition of the people and the condition of the finances of the country. Indeed, my Lord, the more I think about this matter the more I feel—and I trust Your Lordship will pardon me for speaking somewhat bluntly—that these surpluses constitute a double wrong to the community. They are a wrong in the first instance in that they exist at all—that Government should take so much more from the people than is needed in times of serious depression and suffering; and they are also a wrong, because they lend themselves to easy misinterpretation and, among other things, render possible the phenomenal optimism of the Secretary of State for India, who seems to imagine that all is for the best in this best of lands. A slight examination of these surpluses suffices to show that they are mainly, almost entirely, currency surpluses, resulting from the fact that Government still maintain the same high level of taxation which they considered to be necessary to secure financial equilibrium when the rupee stood at its lowest. The year when the rupee touched this lowest exchange value was 1894-95, the average rate of exchange realized in that year being only 13·1*d.* to the rupee. Government, however, had, in the face of the falling rupee, resolutely maintained an equilibrium between their revenue and expenditure by large and continuous additions to the taxation of the country, and thus even in the year 1894-95, when the rupee touched its lowest level, the national account-sheet showed a surplus of seventy lakhs of rupees. From this point onwards, the currency legislation, passed by Government in 1893, began to bear fruit and the exchange value of the rupee began to rise steadily. In 1895-96, the average rate of exchange realized was 13·64*d.* and the surplus secured was 1½ crores. In 1896-97 and 1897-98, the average rate of exchange was 14·45*d.* and 15·5*d.* respectively, but the years turned out to be famine years and the second year also one of a costly frontier war necessitating extraordinary expenditure for direct famine relief and military operations of 2·1 crores in the first year and 9·2 crores in the second. The result was that 1896-97 closed with a deficit of 1·7 crores and 1897-98 with a deficit of 5·36 crores. It will, however, be seen that if these extraordinary charges had not come upon the State, both years would have been years of surpluses, and the surplus for 1897-98 would have been close upon four crores of rupees. In 1898-99, exchange established itself in the neighbourhood of 16*d.*—the average rate realized during the year being 15·98*d.*—and the year closed with a balance of 3·96 crores of rupees, after providing a crore for military operations on the frontier—thus inaugurating the era of substantial surpluses. Now we all know that a rise of 3*d.* in the exchange value of the rupee—from 13*d.* to 16*d.*—means a saving of between four and five crores of rupees to the Government of

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India on their Home Charges alone, and I think this fact is sufficient by itself to explain the huge surpluses of the last four or five years. The following figures are instructive, as showing the true position of our revenue and expenditure, on the new basis of an artificially appreciated rupee :—

Year.	Deficit or Surplus in crores of rupees.	Extraordinary charges for war and famine relief.	Total surplus but for the extra charges.	Remarks.
1897-98 . . .	—5·36	9·21	3·85	A year of famine and war.
1898-99 . . .	+3·96	1·09	5·05	Frontier operations.
1899-1900 . . .	+4·16	3·5	7·66	A year of famine.
1900-01 . . .	+2·5	6·35	8·85	Ditto.
1901-02 . . .	+7	1	8	
Total for five years	12·26	21·15	33·41 or 6·68 a year.	

“ If there had been no extra charges for war and famine, the national revenue on the basis of the new rupee would have been found to exceed the requirements of Government by about 6½ crores a year. Allowing for the savings effected in consequence of the absence of a portion of the troops in South Africa and China, as also for the generally reduced level of ordinary expenditure in famine times, and taking note of the fact that the opium-revenue has recently turned out somewhat better than was expected and might reasonably be relied on, we still may put down the excess of our present revenue over our present expenditure at about five crores of rupees, which is also the figure of the amount saved by Government on their Home Charges as a consequence of the exchange value of the rupee having risen from 13*d.* to 16*d.* Now, my Lord, I submit with all respect, that it is not a justifiable course to maintain taxation at the same high level when the rupee stands at 16*d.* that was thought to be necessary when it stood at 13*d.* During the last sixteen years, whenever deficits occurred, the Finance Member invariably attributed them to the falling rupee and resorted to the expedient of additional taxation, explaining that that was the only way to avoid a national bankruptcy. During the first 12 years of this period, from 1885-86—when Sir Auckland Colvin told the Council in his Financial Statement almost in prophetic terms that affairs were ‘passing into a new phase,’ necessitating a reconsideration and revision of the fiscal status established in 1882—down to 1896-97, there was one continued and ceaseless struggle on the part of the Finance Department of the Government of India to maintain at all risks and hazards a ‘strong financial position’ in the face of a rapidly changing situation, and provide by anticipation against all possible dangers near and remote, fancied and real: and not a

year passed—literally speaking—but heralded some change in the financial arrangements of the country. The famine grant was suspended for three successive years, 1886-87—1888-89, then reduced for two more, and permanently so in the last year of the period. Twice during these 12 years were the Provincial Contracts subjected to drastic revision (1887-88 and 1892-93), and the total gain secured to the Imperial Treasury on such revision and by a contraction of Provincial resources was full 110 crores (64 lakhs in 1887-88 and 46 lakhs in 1892-93). Furthermore, during the period, thrice (in 1886-87, 1890-91 and 1894-95) were the Provincial Administrations called upon to pay special contributions in aid of Imperial revenues. But the chief financial expedient employed to escape the supposed embarrassment of the time was continuous additions to the taxation of the country. Nine years out of these 12 witnessed the imposition of new taxes. First came the income-tax in 1886, and then followed in rapid succession the salt-duty enhancement of 1887-88 (June, 1888), the petroleum and patwari-taxes and extension of the income-tax to Burma in 1888-89, customs on imported liquors increased in 1889-90, the excise-duty on Indian beer in 1890-91, the import-duty on salt-fish in Burma in 1892-93, the re-imposition of the 5 per cent *ad valorem* duties on imports, excluding cotton-goods, in 1893-94, and the extension of import-duties to cotton-goods in 1894-95. In 1896 there were changes in the tariff. The 5 per cent. import and excise duties on cotton-yarns were abolished and the import-duties on cotton-goods were reduced from 5 to 3½ per cent.—involving a sacrifice of 50 lakhs of rupees as a concession to the clamour of Manchester, but a countervailing excise of 3½ per cent. was imposed on cotton-goods of all counts manufactured in Indian mills. Lastly, came the imposition of counter-vailing duties on imports of bounty-fed sugar in 1899.

"The total additional revenue raised by these measures of taxation during the past 16 years has been no less than 12'30 crores a year.

"But this is not all. The land-tax, too, has come in in its own automatic way for large augmentations during the period. Taking the ordinary revenue alone under the head, we find the increase has been 2'82 crores. One startling fact about these land-revenue collections is that during the six years from 1896-97 to 1901-02 (a period including the two greatest famines of the century) these collections actually averaged £17'43 millions a year as against £16'67 millions, the average for the six preceding years, *i.e.*, from 1890-91 to 1895-96!

"Putting these two heads together the total augmentation of public burdens during these years comes to over 15 crores.

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"Such continuous piling up of tax on tax, and such ceaseless adding to the burdens of a suffering people, is probably without precedent in the annals of finance. In India it was only during the first few years following the troubles of the mutiny year that large additions were made to the taxation of the country; but the country was then on the flood-tide of a short-lived prosperity, and bore, though not without difficulty or complaint, the added burden. During the past 16 years the country has passed through a more severe phase of agricultural and industrial depression, and yet it has been called upon to accept these fresh burdens—year after year—increasing without interruption, and all this with a view to ensuring and maintaining a 'strong financial position' proof against all assaults.

"The broad result of this continued series of taxing measures has been *to fix the taxation of the country at a level far above the actual needs of the situation*. And it is the *fiscal status* so forced up and maintained, and not a normal expansion of revenue, that has enabled the financial administration during all these trying years not only to meet out of current revenues all sorts of charges, ordinary and extraordinary, but to present at the close of the period abounding surpluses which the richest nation in Europe might well envy.

"*A taxation so forced* as not only to maintain a *budgetary equilibrium* but to yield as well 'large, continuous, progressive surpluses'—even in years of trial and suffering—is, I submit, against all accepted canons of finance. In European countries, extraordinary charges are usually met out of borrowings, the object being to avoid, even in times of pressure, impeding the even, normal development of trade and industry by any sudden or large additions to the weight of public burdens. In India, where the economic side of such questions finds such scant recognition, and the principle of meeting the charges of the year with the resources of the year is carried to a logical extreme, the anxiety of the Financial Administration is not only to make both ends meet in good and bad years alike, but to present large surpluses year after year. The Hon'ble Finance Member remarks in his Budget Statement under 'Army Services:' 'It must be remembered that India is defraying from revenues the cost of undertaking both re-armament and the reform of military re-organization in important departments. I believe that this is an undertaking which has not been attempted by other countries without the assistance of loans in some form or other. Even in England, extraordinary military requirements for fortifications and barracks have been met by loans for short terms of years

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repayable by instalments out of revenues. If profiting by a period of political tranquillity we can accomplish this task without the raising of a loan and the imposition of a permanent burden on future generations, I think that we shall be able to congratulate ourselves on having done that which even the richest nations of Europe *have not considered it* advisable to attempt.

"Every word of this citation invites comment. How comes it about that India is doing in regard to these extraordinary charges that which even the richest nations of Europe have not considered it advisable to attempt? The obvious answer is that in those countries, it is the popular assemblies that control taxation and expenditure: in India the tax-payer has no constitutional voice in the shaping of these things. If we had any votes to give, and the Government of the country had been carried on by an alternation of power between two parties, both alike anxious to conciliate us and bid for our support, the Hon'ble Member would assuredly have told a different tale. But I venture to submit, my Lord, that the consideration which the people of western countries receive in consequence of their voting power should be available to us, in matters of finance at any rate, through an 'intelligent anticipation'—to use a phrase of Your Lordship's—of our reasonable wishes on the part of Government.

"But even thus—after doing what the richest nations of Europe shrink from attempting—meeting all sorts of extraordinary charges, amounting to about 70 crores in sixteen years, out of current revenues, we have 'large, continuous, progressive surpluses,' and this only shows, as Colonel Chesney points out in the March number of the *Nineteenth Century and After*, that more money is being taken from the people than is right, necessary or advisable, or, in other words, the weight of public taxation has been fixed and maintained at an *unjustifiably* high level. Taxation for financial equilibrium is what we all can understand, but in taxation—kept up in the face of the difficulties and misfortunes of a period of excessive depression and for 'large, continuous and progressive surpluses'—is evidently a matter which requires justification. At all events, those who have followed the course of the financial history of the period will admit that the fact viewed *per se* that 'such large, continuous and progressive surpluses' have occurred during the period—as being a result not of a normal expansion of fiscal resources but of a forced up and heavy taxation—does not connote, as Lord George Hamilton contends, an advancing material prosperity of the country or argue any marvellous recuperative power on the part of the masses—as the Hon'ble Sir Edward Law urged last year. And to them, at any rate, the apparent paradox of a *suffering country* and an *overflowing treasury* stands easily explained and is a clear proof of the fact that the

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level of national taxation is kept unjustifiably high, even when Government are in a position to lower that level.

"This being my view of the whole question, it was to me, I need hardly say, a matter of the deepest regret that Government had not seen their way, in spite of four continuous years of huge surpluses, to take off a portion at any rate of the heavy burdens which had been imposed upon the country during the last sixteen years. Of course the whole country will feel grateful for the remission of close upon two crores of the arrears of land-revenue. The measure is a bold, generous and welcome departure from the usual policy of clinging to the arrears of famine times, till a portion of them has to be abandoned owing to the sheer impossibility of realizing them, after they have been allowed to hang over the unfortunate raiyat's head, destroying his peace of mind and taking away from him heart and hope. The special grant of 40 lakhs of rupees to Education will also be much appreciated throughout the country. But my quarrel is with the exceedingly cautious manner—a caution, I would venture to say, bordering on needless timidity—in which my Hon'ble friend has framed the Budget proposals for next year. Why should he, with four continuous years of fat surpluses to guide him, and no special cloud threatening his horizon, budget for a surplus of only $1\frac{1}{4}$ crores, when three times the amount would have been nearer the mark and that again as calculated by a reasonably cautious standard? If he had only recognized the ordinary facts of our finance, as disclosed by the surpluses of the last four years, he would have, among other things, been able to take off the additional 8 annas of salt-duty, raise the taxable minimum of the income-tax to at least Rs. 1,000 a year, abolish the excise-duty on cotton-goods and yet show a substantial surplus for the year. And, my Lord, the reduction of taxation in these three directions is the very least that Government could do for the people after the uncomplaining manner in which they have borne burden after burden during the last sixteen years. The desirability of raising the exemption limit of the income-tax has been frequently admitted on behalf of Government, and, amongst others, by yourself in Your Lordship's first Budget speech. The abolition of the excise on cotton-goods is urgently needed not only in the interests of the cotton-industry, which is at present in a state of dreadful depression, in large measure due to the currency legislation of Government, but also as an act of the barest justice to the struggling millions of our poor, on whom a portion of the burden eventually falls, who have been hit the hardest during recent years by famine and plague, by agricultural and industrial depression and the currency legislation of the State, and who are now literally gasping for relief. In this connection I would especially invite the attention of Government to a speech delivered at the annual meeting of the

Bombay Chamber of Commerce by my friend the Hon'ble Mr. Moses—a by no means unfriendly critic of Government, and one who enjoys their confidence as also that of the public. Mr. Moses in that speech describes with much clearness and force the great injury which the currency legislation of Government has done to our rising cotton-industry. That industry, he tells us, has now 'reached the brink of bankruptcy,' no less than fourteen mills being about to be liquidated, and some of them, brand new ones, being knocked down to the hammer for a third only of their original cost. Mr. Moses also speaks of the severely adverse manner in which the new currency has affected the economic position of the mass of our countrymen. As regards the reduction of salt-duty, I do not think any words are needed from any one to establish the unquestioned hardship which the present rate imposes upon the poorest of the poor of our community. Government themselves have repeatedly admitted the hardship; but in these days, when we are all apt to have short memories, I think it will be useful to recall some of the utterances of men responsible for the government of India in the matter. In 1888, when the duty was enhanced, Sir James Westland, the Finance Member, speaking on behalf of the Government of India, said:—'It is with the greatest reluctance that Government finds itself obliged to have recourse to the salt-duty.' Sir John Gorst, Under Secretary of State for India, speaking a few days later in the House of Commons, referred to the matter in similar terms of regret. Lord Cross, then Secretary of State for India, in his Despatch to the Government of India, dated 12th April, 1888, wrote as follows: 'I do not . . . propose to comment at length on any of the measures adopted by your Government, except the general increase in the duty of salt. While I do not dispute the conclusion of your Government that such an increase was, under existing circumstances, unavoidable, I am strongly of opinion *that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to the former rate.*' His Lordship further urged upon the attention of the Government of India the following weighty considerations on the point:—'I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population, through the taxation of a necessary of life; but, apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency is well aware, in the case of the salt-duty in India, weighty reasons for keeping it at as low a rate as possible. The policy enunciated by the Government in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate; it being held that the interests of the

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people and of the public revenue were identical, and that the proper system was to levy a low duty on an unrestricted consumption. The success of that policy hitherto has been remarkable; while the duty has been greatly reduced, the consumption through this and other causes has largely increased.....The revenue is larger now than it was before the reforms commenced in 1877, and I see no reason to doubt that the consumption will continue to increase, if it be not checked by enhancement of the tax.' Speaking again at a public meeting in England, Lord Cross took occasion to repeat his views that 'he was convinced that *the earliest occasion should be taken to abrogate the increase in the salt-tax*' (28th February, 1889). In March of the same year, Sir David Barbour, speaking in the Viceregal Council with special reference to a proposal for the abolition of the income-tax, observed :— 'I think it would be an injustice so gross as to amount to a scandal if the Government were to take off the income-tax while retaining the salt-duty at its present figure.' In 1890 Sir John Gorst, in his speech on the Indian Budget in the House of Commons (August 14, 1890), remarked : '*the tax* (on salt) was no doubt a tax which ought to be removed and *would be removed as soon as it should be financially possible to do so.*' Similarly, Lord George Hamilton himself, in a speech on the Indian Budget Statement in the House of Commons (September 4, 1895), emphasized the necessity for reducing the salt-duty as early as possible, pointing out that no other tax pressed so heavily on the Indian people. In view of these repeated declarations, it is a matter for great surprise, no less than for intense regret and disappointment, that Government have not taken the present opportunity to reduce a rate of duty admittedly oppressive on a prime necessary of life, which, as the late Professor Fawcett justly urged, should be 'as free as the air we breathe and the water we drink.' It may be noted that the consumption of salt during the last fourteen years has been almost stationary, not even keeping pace with the normal growth of population,—showing a rise of less than 6 per cent. in fourteen years against a rise of 18 per cent. in four years following the reduction of duty in 1882,—and that the average consumption of the article in India is admittedly less than is needed for purposes of healthful existence.

"My Lord, the obligation to remit taxation in years of assured surpluses goes, I believe, with the right to demand additional revenues from the people in times of financial embarrassment. A succession of large surpluses are little conducive to economy and are apt to demoralize even the most conscientious Governments by the temptation they offer for indulging in extravagant expenditure. This is true of all countries, but it is specially true of countries like India, where public revenues are administered under no sense

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of responsibility, such as exists in the West, to the governed. A severe economy, a rigorous retrenchment of expenditure in all branches of the Administration, consistently, of course, with the maintenance of a proper standard of efficiency, ought always to be the most leading feature—the true governing principle—of Indian finance, the object being to keep the level of public taxation as low as possible, so as to leave the springs of national industry free play and room for unhampered movement. Such a course is also imperatively demanded by the currency policy which has been recently adopted by Government. That policy has, no doubt, given the country a stable exchange and brought relief to the Finance Member from his usual anxieties; but when the final adjustment of prices takes place, as is bound sooner or later to happen, it will be found that a crushing burden has been imposed upon the vast majority of taxpayers in the country. It is true that general prices have not been as quick to adjust themselves to the new artificially appreciated rupee, as the rupee itself has been to respond to the restrictions put upon its production. This was, however, to be expected, as the force of tradition in a backward country like India was bound to take time to be overcome. Famine conditions during the last few years also retarded adjustment, but there is no doubt that there would be a general fall of prices sooner or later corresponding to the artificial appreciation of the rupee. And when that happens Government will be taking about 40 per cent. more in taxation from producers in this land and paying to its servants a similarly augmented remuneration. This will be a terrible burden for the masses of the country to bear. Already, during the last few years of famine, they have had to suffer most serious losses in converting their stock of silver into rupees, when the rupee had grown dearer but its purchasing power had not correspondingly increased. When the expected adjustment of general prices takes place, one curious result of it will be, that Government will have made a present to money-lenders of about 40 per cent. of the loans which these money-lenders have made to agriculturists—a result which surely Government could never have desired. In view of the great injury which the currency policy of Government has thus done and will do as its results unfold themselves more and more to the agriculturists and other producers of this country, I submit Government are bound to make to them such slight reparation as is possible by reducing the level of taxation as low as circumstances may permit.

• “My Lord, in considering the level of taxation in India and the administration of the revenues so raised, it is, I think, necessary to bear in mind two root-facts: (1) that it is the finance of a country, a considerable part of whose revenues is, by reason of its political and military necessities, spent outside

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its borders and *ipso facto* brings no commercial equivalent to the country: and (2) that it is the finance of a country which is not only 'poor, very poor,' as Lord George Hamilton admits, but the bulk of whose population is daily growing poorer under the play of the economic forces which have been brought into existence by British rule. It is true that the fact of this growing poverty of our people finds no official recognition, and we have even assurances from the highest quarters of her advancing prosperity. With all due deference, however, I venture to submit that we, who live in the midst of the hard actualities of a hard situation, feel that any such comforting views of the condition of the Indian people are without warrant in the facts of the case, and we deem it our duty to urge, on behalf of the struggling masses no less than in the interests of good administration, that this fact of a deep and deepening poverty in the country should be frankly recognized, so that the energies of the Government might be directed towards undertaking remedial measures. The Hon'ble Finance Member sees in last year's Customs returns a sign of the advancing prosperity of the people. Now, apart from the fact that it is unsafe to draw conclusions from the returns for any single year, since the imports of particular years often only technically belong to that year, there is, I submit, nothing in the returns of last year to bear out my Hon'ble friend's contention. The bulk of our countrymen, whose economic condition is the point at issue, have nothing to do with the imports of sugar or cotton manufactures, which now are practically only the finer fabrics. The silver imported also could not have concerned them, since last year was a famine year and the poorer classes, instead of buying any silver, parted over large areas with the greater portion of what they possessed. The increase in the imports of petroleum only means the larger replacement of country-oil by petroleum—a thing due to the enterprise of certain English companies that sell petroleum in this country and the opening up of new tracts by railways. Petroleum is also in some places now being used for cooking purposes in place of fuel. I do not think, therefore, that the Hon'ble Member is justified in drawing from last year's Customs returns the conclusion which he draws from them. The growth under Land-revenue, Excise and Stamps is sometimes mentioned as indicating increasing prosperity. But the growth of Land-revenue is a forced compulsory growth. It is a one-sided arrangement, and the people have either to pay the increased demand or give up their land and thereby part with the only resource they have. A growth of Excise-revenue, to the extent to which it is secured by increased consumption, only shows that the operations of the Abkari Department, with its tender solicitude for the interests of the legitimate consumer—a person not recognized by the State in India in pre-British times—are leading to increased drunkenness

in the land. This, of course, means increased misery and is thus the very reverse of an indication of increasing prosperity. Liquor is not like ordinary articles of consumption, which a man buys more or less as his means are larger or smaller. When a man takes to drink, he will go without food, and will sacrifice wife and children, if necessary, but he will insist on satisfying his craving for the spirituous poison. Similarly, an increase of revenue under Stamps only means an increase in litigation, which undoubtedly shows that the people are quarrelling more, but which is no proof of their growing riches. No, my Lord, the only taxes whose proceeds supply any indication of the material condition of the people are the income-tax and the salt-tax—the former, roughly speaking, for the middle and upper classes and the latter for the masses. Now, the revenue under both these heads has been more or less stationary all these years, and the Salt-revenue has not even kept pace with the normal growth of the population. They therefore lend no support to the contention that the people are advancing in material prosperity.

“ My Lord, Your Lordship was pleased to deal with this question at some length in the budget discussion of last year, and, after analysing certain figures, Your Lordship expressed the opinion that the ‘movement is, for the present, distinctly in a forward and not in a retrograde direction.’ The limitations of the method adopted in that investigation were, however, frankly recognized by Your Lordship. I think, my Lord, the attempt to determine the average income per head for a given population is useful only for the purpose of obtaining a statical view of the economic condition of that people. And from this point of view, our average income, whether it works out to Rs. 18 or Rs. 20 or Rs. 27 or Rs. 30 per head, is exceedingly small and shows that we are an exceedingly poor people. But, when these calculations are used for taking a dynamical view of the economic situation, the method is open to serious objection, as the necessarily conjectural character of many of the data renders them of little value for such a purpose. But, though the determination of the average income per head in a manner satisfactory to all is an impossible task,* there is, I submit, ample evidence of another kind which can help us to a correct understanding of the problem. And this evidence, I venture to say, points unmistakeably to the fact that the mass of our people are not only not progressing but are actually receding in the matter of material prosperity. I have here certain tables,* compiled from official publications, relating to (1) census returns, (2) vital statistics, (3) salt consumption, (4) the agricultural outturn of the last sixteen years, (5) cropped area in British India, (6) area under certain superior crops, and

* *Vide* Appendix II.

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(7) exports and imports of certain commodities, and they establish the following propositions :—

- (1) that the growth of population in the last decade has been much less than what it should have been, and that in some Provinces there has been an actual decline in the population ;
- (2) that the death-rate per *mille* has been steadily rising since 1884, which points to a steadily increasing number of the people being under-fed ;
- (3) the consumption of salt, which already in this country is below the standard required for healthy existence, has not kept pace with even this meagre growth of population ;
- (4) that the last decade has been a period of severe agricultural depression all over India ;
- (5) that the net cropped area is diminishing in the older Provinces ;
- (6) that the area under superior crops is showing a regrettable diminution ;
- (7) the export and import figures tell the same tale, *vis.*, that the cultivation of superior crops is diminishing. Cattle are perishing in large numbers.

"The losses of the agricultural community, owing to the destruction of crops and cattle and in other ways during the famines of the last five years, have been estimated at something like 300 crores of rupees. There is, again, indisputable evidence as to the fast proceeding exhaustion of the soil through continuous cropping and for the most part unmanured tillage. Sir James Caird wrote strongly on the point, remarking 'crop follows crop without intermission, so that Indian agriculture is becoming simply a process of exhaustion.' Dr. Voelcker expressed a similar view. The indebtedness of the agricultural classes is also alarmingly on the increase. Mr. Baines, writing about the North-Western Provinces and Oudh, says :—'Of the peasantry, it is estimated that nearly three-fourths have to go to the money-lender to enable them to tide over the interval between the spring and the autumn season.' As regards Bombay, the MacDonnell Commission write :—'At least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, less than a fifteenth are free from debt and the remainder are indebted to a greater or less extent.' Similar evidence, I believe, is forthcoming about the Punjab and the Central Provinces.

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"These and similar facts, taken cumulatively, lead, and lead irresistably, to the conclusion that the material condition of the mass of the people in India is steadily deteriorating, and I grieve to say that the phenomenon is the saddest in the whole range of the economic history of the world. Here is a peasantry which, taken all in all, is inferior to no other people in industry, frugality and patient suffering. It has enjoyed the blessing of uninterrupted peace for half a century, and at the end of the period the bulk of them are found to be in a worse plight than they have ever been. I submit, my Lord, that a fact so startling and so painful demands the earnest and immediate attention of Government, and I venture to believe the Government cannot afford to put off facing the situation any longer. An enquiry into the condition of a few typical villages has been suggested, and, if undertaken, will certainly clear many of the prevailing misapprehensions on the subject. It is urged on behalf of Government that no such inquiry is needed, because similar inquiries have been already made in the past. There is no doubt that inquiries of some sort have been made and Government have in their possession a large body of valuable information on the subject—information which unfortunately they insist on withholding from the public. Why this should be so is difficult to understand, as the field is exclusively economic and Government ought to welcome the co-operation of non-official students of the subject in understanding and interpreting the economic phenomena of the country. I venture to think that if the papers connected with the Cromer inquiry of 1882, the Dufferin inquiry of 1887-88 and the confidential inquiry undertaken in 1891-92 were published, much valuable assistance would be afforded to the public by Government. The same remark applies to the statistical memorandum and notes on the condition of lower classes in the rural parts, furnished to the Famine Commission of 1898 by the Provincial Governments, the official memorandum referred to by Your Lordship in the Budget discussion of last year, 'worked out from figures collected for the Famine Commission of 1898,' the Appendices to the Report of the Famine Commission of 1901 and the official memorandum on agricultural indebtedness referred to by the present Lieutenant-Governor of the Punjab in his speech on the Punjab Land Alienation Bill—all of which documents have been kept confidential without any intelligible excuse. I think Your Lordship will have done much to bring about a truer appreciation of the economic situation in the country, if you will see your way to publishing these valuable papers and documents, which there is really no reason for withholding from the public.

"My Lord, I have so far tried to show (1) that the huge surpluses of the last four years are in reality only currency surpluses, (2) that the taxation of the country is maintained at an unjustifiably high level and ought to be reduced,

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and (3) that India is not only a 'poor, very poor' country, but that its poverty is steadily growing, and in the administration of its finances, therefore, due regard must always be had to this central, all-important fact. Since the close of the beneficent Viceroyalty of Lord Ripon, however, our finances have been so managed as to lend support to the view that other interests take precedence of Indian interests in the administration of Indian revenues. Thus large sums have been spent out of our meagre revenues on conquest and territorial expansion, which have extended England's dominion but have brought no benefit to the people of India. The English mercantile classes have been conciliated by undertaking the construction of railways on an unprecedentedly large scale—programme following programme in breathless succession—sometimes in spite of the protests of the Finance Member—a policy which, whatever its advantages, has helped to destroy more and more the few struggling non-agricultural industries that the country possessed and throw a steadily increasing number on the single precarious resource of agriculture. And this railway expansion has gone on, while irrigation, in which the country is deeply interested, has been more or less neglected. The interests of the services were allowed to prevail first, in the concession made to uncovenanted Civilians enabling them to draw their pensions at the high rate of 1s. 9d. a rupee, and then in the grant of exchange compensation allowance to all European officers, civil and military. Military expenditure has grown by nearly 6·5 crores a year during the period, and will increase by 1½ crores more on account of the new increase in the European soldier's pay, and the burden of Home Charges has grown by over 3 millions sterling. And all this while the expenditure on education from Provincial Revenues rose only by a paltry 20 lakhs or so, and domestic reforms in other directions have been neglected to a greater or less extent. There has been much talk about the growing indebtedness of the agricultural population, but no remedial action of a really helpful character, involving any outlay on the part of the State, has been undertaken. Happily a change for the better again seems to have come upon the Government during the last three years. Your Excellency has placed the Frontier question on a satisfactory basis, and this is all the more remarkable because a certain vigorous speech of Your Lordship's, delivered long before there was any idea of your being entrusted with the highest office in this country, had seemed to commit Your Lordship to the views of the Forward school. The recent Resolution on the land question, however one may disagree with the controversial part of it, is conceived in a spirit of large-hearted sympathy with the struggling poor, and if the generous principles that it lays down for the future guidance of Local Governments are loyally carried out, they will win for the Government the deep gratitude of the people. In this connection I may

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venture to state that, so far as my Presidency is concerned, the Supreme Government has admitted the correctness of most of our contentions. Thus it is admitted that the pitch of assessment is too high in Gujarat. In the matter of revision enhancements, it is frankly stated that deviations from the rules have occurred in the past. In paragraph 37 it is strongly urged that in tracts where agricultural deterioration has, owing to whatever causes, taken place, there ought to be reduction of the State demand as a necessary measure of relief; and it is freely admitted that 'there have been cases in which a reduction was not granted till the troubles of the people had been aggravated by their efforts to provide the full fixed demand.' Lastly, greater elasticity is now promised in revenue-collection, facilitating its adjustment to the variations of the seasons and the circumstances of the people. After these frank admissions and generous assurances it is somewhat interesting to recall a speech of the Revenue Member of the Bombay Government delivered two years ago in the Bombay Legislative Council, in which he told us, in reply to our suggestion that the principle of individual inquiry should be abandoned in respect of areas where the crop-failure was general, that a contract was a contract, and that, though Government chose to help those whom it considered most in need of relief, no one could claim such relief as a matter of course. As regards irrigation it is clear that its claims will receive fair recognition at Your Lordship's hands in the near future. The questions of Police reform, of Provincial Finance, Agricultural Banks and of Primary, Industrial and Agricultural Education are all evidently receiving Your Excellency's earnest attention. One feels that there is a something in the air which indicates that, after sixteen years, questions of domestic reform will once more resume their proper place in the counsels of the Government of India, and the heart owns to a strange flutter of hope, not unmingled with a fear of disappointment, because three years of Your Lordship's term are gone and no one can say how much may be actually accomplished in the two that remain. My Lord, the country is confronted with an economic crisis of unparalleled severity and no mere half-measures will be found to be of much avail. Not 'efficiency' merely, but 'bold and generous statesmanship' must now be written on the slate of the Indian Viceroy. If Prussia could in the course of the last century raise its serf population to the position of a strong and flourishing peasantry, I do not see why English statesmen should allow the free peasantry of India gradually to sink to the level of serfs. If the State demand were permanently fixed in the older Provinces, where the conditions laid down in Sir Stafford Northcote's despatch of 1867 have been fulfilled, the measure, I am persuaded, would prove a great boon to the people. A correspondent of the *Times of India* — a journal which has rendered during these trying times signal services to the agriculturists of

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the Bombay Presidency—in a series of letters which have attracted general attention has demonstrated in a forcible manner the mischievous effects of the present policy of periodical revisions—how improvements are taxed, in spite of statutes and rules, at every periodical revision, how lands which can leave no margin for the payment of assessment are assessed all the same, and how the condition of the agricultural community is steadily deteriorating. Permanent settlement in raiyatwari tracts cannot be open to the objection that it is asking the State to surrender a prospective revenue in favour of a ‘few individuals.’ I admit that such a measure by itself may not suffice to improve the condition of the agriculturists, and that it will be necessary in addition to provide for them cheap money and enable them to compound in some manner with their creditors. If all these measures are taken, they will give the peasantry of the country a real, fresh start, and then Government might even place some restrictions on the raiyat’s power of free alienation. I am aware that the recent Resolution of the Government of India makes a definite pronouncement against permanent settlement and that it speaks in terms of disapproval of the permanent settlement granted in Bengal by Lord Cornwallis. It seems to be forgotten, however, that the policy which Lord Cornwallis carried out was William Pitt’s policy, and that that great statesman made the land-tax permanent in England at the same time that he asked the Governor General of India to grant permanent settlement to Bengal. Those, however, who condemn the Bengal settlement have no fault to find with Pitt’s fixing the land-tax in perpetuity in England. It is true that Your Lordship’s Government has declared itself against permanent settlement, but a position that has been reversed once may be reversed again, and I am not without hope that the wisdom of the proposals of Hallifax and Northcote, of Canning and Lawrence—most honoured names among the administrators of India—may come to be appreciated better on some future day. Then the question of mass education must be undertaken in right earnest and, if it is so undertaken, the present expenditure of Government on public education will require a vast increase. My Lord, it is a melancholy fact that while with us nine children out of every ten are growing up in ignorance and darkness, and four villages out of every five are without a school, our educational expenditure has been almost marking time for many years past; whereas in England, where every child of school-going age must attend a school, the Government expenditure on education has mounted from $4\frac{1}{2}$ millions to $11\frac{1}{2}$ millions sterling in the course of 15 years, and Lord Rosebery is not yet satisfied! It may be asked how can the two things that I advocate simultaneously be achieved together, namely, a considerable reduction of taxation and a large increase in the outlay on education and other domestic reforms? My answer is that the only way to attain both objects simultaneously is to reduce the overgrown military expenditure

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of the country. My Lord, when the strength of the Army was increased in 1885 by 30,000 troops in spite of the protest of the Finance and Law Members of the Government of India, it was pointed out by those two officers that the then existing strength of the Army was really sufficient for all purposes of India—for keeping quiet within the borders and repelling aggression from abroad, and that if the contemplated increase was effected, it would only constitute a temptation to the Indian Government to undertake undesirable schemes of territorial aggrandizement. The Army Commission of 1879, after an exhaustive inquiry had come to the same conclusion, *vis.*, that the then strength of the Army was sufficient not merely for the work of maintaining internal peace but also for repelling foreign aggression, even if Russia acted *with Afghanistan as an ally*. But the scare of a conflict with Russia was then so great that it carried everything before it, and the proposed additions to the Army were made in India. It may be noted that it was not only in India but in other parts of the British Empire too that large and sudden additions were then made to the existing garrisons, Mr. Gladstone obtaining a large vote of credit for the purpose. But the remarkable circumstance is that, whereas everywhere else the garrisons were reduced to their old proportions as soon as the scare passed away, in India alone the burden came to stay. The result of this was that the prophecy of Sir Auckland Colvin and his colleagues was fulfilled with painful promptitude, and within a year after the increases were made Upper Burma was invaded, conquered and annexed. Well, my Lord, the contention that the additional troops were not wanted for Indian purposes is again forcibly illustrated by the fact that during the last two years over 20,000 troops are engaged outside India in doing the work of the Imperial Government, and that, though one of these two years saw the severest famine of the last century, the peace of the country has continued absolutely unbroken. I am aware that in one of your first speeches in this Council, Your Excellency was pleased to declare that so long as you were at the helm of affairs in India, no suggestion for a reduction of the strength of the Army would meet with any support at the hands of the Indian Government. Now, even if an opinion, expressed three years ago, be not liable to modification today, what we urge is, and I submit, not necessarily a reduction of the strength of the Army located in India, but a reduction of its cost to the Indian people. What strength of the Army should be maintained in India is a question of high Imperial policy in which we are not allowed a voice. But this, I think, we may claim, that if the strength maintained is in excess of India's own requirements, as it is now plainly proved to be, the cost of the excess portion should, as a mere matter of justice, be borne by the Imperial Government. Even on the narrower ground that the Army in India is required for the maintenance of British rule, England, I submit, is as much interested in the maintenance of this rule here

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as we are, and so it is only fair that a portion of the cost should be borne on the English estimates. If this were done and if Indians were more widely employed in the public service of the country—more particularly in the special departments—Government will be able to reduce taxation and yet find money for more education, better Provincial finance, active efforts for the industrial development of India after the manner of the Japanese Government, and various other schemes of internal reform. Then will Indian finance be really placed on a truly sound basis, and then will our public revenues be administered as those of a poor country like India should be administered. My Lord, Your Lordship spoke the other day in terms of striking eloquence of the need there is of Indians now giving up narrow views or limited ideals and feeling for the Empire with Englishmen that new, composite patriotism which the situation demands. Now that is an aspiration which is dear to the heart of many of us also. But the fusion of interest between the two races will have to be much greater and the people of India allowed a more definite and a more intelligible place in the Empire before that aspiration is realized. Let Englishmen exercise a certain amount of imagination and put themselves mentally into our place, and they will be able to better appreciate our feelings in the matter. It has been said that a little kindness goes a long way with the people of India. That, I think, is perfectly true. Who, for instance, ever thought of casting a doubt on the loyalty of the Indian Press in the time of Lord Ripon? There was strong language used then as now in the Press, but it was not in the Indian section of it. What, my Lord, is needed is that we should be enabled to feel that we have a Government national in spirit though foreign in *personnel*—a Government which subordinates all other considerations to the welfare of the Indian people, which resents the indignities offered to Indians abroad as though they were offered to Englishmen, and which endeavours by all means in its power to further the moral and material interests of the people in India and outside India. The statesman who evokes such a feeling among the Indian people will render a great and glorious service to this country and will secure for himself an abiding place in the hearts of our people. Nay, he will do more—he will serve his own country in a true spirit of Imperialism—not the narrower Imperialism which regards the world as though it was made for one race only and looks upon subject races as if they were intended to be mere footstools of that race—but that nobler Imperialism which would enable all who are included in the Empire to share equally in its blessings and honours. My Lord, I have said all this before Your Lordship not merely because you happen to be Viceroy of India at the present moment, but also because every one feels that Your Lordship is destined for even higher honours and for positions of greater responsibility and influence on your return to your native land. And, if this anticipation is realized, Your Lordship will be in a position—even more so

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than today—to influence the character of the Government of this country in the direction we so ardently desire. In this hope I have spoken today, and I respectfully trust Your Lordship will forgive me if here and there I have spoken with a frankness which may appear to be somewhat unusual, but which, in my humble opinion, is one of the highest forms which true loyalty can take.”

The Hon'ble RAI SRI RAM BAHADUR said :—“ My Lord, I cordially congratulate the Hon'ble the Finance Minister on the able and lucid Financial Statement he has laid before this Council, and I must acknowledge the liberal, fair and sympathetic manner in which he has dealt with the economic questions relating to this country. It is a source of much gratification to us to find that Your Excellency's Government has been able to show a large surplus to the extent of £4,672,900 and has expressed its determination to devote a considerable portion of it to some very worthy objects. First of all, we find that Your Excellency has abolished in the Central Provinces that objectionable tax called the pandhari-tax. This will, I am told, relieve some 22,000 persons from that odious burden. I very much wish that the Government had seen its way to abolish, on this occasion, a similar tax realized from a far larger number of people, equally circumstanced and equally hard-pressed, namely, the income-tax paid by persons whose income ranges between Rs. 500 and Rs. 1,000. By this remission the most objectionable feature of the income-tax might have been removed. The figures supplied to me by the Hon'ble the Finance Minister (and for which I am thankful to him) show that in the year 1898-1899 the total amount of income-tax, minus refunds, collected in India, was Rs. 1,90,34,290; of this, the sum of Rs. 34,91,402 was collected from 300,969 individuals whose incomes were returned to be below Rs. 1,000, but not less than Rs. 500. In the year following, *i.e.*, 1899-1900, the total tax collected was Rs. 1,93,18,935, which included the sum of Rs. 35,13,767 realised from 304,542 persons having incomes below Rs. 1,000 but not less than Rs. 500. Whilst in the last year for which the returns are available, *i.e.*, 1900-1901, the total amount of the tax was Rs. 1,96,34,381. This sum included Rs. 34,91,672 as collected from 302,817 persons, who had incomes below Rs. 1,000 but above the minimum assessable amount. These figures show that the amount collected from persons returned as having incomes below Rs. 1,000 is comparatively small. In England the minimum taxable annual income is £150, which in Indian currency is equivalent to Rs. 2,250, *i.e.*, four-and-a-half times of that in India. If in a rich country like England the sum of Rs. 2,250 has been considered the proper limit for the minimum taxable amount, in a poor country like India that minimum fixed at Rs. 500 is highly disproportionate. But, my Lord, it is not this consideration alone on which the desirability of the remission asked for is based.

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The large number of persons who have to pay such tax is an important factor to be taken into account. Excepting those who have fixed salaries, there is no satisfactory way in which the real income of persons of this class can be ascertained with accuracy. The petty traders and others who are made to pay such tax do not keep any accounts, and once they are reported by the patwari or the village-chaukidar as persons who should be taxed, they are declared liable to its payment. It is very seldom that such persons can escape from the grip of the tax-collector, because they cannot successfully rebut the presumption raised against them. That great difficulties do exist in the collection of the tax from persons of this class was acknowledged by such a high authority as His Honour the present Lieutenant-Governor of the United Provinces when sitting in this Council as the official representative of those Provinces. He then said, 'In these grades the tax is collected from a number of petty traders, who as a rule keep no regular accounts, whose income is extremely difficult—almost impossible—to ascertain, regarding whom an assessing officer is hardly ever able to satisfy himself as to the justice and fairness of his assessment.'

"My Lord, there is yet another ground which ought to be considered with reference to this matter. The men with petty incomes find it difficult, in these days when the cost of living has increased so much, to make two ends meet. It is such persons who really deserve relief. I sincerely trust that Your Excellency will take their hard lot into your kind consideration and relieve them of a burden as objectionable as the pandhari-tax which has just been abolished.

"We are deeply grateful to Your Excellency's Government for the decision to remit nearly two crores of rupees as arrears of land-revenue in the distressed districts, thereby giving the raiyat the opportunity to recover from the disastrous effects of the last two successive famines which visited various parts of the country. This remission, while it shows the magnanimity of Government, evidences at the same time the utterly destitute condition of millions of peasants who are so helpless as not to be able to pay their rents when there is a failure of crops in one or two successive seasons. My Lord, the United Provinces' share in this remission is rather too small. The arrears due on account of takavi advances ought to have, for similar reasons, been remitted, but no remissions have been made under that head.

"In this connection, with Your Lordship's permission, I will refer to one of the suggestions made by me on the occasion of the Budget debate last year as one of the remedies against famine; and to which I beg to invite Your Excellency's attention again, as the last Famine Commission also has laid great stress on this matter in its report submitted in May last. What I ventured to suggest on that occasion was that takavi or agricultural advances should be

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distributed as soon as the first symptoms of distress become visible and not when the pinch is actually felt. Had the local authorities adopted this course in the areas affected, it goes without saying that millions of cultivators would not have been placed in the deplorable condition to which they were actually reduced. But this can only be done if the local authorities are provided with sufficient funds to make advances at the proper time.

"We must also express our thankfulness to Your Excellency's Government for the grants, which amount to one crore and fifteen lakhs of rupees, made to the Local Governments for the following purposes:—

- (1) 25 lakhs of rupees for Minor Irrigation works, such as village wells, tanks and channels;
- (2) 40 lakhs of rupees for Education;
- (3) 32 lakhs for Public Works; and
- (4) 18 lakhs for Medical requirements and Provincial Administration purposes.

"But, with reference to these grants, it must be noted that they are for one year only, and the shares allotted to the different Provincial Governments will not be sufficient for their wants in the various directions for which these grants have been made. But, my Lord, it is not so much for the grants as the departure from the policy formerly pursued which has made us profoundly thankful to Your Excellency's Government. The fact, my Lord, need not be concealed that successive previous Governments rarely, if ever, considered very carefully the local needs of the various Provinces. But Your Excellency in Council has been pleased to direct your attention to such urgently-needed reforms as the improvement of Police, Education and Sanitation, and make special grants for them.

"My Lord, it affords us much gratification to find that Your Excellency's Government propose to introduce scientific methods of agriculture in this country. On this subject I said a good deal last year, and I need not repeat those remarks. What I humbly believe is that agriculture is susceptible of great improvement in this country; and that, by availing of the methods introduced and adopted in the West, the Government can give a great impetus in this direction. I can assure the Hon'ble Finance Minister that the Indian peasantry, though conservative, is not so foolish or prejudiced as not to accept improvements in agriculture, if they are really practical and do not cost much money. What the Government has got

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to do is to show the way, and the peasantry will cheerfully follow it. In my humble opinion, Indian youths should be sent to Europe and America for agricultural education, with scholarships tenable for two or three years, and, on their return, employed here for the purpose of showing the landholders the way in which they can improve agriculture in their estates by following scientific methods. As 80 per cent. of the population of British India depends for its very existence upon the produce of the soil, agriculture should claim the first consideration of the Government.

"As regards the Agricultural Banks, the United Provinces, as Your Lordship is aware, have taken the lead in the matter. Already about 150 Banks on the co-operative system have been established there. They have just been started and are only infant institutions. They are in the experimental stage; it is thus impossible to say anything definitely about them. I fervently wish, however, they will take root in this country and prove as useful as they have done in the West.

"*Money Orders.*—Another pleasant feature of the present Budget is the proposed reduction of commission on postal money orders for sums not exceeding five rupees. This is a move in the right direction, as it is in the interests of the poorer classes of remitters. The anticipated loss of revenue, amounting to £16,700, will most probably be more than counterbalanced by an increase in the number of small remittances and the commissions paid on them. This expectation in the increase of revenue may fairly be founded on the experience we have had of such increases following the reduction of other postal charges.

"I may take this opportunity of drawing Your Excellency's attention to two other matters of a similar nature. Newspapers weighing four tolas can now be sent through the Post Office for one pice worth of postage. It will be a great boon to the general public if the weight be increased from four to five tolas, and I earnestly trust the subject will receive the kind consideration of Your Excellency's Government. The second matter is reduction in the rates of charges on telegrams. The rates of charges on foreign telegrams have no doubt been reduced, but the benefit so conferred will be shared by only a limited number of persons. It is hoped that Your Excellency's Government will see their way to make a reduction in the rates which are at present charged for the transmission of inland telegrams also. Such a measure will be of advantage to a very large section of the Indian public.

"*Other features of the Budget.*—My Lord, if there are pleasant features of the Budget, there are some unpleasant ones too. I shall notice them briefly with a few remarks. It would have been more satisfactory if the splendid sur-

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plus had been secured in a healthy way. But not only was a large amount of it a windfall, but an important part of the increase of railway revenue was due to the heavy transport of food-grains for famine purposes. It should also be remembered that, taking as a whole, there was no increase but considerable decrease in the Land-revenue. For, if there was an increase of £299,300 in some parts of the country, there was also a decrease in other parts to the extent of two crores of rupees, the amount which the Government have just remitted. The details of the increase in the import-duties are not before us, so it cannot be stated with certainty how much of the imported articles has been purchased by the general masses in the country and how much by the Government, the richer classes both in European and Indian communities, and Railway Companies and mill-owners. In short, the surplus of 1900-1901 cannot be an incontestable proof of the growing prosperity of the country.

"One of the most important questions dealt with by the Hon'ble the Finance Minister is the recuperative power of the people of British India. His opinion is that this country possesses 'extraordinary recuperative power.' But there are some stubborn facts which go against this opinion. For instance, if the people had recuperative power, how was it that two crores of land-revenue had to be remitted to give millions of raiyats 'time to recuperate,' to quote the words of the Hon'ble the Finance Minister? Then, if they had recuperative power, Government would have not been under the necessity of feeding tens of thousands of famishing people throughout the whole of this year. Just now these starvelings amount to more than a lakh of people. It is admitted by the recent Famine Commission that in Bombay and the Punjab the majority of the cultivators are in the hands of the money-lenders. This fact also shows that India has very little recuperative power; for, if the people had it, they would not have become the bondsmen of the saukars.

"My Lord, the fact cannot be denied that there is deep poverty among the agricultural and labouring classes. Taking Your Lordship's estimate of Rs. 20 as the average annual income of an agriculturist, this small sum can barely suffice for his wants. Indeed, an average agriculturist rarely, if ever, can afford to use finer sorts of grains. He has to live upon the cheapest and therefore the coarsest of food-grains. While the people in other countries drink liquor and tea, the Indian raiyat is satisfied with his tobacco—that is his only luxury. Then, now and then he has to go without a full meal. There is a notion that the agriculturists waste their money in festivals. My Lord, this is not generally the case. Firstly, they can scarcely lay by anything. And, secondly, the only festivals they perform, as a rule, are connected with marriage

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and funeral ceremonies. And the little money they spend on these occasions is distributed among their own castemen and remains in their native villages. In other countries the people rest one day in the week, but here in India they toil incessantly from morning to evening and know not what Sabbath is. My Lord, an Indian peasant is not only poor but leads a very hard life indeed. He has no or very few enjoyments. Even taking it for granted that his income has increased by Rs. 2 within the last 20 or 25 years, the prices of food-stuffs have, at the same time, risen more than 30 per cent. within that period. It should be noted that the agricultural classes form 80 per cent. of the entire population of British India.

"When such is the condition of the agriculturist, it is hardly necessary to point out that the labouring classes are in a worse plight. In my part of the country, a labourer generally earns two annas per diem, and he has to remain idle for four or five months in the year for want of work. This simple fact will suffice to convey an adequate idea of their actual position. Of course, those labourers who live in or near the towns are much better off, but their number, compared with the rural population, is very small.

"Nor are the non-agricultural middle classes in a prosperous condition. The return of the income-tax, to which I have referred in another place, shows that there are only a little over three lakhs of people in a population of 180 millions whose annual incomes average between Rs. 1,000 and Rs. 500. My Lord, the recuperative power of India cannot be high when 80 or 90 per cent. of its population have to live almost from hand to mouth.

"This chronic poverty of people will explain why the failure of a single crop brings millions of them to the verge of starvation and makes them dependent on Government help. The scanty or unseasonable rainfall is no doubt the immediate cause of the famine, but the responsible rulers of the land know more than I do whether there are any other cause or causes at the bottom of these frequent famines. The fact was, however, admitted by the Government of Lord Elgin that it was not from a famine of food-grains that they suffer, but from that of money. Other countries like India are also subject to climatic vicissitudes, but there famines do not break out with such frequency and intensity, because the people in those countries have money to buy their food and various industries to fall back upon.

"*Military Expenditure.*—My Lord, various measures have been suggested by which a substantial and lasting relief could be given to the Indian Exchequer, thereby enabling the Government to remove the poverty of the people to a large

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extent and avert future famines as far as that is possible, and one of them is the reduction in the military costs. The fact that a large number of troops could be safely spared for employment for a lengthened period in foreign countries and the staunch devotion and unswerving loyalty of the Indian peoples to the British Crown are two very important factors which should be taken into consideration in the decision of this question.

But if for some political reasons it be considered advisable to keep the troops in India on the present high numerical scale, the experience gained by the continued absence of a large portion of them from here and their employment in foreign countries cannot but lead to the conclusion that they are required more for Imperial than for Indian purposes. That such is really the case was the view expressed on behalf of the India Office by their Financial Secretary in a memorandum submitted in 1895 before the Royal Commission appointed to enquire into the administration of expenditure in India. The second paragraph of that memorandum runs thus—

‘That India is utilized as a reserve for England in a much truer sense than England is for India; that England not merely claims the services of British regiments for the time stationed in India, but that she frequently uses the Native regiments towards the cost of which she has in no way contributed; that it may, therefore, be reasonably urged that England ought to assist in the maintenance in India of so large a force upon which England does not hesitate to draw.’

“The above position has received very strong support from the experience gained in recent years. It will be simply an act of justice if the British Exchequer will contribute a fair share towards the cost of the maintenance of these troops. In this way the Indian Exchequer will get substantial relief, and the saving thus effected may be utilized either in reducing taxation, such as the salt-tax, or in constructing works of irrigation for the prevention of famine, without having recourse to borrow money for such purpose. But, my Lord, we are sorely disappointed in this respect. Instead of giving any help towards the military expenditure, the Home Government have made an addition to the already heavy burden of the Indian Government in this respect, in the shape of additional pay to be given to the British troops in India, the ultimate annual amount of which cannot be given exactly just now by the Hon'ble the Finance Minister; but the sum provided by him for the coming year on account of this additional expenditure is £226,000.

“*Currency Notes.*—There is another matter alluded to in the Hon'ble the Finance Minister's Budget Statement on which I beg permission to say a few words. It is the circulation of Government currency notes. No doubt, as stated

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by him, the question is beset with difficulties, and a divergency of opinion exists among the Government officers, Banks, and commercial bodies on this subject. I can say from my own experience that great difficulties exist in securing the free encashment of these notes in the mufassal treasuries, as well as in procuring them from those treasuries if anybody wants them. If Government would give directions to the district and sub-divisional treasuries to cash the notes presented to them without charging any discount and also to keep currency notes and supply them to the public when asked for, such a step is sure to popularize their circulation. The difficulty at present experienced in getting them encashed in the mufassal and in procuring them when required stands in the way of their freer circulation.

“Assessment in the United Provinces.—My Lord, the Government has recognised the principle that in order to place the landed classes in a better position to withstand the effects of a season of drought, the assessment of Government demand should be moderate in incidence. In the Resolution on assessment of revenue lately issued by Your Excellency's Government, it is stated:—

‘It cannot but be their (Government's) desire that assessment should be equitable in character and moderate in incidence; and there should be left to the proprietor or to the cultivator of the soil—as the case may be—that margin of profit that will enable him to save in ordinary seasons and to meet the strain of exceptional misfortune. Such aspirations must be even more forcibly impressed upon the Government at a time when, owing to prolonged continuance of adverse circumstances, the agricultural population has passed through a phase of almost unequalled depression, and needs the fullest measure of encouragement that it is possible to afford.’

“My Lord, nothing can be more humane, more sympathetic or more statesmanlike than the policy announced by Your Excellency's Government in the words quoted above. With Your Lordship's permission I beg to say a few words on the applicability of the principles enunciated above to the circumstances of the land-holding classes in the United Provinces. From these remarks of mine, the portions of the Province which are permanently settled, as well as the permanently-settled estates in Oudh, are excluded. Raiyatwari tenure being unknown in those Provinces, my remarks have a bearing upon the zamindari and talukdari estates only.

“In connection with this matter there are two points which deserve attention: one is what is the percentage of the actual gross assets which the Government takes as its revenue-demand, and the other is the share of assets which the landholder actually gets after deducting the cesses and rates, cost of collection, &c., and unrealized portion of the rental demand from the tenants and which he

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can utilize for the support of himself and of his family and dependants, for other necessary expenses and at the same time have a margin left so that a portion of it he can spend upon the improvement of his estate and something he may lay by 'to meet the strain of exceptional misfortune' such as a year of scarcity or drought may bring upon him.

First, as regards the share of assets which the Government takes as land-revenue. A perusal of the majority of the settlement statements, prepared by the Settlement-officers and on the basis of which the assessment is generally made, will show that the Government revenue is not usually calculated on the amount of rent which the zamindar actually gets but on the aggregate assets made up of actual rents paid by the tenants, possible rents assessed on rent-free tenures, lands considered as let on favourable rates of rents and many other factors taken into account. It is on figures calculated by an elaborate process that the assessment of Government revenue is based. From the figures so obtained, no doubt, it can be shown that in the districts in which revision of assessment has taken place, the State demand in the shape of Government revenue proper is a little less than 50 per cent. But the real point to see is what net profits go into the pockets of the landholders. With regard to estates owned and managed by private individuals, no reliable statistics can be available, and therefore no accurate deductions can be drawn as regards their real net income. But, my Lord, I think a very fair deduction can be drawn on this subject from the facts and figures given for the estates under the management of the Court of Wards of the United Provinces. The last report available, that is, for the revenue-year which ended on the 30th September, 1900, relates to estates which are 202 in number, embracing an area of $3\frac{1}{8}$ millions of acres, with an annual rental demand of 76 lakhs of rupees. In the Resolution by the Local Government reviewing the said report, we find 'the proportion of the revenue-demand to the rental demand is 48·2 per cent., but, if the figures for the Balarampur estate are excluded, it stands at 50 per cent.'

"My Lord, I think that the figures given in the Resolution of the Local Government referred to above may be taken to represent the true state of circumstances with regard to the large number of the zamindari estates, especially those held by the smaller zamindars.

"The next point is, what are the net savings to the landholders after deducting rates, cesses, collection expenses and unrealized portion of rents from the tenants? Cesses and rates amount to 8 per cent., which the landholder has to pay to Government. Statutory provision is no doubt made for the realization of a portion of the patwari-rate from the tenants, but its amount is very small

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and it often remains unrealized. The patwari and chaukidar are now entirely Government servants: the zamindar has no control over them.

"In the 42 per cent. left after deducting the cesses and rates, the cost of collection and management is to be reckoned. In the same report the percentage of cost of management for the estates situated in different districts (excluding the Balarampur estate) ranges from 13·5 per cent. to 68 per cent. on the gross income. I think 10 per cent. is a fair amount which may be allowed for cost of collection and management. Then the landholder does not generally realize the whole of the rental demand from his tenants. In the report referred to above we find that of the current demand of ₹75,99,802 for the revenue-year which ended on 30th September, 1900—(a year not of any exceptional circumstances, but an average one)—the Court of Wards with all the facilities which recent special legislation has placed in their hands to collect their demands by the same processes by which the Government collects its revenue, collected ₹68,78,638 only, or over 90 per cent., showing an uncollected balance of about 10 per cent. Of course, some arrears of rent for the previous years too were collected; taking these also into account, say at about 5 per cent., the entire collection cannot exceed in the generality of the estates 95 per cent. of the current demand. Then we have to take into account the law expenses which every landholder has to incur, and I do not consider that the expenditure on this item and others is less than 2 per cent. Of course, in the larger estates some of these items may be less, but for the majority of estates the above approximate figures may be taken as a fair basis of calculation.

"By adding up all the above items, the margin of net profits left to the landholder is 25 per cent. In very well managed estates it may be greater, and in badly managed ones it may be less. Making all possible allowances, the net profits cannot in the best managed estates exceed 30 per cent. The figures given by me show the average net profits. The landholder has to meet his own expenses, those of his family and of other persons dependent upon him from the net assets left to him. This margin is not sufficient, in the generality of cases, especially of smaller landholders, to leave anything for effecting improvements in their estates, or to enable them to save money which may be of use to them to meet the strain of exceptional misfortune.

"*The Provincial Contracts.*—The question in which the various Provinces are most vitally interested is the financial relation between the Central Government and the Local Governments. The theory of decentralisation is no doubt quite sound in principle. But the scheme as originally devised by Lord Mayo and subsequently developed by other Viceroys has, unfortunately, instead of

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producing the wished for result, turned out otherwise. The unsatisfactory nature of what is called the Provincial Contract has been the subject of several comments not only in non-official circles, but successive Lieutenant-Governors of Bengal have strongly protested against the manner in which the savings of Local Governments have been appropriated by the Central Government. Sir Alexander Mackenzie complained that 'the Government of India did not seem to realise that it has as great responsibility for local administration as the Local Government itself.' My Lord, there is a good deal of truth in the following description of the state of affairs given by the same Lieutenant-Governor of Bengal during the debate on the Budget in 1896 :—'The Provincial sheep is summarily thrown on its back, close clipped and shorn of its wool and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this: two years of screwing and saving and postponement of work; two years of resumed energy on a normal scale and one year of dissipation of balances in the fear that if not spent they will be annexed by the Supreme Government at the time of revision.' His Honour the present Lieutenant-Governor of Bengal has also complained in the same way though in a more conciliatory spirit. As a matter of fact, the principle laid down by the late Finance Minister, Sir James Westland, was bound to create alarm and anxiety in the minds of those who were responsible for the welfare of the people entrusted to their care. Indeed, he was pleased to declare that the first claim on the Provincial Revenues was the claim of the Imperial Government; and if, after meeting all the requirements, 'we may find ourselves able' to spare anything, 'we may grant that amount to the Provincial Governments to meet their wants.' In plain words, Sir James Westland, on behalf of the Supreme Government, addressed to the Local Governments something to this effect: 'every pice of the revenues you raise belongs to the Central Government and you have no right to it. The Central Government have their necessities, every one of which must be first met, and after that, if they can spare any money, they will only make a gift of it to you. So please do not grumble but be thankful for what you receive.' My Lord, that was the helpless condition to which the Local Governments were sought to be reduced; and no wonder the non-official as well as several official Members took strong exception to that position.

"My Lord, I gratefully acknowledge that a higher principle has guided the Government of India under the present *régime*, and that encourages me to submit that Your Lordship's Government would be graciously pleased to treat the Local Governments more liberally than it was possible to do during the beginning of Your Excellency's rule on account of one of the greatest famines of the

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century. I respectfully submit that a large portion of this splendid surplus cannot be better utilised than in helping the Provincial Governments with liberal grants, as all of them are in a more or less needy condition. It need hardly be said that unless the Central Government is liberally disposed towards them, it would be utterly impossible for the Local Governments not only to carry out any administrative and economic reforms, but to maintain, even in a state of efficiency, many of the existing works of public utility.

"With Your Lordship's permission I beg to submit that in my Province, *i.e.*, the United Provinces, many administrative and economic reforms are most urgently needed in various directions. The Police Department requires to be manned with better and therefore more highly paid officers. The educational programme, specially in its technical and agricultural branches, needs further expansion. The District Boards require to be placed in a position of more complete financial independence. The Municipal Boards are to be placed in such a condition as would enable them to carry out various sanitary measures. The subordinate ministerial establishment of both the judicial and executive branches of the service needs an improved scale of allowances. And the last, though not the least, are the provisions for medical help to the rural population, the vast majority of whom receive no such help when they require it. Every one of these reforms is of a pressing character and requires funds for its carrying out.

"On the occasion of the last year's Budget debate I ventured to point out that the United Provinces were entitled to a larger share, for their local expenses, out of the revenues raised by them, and in support of my contention I quoted facts and figures to show that the other Provinces were more fortunate in this respect. Those figures were taken from the Revenue and Finance Accounts of the Government of India for the year 1899-1900. The accounts for the year 1900-1901, now issued by the Financial Department, do not disclose any improvement in this respect, so far as the United Provinces are concerned. We are, however, grateful to Your Excellency's Government for the additional grant of 13 lakhs of rupees made in the next year's Budget for further expenditure under the heads of Education, Public Works, and Revision of Revenue Establishments and Medical objects; but there are two features with respect to these grants which deserve notice. The first is that they appear to be of a temporary character, *i.e.*, for one year only; and the other is their inadequacy. The sum of 5 lakhs granted for educational purposes is quite incommensurate with the educational needs of the Province, so is the grant of Rs. 3½ lakhs for expenditure on schemes for the revision of revenue

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establishments and for medical objects. The amounts allotted under these two heads are quite insufficient. The sum which has been placed at the disposal of the United Provinces Government to be spent on schemes for the revision of revenue establishments is so small that it cannot produce any substantial improvement in the allowances of the very large number of subordinate officers on that establishment. The improvement of the condition of such staff in the Judicial branch of the service remains totally unprovided for. With the plague raging in many of the districts of the United Provinces, the additional grant made for medical objects is quite insufficient. The omission of any grant to those Provinces for village irrigation-works, such as wells, tanks, etc., is also noticeable. They require the aid of Government in this respect to the same extent as other Provinces.

"The temporary Provincial Contracts with the United Provinces would in the ordinary course of events have come to an end at the close of the financial year which is about to expire, and a hope was cherished that a fresh settlement for the next quinquennial period would have been made, and in doing so the growing requirements of those Provinces would have been taken into consideration and greater liberality shown in allotting the share of revenue to be spent locally by the Provincial Government. But Your Excellency's Government have thought fit not to re-adjust the terms of the contract this year but to make certain additional grants for a limited number of heads of expenditure and only for one year. Now, one of the mandates of the Supreme Government which the Provincial Government is bound to obey is that it must keep a minimum closing annual balance of Rs. 20 lakhs. The effect of this mandate, coupled with the rigid economy observed by the Supreme Government in allotment of sums to be expended locally, is that the Local Government in its Budget is obliged to cut down every item of expenditure to its lowest possible limit. Such a system leaves no room for expansion. The Local Government being thus handicapped has not the means at its disposal to provide for the increasing requirements of the Province.

"*District Boards.*—My Lord, a step most necessary for the advancement of local self-government in the United Provinces and affecting the progress and welfare of the rural population is that each of the District Boards should stand in an independent financial position with respect to the funds raised by it, subject of course to the usual departmental control. Notwithstanding that these Boards have now been in existence for about eighteen years, they have not up to the present been able to fully secure this position. The system at present followed with respect to the receipts and expenditure of these Boards

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is that the incomes raised by them—with the exception of a very few small items—are carried to one common fund. From this fund, supplemented with grants from Provincial revenues, the Local Government makes allotments to the several District Boards of such sums for their local expenditure as it considers proper. These allotments are not generally made in accordance with the local revenues raised by each of the districts. The result is that they can spend only that portion of their income which the Government pleases to allot to them. This system cannot contribute towards the attainment of that improvement of the district which is so desirable. Many works of public utility are not taken up by the District Boards in consequence of this want of financial independence. It may be asked why I bring this matter before Your Excellency in Council. The first reason is that the Local Government cannot complete this reform unless it gets more money from the Central Government. The second reason is that the Local Government is anxious to legislate on the subject, but it cannot alter the present Act relating to the District Boards without the sanction of the Supreme Government. Here I may mention that, on the occasion of the Budget debate in the Provincial Council in April, 1900, on my calling attention to the question of financial independence of the District Boards, the Hon'ble Mr. Meston, the Financial Secretary, was pleased to answer :—

'I fully sympathise with the Hon'ble Babu Sri Ram's plea for greater financial independence for the District Boards. The question of granting such independence has, for years past, received the careful consideration of the Government. I would refer Hon'ble Members to the lucid explanation of this policy given by the Hon'ble Mr. Miller last year. The policy therein indicated is being steadily pursued, and Government would gladly confer further financial independence upon the Boards did not their needs in other directions make it practically impossible to do so.'

"It is the paucity of funds, my Lord, that prevents the Local Government from carrying out this reform fully, and the Central Government alone can enable them to do so.

"*Octroi-duties.*—My Lord, I consider it my duty to invite Your Excellency's attention to a matter which is of grave concern to the Municipalities of the United Provinces. Under the directions contained in the Home Department Resolution No. 55-60, dated 24th April, 1899, those Municipalities have been compelled to revise their schedules of rates at which octroi is levied on articles paying customs-duty, and to lower the rate of that duty on all such articles to R1-9 per cent. with the exception of three such articles. In the larger Municipalities of the Provinces the lowering of these octroi-rates will produce injurious effects on their incomes. The list given below will show the estimated

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annual loss of income which those Municipalities will have to suffer in consequence of this change :—

	R
1. Lucknow	53,217
2. Benares	40,904
3. Allahabad	23,332
4. Meerut	18,387
5. Agra	13,000
6. Bareilly	9,542
7. Koel (Aligarh)	7,298
8. Shahjahanpur	5,990
9. Fatehgarh-cum-Farrukhabad	5,233
10. Fyzabad	4,392
11. Muttra	4,209
12. Gorakhpur	2,168
13. Mirzapur	1,690
14. Saharanpur	1,489

" The figures given above show that the aggregate estimated loss to these Municipalities will amount to about ₹1,90,851 annually. Some idea as to the proportion which this loss bears to the total octroi-income may be formed from the figures for the Lucknow Municipality—the largest in the United Provinces, both in point of area and population. Its average annual income from octroi is about three and a quarter lakhs of rupees. The sum of ₹53,217 is collected from articles which will be affected by the Government Resolution. Of course, the Municipal Boards have been busy in taking steps to level up to the ₹1-9 per cent. limit those rates which are at present under that limit. They have also, in order to recoup the loss so occasioned, raised the rates of octroi-duty on certain articles which form the necessities of the poorer classes. My Lord, the measures which the Municipal Boards have been compelled to adopt to make good the loss thus occasioned are not proper ones. Failing to recoup this loss by the readjustment of their octroi-rates, many of them will be driven to have recourse to some form of direct taxation, *e.g.*, house-tax. It is submitted that direct taxation is not suited at all to the condition of these Boards, and in poor cities like Lucknow and Allahabad it will be the most objectionable form of taxation. This will be a departure from the principle which Your Excellency's Government was pleased to lay down in the Resolution above referred to, which says that in connection with octroi taxation theoretical reasons should not prevail. In the said Resolution the remarks of Sir Charles

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Crosthwaite giving preference to indirect over direct taxation are quoted with approval. These remarks run as follows :—

‘In imposing taxation in this country it is more necessary to consider the prejudices of the people than the strict theories of taxation. I have no hesitation in saying that it would be impossible to raise in Northern India or in the Central Provinces by direct taxation anything like the sum raised by octroi, and that the attempt to substitute direct taxation in the large towns and cities there for octroi would lead to much and serious trouble. The discontent would be out of all proportion to any advantage that would result. The measure would have to be imposed in spite of the Municipal Committees by an order of Government. Neither do I think that the Government of India can with a good grace force such a measure upon the local bodies, unless it is prepared to help them with money grants—a measure which, if it was financially possible, would be inadvisable in my opinion.’

“The Government have evidently taken this step on the representation made to them by certain parties from certain parts of the United Provinces to protect the articles which pay customs-duty ; but no cogent reasons have been given for the taking of such a step. The urban population alone pays octroi-duty on articles which are brought within the municipal limits for its consumption ; the rural population, which forms by far the bulk of the population of India—the proportion of the latter to the former in the United Provinces, according to the first Famine Commission’s Report, being as 93 to 7—has not to pay any octroi-duty at all. It is therefore evident that the imposition of octroi at a higher rate on the articles in question, when brought within municipal limits, cannot have any serious effect on the general consumption. It has not been shown by any statistical figures that the higher rate of octroi as levied at present has in any way affected, diminished or stopped the consumption of such articles.

“I further submit that the present is not a proper time for adopting any measures tending to affect the stable sources of income of the Municipalities and substituting in their place doubtful and experimental methods. The larger Municipalities are already in the midst of a financial crisis owing to their having contracted considerable amounts of debts for the construction of water-works. The plague has already appeared in some of the Municipalities and is committing dreadful havoc upon the people residing within their limits ; the others are threatened with the appearance of this grim monster. Both classes of the Municipalities have to incur additional expenditure for measures of sanitation and prevention. All these Municipalities have limited sources of income ; any interference in the rates of octroi, which is the most important source of their income, is sure to exercise a great disturbing influence on their financial equi-

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librium. It is therefore submitted that Your Excellency's Government will be pleased to take into consideration all these circumstances and reconsider the directions contained in the Resolution above referred to.

"Loans and Grants to Municipalities."—There is another matter relating to the Municipalities of the United Provinces to which I beg to invite the attention of Your Excellency's Government.

"As a first step towards their sanitary improvement, six of the larger Municipalities in the plains, *viz.*, Lucknow, Benares, Allahabad, Cawnpur, Agra and Meerut, undertook the construction of water-works for the supply of pure water and got them completed. The initial costs of these works were met partly from the municipal funds, partly from Government grants, and partly by loans advanced by the Imperial Government, the bulk of the costs being met from these loans. The recurring costs which the Municipalities have to incur in connection with the water-works are under two heads: first, maintenance of the works; second, repayment of the loans with interest by annual instalments. To meet these items of expenditure the Municipalities have been taxed to their utmost limits, and no fresh taxation can be imposed upon them now.

"Experience has shown that the boon conferred upon the residents of those Municipalities by the introduction of the water-works has not proved an unmixed blessing. Want of a good drainage system constructed on scientific principles is very strongly felt. The stagnation of superfluous water has generated malarial fever in many localities. Two of the Municipalities, *i.e.*, Benares and Cawnpur, have got a fair start in having a drainage system constructed, but the rest have still to devise ways and means for the attainment of this object. With the plague already in the midst of some of them and knocking at the doors of the others, these Municipalities have to incur additional expenditure on matters of sanitation, and their finances are not in a satisfactory condition. I have said before that any fresh taxation in these Municipalities is altogether out of the question. The additional expenditure required for the construction of drainage-works can be met within two ways only, *viz.*, either from grants or from loans by Government. It is submitted that, taking into consideration that the construction of drainage-works is absolutely necessary for the health of those Municipalities, Your Excellency will be pleased to place the Local Government in such a position as would enable them to give substantial help in the shape of grants. In case the whole sum required for the construction of drainage-works cannot be given to the Municipalities as grants, they may be helped to carry out those works by loans advanced at 4 per cent. per annum. The loans taken by the Municipalities from the Government for their water-works are being paid

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off regularly with interest by six monthly instalments. The period fixed for their repayment is thirty years. If the unpaid portions of the previous debts and the money to be advanced for the construction of drainage-works be consolidated into one loan, and the Municipalities be allowed to repay it by six-monthly instalments of the same amount as they do now, they will become free from all debts in due course, without having any increase in their annual expenditure under this head. The interest charged by Government from these Municipalities is at the rate of 4 per cent. per annum; and as the Government can borrow money at $3\frac{1}{2}$ per cent., the transaction with Municipalities leaves a margin of $\frac{1}{2}$ per cent. in its favour.

“One word with regard to the idea that the Municipalities should go into the market and raise the requisite loans themselves; such a course would be quite fruitless. The incomes of these Municipalities are pledged to Government for the repayment of loans already advanced. Their receipts are hardly sufficient to meet the current expenditure; and, after the repayment of the loans advanced by the Government, there will be no, or very small, savings to liquidate other loans. It is highly improbable that under their present financial circumstances the public would give a favourable response to their application for loans.”

The Hon'ble MR. SMEATON said:—“My Lord, the surplus which has just been declared by the Hon'ble Finance Member is a very large one, and promises to be a continuing one, and looked at in juxtaposition with the figures of the people on famine-relief in the same Gazette, I think the remarks made by the Hon'ble Mr. Gokhale may well give us pause and cause for reflection, and in particular I would call upon Your Excellency's Government to notice his remarks in regard to the salt-tax. I have a high authority for saying that the salt-tax—the late Sir Richard Temple is my authority—is equivalent to 3 per cent. of the income of the lower class of cultivators, and, if that is so, I think the remarks of the Hon'ble Member may well attract the attention of Government. A commencement has been made to give the people of India the benefit of a certain portion of the large surplus now declared in the form of remission of taxation. The commencement is very small, but the indication is good. By the Act passed today the pandhari-tax has been abolished, and I congratulate the Hon'ble Mover of that Bill although the amount is not particularly large. Although I have not noticed in the neighbourhood of Calcutta any relief-works as yet started for indigent income-tax payers, I think the poorer classes to whom the Hon'ble Mr. Turner referred certainly deserve the consideration of Government. All of us who have

had experience of this tax know—and for myself I can say that I have had a very sad experience of it for the last ten years—that it is the poorer classes that are the most heavily assessed. The richer get off, it is the poorer class of people whose incomes and whose circumstances are most closely examined by the tax-gatherer, and in proportion to their income they are undoubtedly a great deal more heavily taxed than those who enjoy higher incomes, and I would heartily support what has just been said by the Hon'ble Mr. Turner and the successive speakers after him, and trust that Your Excellency's Government will give some attention to the claims of the lower class of income-tax payers. I am taking the items of the Financial Statement serially. I look at paragraph 56, in which it is stated by the Hon'ble Sir Edward Law that 'our customs-revenue is—in a direction which we may welcome—threatened by the development of native industries supplying our wants and diminishing our importations, and in this connection I may specially point to the rapid increase in the production of Indian petroleum,' and so on. I cordially concur in welcoming this change in the economic situation of India, and I would say that in order to give it that fostering care which Your Excellency has so often declared it your object to do I should not scruple even to give it encouragement, were it necessary, by imposing protective duties. The case of India is not the case of England. We are here in the face of a problem, namely, to attempt to divert a large struggling half-starved population from barren agriculture to fields of possibly more lucrative occupation, and I do not see that the Government of this country should be over-squeamish in taking such steps as it thinks necessary to protect those industries in this country with which the industries of the mother country may enter into competition. In particular, Burma, with which I have been connected for some time, is the chief producer of petroleum. I hope that this new and growing industry will be left unembarrassed and untrammelled by any foreign systems of monopoly, and that it will be protected against invasion by those huge foreign combinations which kill individual industry, and left to work out its prosperity in freedom. The question of the remission of land-revenue I shall touch upon last.

"There is a subject here which I feel bound almost to refer to because I referred to it last year, but the reference I then made has not met with any response from my Hon'ble Friend the Financial Member, and that is with regard to the circulation of currency notes. I mentioned last year that the statement contained in paragraph 70 is practically a fiction, and I am afraid I must repeat the same words still. We here find it stated that there are actually 230 millions and 600 thousand rupees in notes which are said to be in circulation. As I understand the word 'circulation' it means 'in the hands of the public,' who use

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the notes, but I think I am right in saying that a very large proportion of these 230 millions and 600 thousand rupee notes are locked up in the treasuries and in the sub-treasuries. There are 260 treasuries and there are 1,500 sub-treasuries. My experience as an inspecting officer is that the proportion of notes in the treasuries and sub-treasuries is vastly greater than in the hands of the public. Therefore to go and say that these notes of 230 millions and 600 thousand rupees are in the hands of the public of India is, as I must repeat, a fictitious representation. It looks, my Lord, as if every adult male was waving a five-rupee note over the Finance Member's head. I strongly urge that this should be corrected. What would be said of a Bank with an issue of £200,000 in notes which published to the world that the circulation of its notes to the public was £150,000, while £100,000 of these notes were locked up in the strong rooms of its Branches? That is the position here. What would be said of a manufacturer who published to the world as sales of his produce a quantity of goods which were unsold and lying in his agencies? That is the position, my Lord, here in this Statement, and I trust that the remonstrance which I have made may induce the Finance Minister to rectify the misconception which the Statement in its present form causes to arise.

"I come to paragraph 82 under the head of Provincial Settlements, and here the reference is local; it is in regard to Burma. I notice that Your Excellency's Government has resumed for the benefit of Imperial Revenue an annual sum of £280,000. I cannot see that there can be anything wrong in that. On the contrary, I think it is perfectly right. The Province can afford it, and although it subsidises Imperial Revenues on a high scale already, still the resources of the Province are quite sufficient to meet the demand. I do not say that it might not have been avoided, because I have not a doubt that the reason why the Finance Minister has chosen to appropriate this sum is because the Provincial balances have risen to an extraordinary figure. The amount now is nearly one million sterling. The remark made last year by the Finance Minister as to the very large balance then at the disposal of the Local Government was that the Local Government found difficulty in spending it. But that remark struck me as peculiar, and now when I find the amount of the Provincial balances so very large, I cannot help here making an explanation very briefly of how that balance has in part at least arisen. I shall preface what I have got to say by informing the Council that Burma for the last fifty years has been dependent practically for many of its necessities of life, including its bread, its vegetables, its meat, and its fruits, upon Calcutta. When we annexed Upper Burma the Southern Shan States appeared to be an excellent field for the production of those very necessities of life which the Province has had to import for the last half cen-

tury from Calcutta. Shortly after the annexation the Political Officer reported on the high fertility of those Southern Shan States plateaux and announced that in his opinion they were fit to produce the very articles which hitherto the province had imported from abroad. For the last ten years he has urged the construction of a line of railway which would connect those fertile plateaux with the market of Rangoon. Nothing came of it. Wheat, which was to supply the bread of the Province, was only saved from rotting on the ground by the intervention of a kindly Commissariat Department, for which I have to thank the Military Member. In 1898, perceiving the growing Provincial balance, I ventured to suggest to the Local Government a project for the construction of a line from these plateaux to Rangoon. I prepared a Note, carefully as I thought, showing how this scheme could be carried through. That scheme betook itself to the proverbial shelf. I make this explanation because in reading the text of the present Summary with the remarks made last year in regard to the inability of the Local Government to spend the Provincial balance, it might be thought that I had some remote connection with that inability. I repudiate any such connection—even the remotest.

“And now, my Lord, I turn for a moment to the last subject on which I have to make some remarks. Coming to paragraphs 58 and 59, it is very satisfactory to learn that a considerable part of the large surplus of 4½ millions or 7 crores is to be devoted to the remission of nearly 2 crores of land-revenue arrears in distressed districts. But, according to the Accounts of 1900-01, over 60 lakhs of land-revenue and rates were realized from Bombay, the Punjab and Madras in excess of the collections of 1899-1900, the year of famine, and these 60 lakhs were largely arrears in Provinces where there had been either famine or deficient rainfall—arrears which, apparently, should not have been demanded at all. It would thus seem that the bounty now offered does not, in reality, amount to 2 crores, but to that sum less these sixty lakhs or such part of them as represented arrears caused by famine or deficient rainfall. Then the doubt arises how much, if any, of the bounty will reach the pockets of the tenants, many of whom (as we know who have had experience of such transactions) have probably already paid their rents in part or in whole to their landlords? It is to be hoped that no effort will be spared to ensure that a fair share of the bounty may reach the suffering peasantry.” And this brings to my mind a very vital question lately raised whether the intensity of recent famines is, or is not, largely due to poverty caused by the operation of our land-revenue system as a whole. The land-revenue system of India is not concerned merely with assessments of revenue. It embraces also the collection of revenue and the assessment, collection and recovery of rents which are the fund from which most of the revenue is paid; and no

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conclusions on the grave issue now raised can be accepted which are based on any narrower view. In a State paper now before me recently issued by the Governor General in Council one aspect of the question, namely, the effects of assessments and settlements on the landholders or revenue-payers has been discussed. This paper is a careful historical review mainly of the system of settlement in the various provinces; the subject is lucidly and sympathetically handled throughout; and in paragraph 38 the Government claims to have established ten propositions. The first nine of these are concerned, mostly, with the various improvements and ameliorations which have been made in the principles and procedure of settlements: and propositions 11, 12, 13 describe certain further anticipated improvements. The tenth proposition which is claimed to have been established is a very important one: it is this, 'that over-assessment is not, as alleged, a general or widespread source of poverty and indebtedness in India and that it could be regarded as a contributory cause of famine.' I am afraid that this tenth proposition must be taken with considerable reservation and that in making the assertions which it contains the writer has gone beyond the evidence which he has produced. I am in no kind of sympathy whatever with the tone of Mr. Dutt throughout his dissertation on the effects of our revenue-assessments: I consider that many of his statements are erroneous and unjustifiable: and I learn with satisfaction that a veteran officer of distinction whom we all know and admire is about to publish a refutation of them under the title of 'Famine Half-truths, Truths and Untruths.' But at the same time, it strikes me, the utmost that can be inferred from the facts adduced in the State paper now before me is that the system, but more specially the procedure, of settlement has been gradually modified and ameliorated; that the revenue-payers, *i.e.*, the landholders as a class, are living under the benefits of these improvements, and that the statutory tenants as a class have protection by law against at least rack-renting and arbitrary eviction by their landlords. This is all, so far as I can see, that can be legitimately inferred from the evidence: and it is a very different thing from the positive assurance of proposition 10. At the same time it certainly shows a very great advance on the condition of sixty or seventy years ago. But when the challenge thrown down by the critic of Government as interpreted and accepted by the writer of the State paper in his paragraph 3, is, whether intensity of famine is not largely due to poverty caused by the operation of our land-revenue system as a whole, a much wider field of enquiry is opened up. The landholders and the protected tenants are not the only classes, nor indeed the most important classes, affected by our land-revenue system. There remain the many millions of inferior tenantry and agricultural

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labourers. In Madras, Bombay and Burma—which may be called the raiyatwari provinces—the raiyats sub-let a very large proportion of their lands to sub-tenants; in the Punjab 40 per cent. of the total cultivated area is held by tenants-at-will; in the United Provinces of Agra and Oudh apparently at least one-third of the total tenant-held area is cultivated by tenants-at-will; in Bengal, so far as I can ascertain from the slender data available, a proportion of from 5 to 9 per cent. of the cultivated area is held by sub-tenants. From the census of 1891 and the appendices to the State paper now before me and from information gleaned elsewhere it may be estimated that the inferior tenantry and agricultural labourers number together about 50 millions or one-sixth of the entire population of India. I am told by one who has had forty years' experience in India that I have understated the numbers of this more or less submerged population, but, for the present, let it stand, as more accurate figures are not forthcoming. An authority on famine relief has informed me that the proportion of inferior tenants (including village artizans) on a 'well managed' relief-work—by which I understood a work managed by himself—should not exceed from 15 to 25 per cent., the remaining 75 per cent. being agricultural labourers. I am afraid this proportion is below the mark, the fact being that many who are classed as field-labourers are also small tenants. I have had thirty years' close intercourse with the people of two provinces, an old and a new one, and have had experience of three famines. That experience teaches me that the real sufferers in scarcity or famine are, *first*, the 50 millions of small tenants and agricultural labourers—both of whom are directly or indirectly affected by our land-revenue system; *second*, the many millions of other labourers including artizans who are not directly so affected. The real issue therefore between the Government and its critic appears to be this: is or is not the intensity of famine on these 50 millions largely due to their poverty caused by the operation of our land-revenue system as a whole? To take the inferior tenants first. It is matter of common knowledge that they are burdened with heavy rents, many with rack-rents, that the majority are indebted to money-lenders and that many are insolvent. It is admitted in paragraph 31 of the State paper now before me that at least three secondary causes of intensity of famine are, rack-renting, high rates of interest, and illegal cesses. As to the rents which these inferior tenants pay, I quote the following from the summary appended to the State paper before me:—'Under the raiyatwari systems of Bombay, Madras and Burma, a large and increasing proportion of the land is regularly sublet at a rent of half the produce.' I have it on the highest authority that in Madras all lands are extensively sublet at very heavy rates ranging in money up to Rs 80 per acre and in produce up to four-fifths of the whole crop on rice-land.

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In Bengal the sub-tenants in certain congested tracts often pay half and more than half of their crop as rent, and frequently have to pay a fixed quantity of produce, estimated at half in good seasons, whether the crop be a good or a bad one. These standards of rent are typical of what prevails in the other provinces. Now these unfortunate sub-tenants have, as a rule, to pay these heavy rents, or the value of the produce in money, before the Government revenue becomes due. If they do not pay punctually, they are generally liable to peremptory eviction. This means that, if they have to pay money rents or the value of the produce in cash, they may have to sell off most, sometimes all, of their produce in a market already glutted, and therefore not at profitable rates. They cannot hold up their grain for a later rising market. But if in addition to this, as is believed, most of them are indebted, they may have been compelled (as we know they often are) to make forward sales of their produce to their money-lenders at prices lower even than the glutted market-rates, and therefore at considerable loss. Again, if, as we believe to be the case—and paragraph 31 of the State paper before us indicates the fact—that these sub-tenants have to pay extra cesses in grain or cash or labour, their condition is still more aggravated. Thus, then, if the situation be as I have described it, the wretched sub-tenant is hemmed in on every side by necessities, which even in ordinary times render his condition, to say the least, precarious. If it is the case that under the pressure of these necessities, including a demand of $2\frac{1}{2}$ to 3 per cent. on his slender income for his salt (this on the high authority of the late Sir Richard Temple), he can barely subsist, it is clear that in ordinary times he cannot save. When the stress of famine comes, he is bound to collapse. He has neither produce nor money, his slender credit is stopped, and he and his family have to go on relief. It can hardly be denied that intensity of famine on this large population of sub-tenants is greatly due to poverty caused by the operation of our land-revenue system as a whole.

“Now, as to the 19 million field-labourers. How are they affected in time of famine by our land-revenue system? Obviously the condition of their employers re-acts directly on them. If the resources of their employers are seriously crippled or exhausted, the wages fund runs very low, work is scarce and wages irregular and small. But even in good times their wages are, it is believed, little more than a bare subsistence. Their employers—the landholder and substantial tenants—are very largely in the hands of money-lenders and can hardly afford, even if they would, more than a bare living wage. The fact that the wage is no more than bare living seems to be established by the admission in paragraph 30 of the State paper that ‘the great majority of the people on relief-works are not raiyats but agricultural labourers.’

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"It appears, then, to come to this. Our land-revenue system has been, and still is, in great measure, directly responsible for a faulty distribution of the produce of the land among the classes who are dependent on the land; that what may be called the submerged tenantry and field-labourers receive too little and somebody else receives too much. We have, in certain respects, forced the submerged populations into a higher, or at least a more modern, standard of living, or, to quote Sir Edward Law's concluding words in paragraph 19 of his Summary, we have imposed on them the 'demands attendant on social and economic progress.' Have we left them the means of living up to this standard? Just as in education—of which Your Excellency is believed to be an ardent devotee—our system has given a great stimulus to certain kinds of development; but have we given the so-called educated classes the means of turning their education to account?

"It may be objected that I have pointed out defects in our revenue-system and a condition of life among 50 millions which is deplorable, but that I have suggested no remedy. My answer is, *first*, that I speak at present simply as a friendly critic of the State paper recently issued to the public in which, in my opinion, so far as the condition of the people is concerned, only part of the truth is told; and, *secondly*, because I can hardly trespass longer on the indulgence of the Council. But, perhaps, I may venture with diffidence on one or two suggestions crude though they may be. Protection should be extended—as it is already in a partial manner in Bengal—to all grades of agricultural tenants. I understand that some such measure has long been called for in Madras. For the last ten years I have been urging the need of such a protecting Act in Burma, to little avail I fear, although a proletariat is beginning to arise there which, if ever Lower Burma is visited by famine, will startle the Government, for the Burman is not such a patient sufferer as the Indian. Then the policy of Agricultural Banks—on which I congratulate the Hon'ble Financial Member—should be vigorously pursued, and the Government need not, I think, be squeamish in putting some pressure on the people to co-operate. I understand that an enhanced import-duty on silver would be advantageous as an auxiliary, inasmuch as it would tend to equalize the local value of coined and uncoined silver and thus to restore the old value (Re. 1 per tola) of the people's silver ornaments on which they are accustomed to borrow. This seems worthy of consideration. It would apparently injure nobody and would increase the stores of value in the hands of the poorer classes. In regard to the great army of the field-labourers, why should the Government as the great landlord not allot some small interest in the lands of their villages to these rural labourers? Emigration from congested districts to sparsely populated tracts should be

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encouraged in every way. No effort should be spared to foster local manufacturing industries—if need be, even by protective duties—and thereby divert some of the overcrowded agricultural population to industrial pursuits. In connection with, and auxiliary to, this, perfect freedom of competition with the mother country should be permitted to local manufacturers in the supply of stores and machinery for public purposes. Finally and specially, as regards the great labouring masses unconnected with the land—is it unreasonable to suggest that employers should be required to contribute to an insurance fund against famine and distress? A very infinitesimal sum subscribed monthly by each employer would not be felt by the employers, and after a few years the fund would be sufficient at least to prevent acute misery and mortality.

“These few suggestions are offered with great diffidence and only because of the great sympathy which I have with the people. However—after all—the important matter is to have a great problem like this clearly stated and to let the whole truth be known. Once the conditions of the problem are stated, the way for a solution is at least in some measure cleared.”

The Hon'ble MR. IBBETSON said:—“My Lord, I think that the Government of India may fairly congratulate themselves upon the manner in which their Budget proposals have been received; and since I had no share in framing them, I may perhaps be allowed to add my voice to the general chorus of approval.

“I suppose that the problem of how best to dispose of a surplus is almost as difficult a one as that of how best to meet a deficit, and not even the wisest decision can expect to please every one, or wholly to escape criticism. It will be the business of my Hon'ble friend the Finance Member to defend his solution of the problem from the criticisms to which we have just been listening, and I am not rash enough to attempt to relieve him of any portion of the task. But I should like, with Your Lordship's permission, to make a few remarks upon the policy which the Government of India have followed, from the point of view, not of a member of that Government (which I was not when that policy was under discussion), but of a late Head of an Administration. I was for eighteen months Chief Commissioner of a Province which had just shaken off the grip of one famine, and upon which the shadow of another was already resting. The Provincial finances were hopelessly bankrupt, and we were living on the charity of the Supreme Government. Under such circumstances, the merest financial honesty compelled me to scrutinise most jealously every item of expenditure, and ruthlessly to cut out everything that it was in any way possible to

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postpone or avoid. Schools went without grants which they had had every reason to count upon, roads without bridges which were needed to make them useful, hospitals without appliances which were urgently required, police without accommodation which had long been promised them. Reforms, the urgent need for which had long been recognized, were of necessity postponed, and the whole natural and normal development of the Province, so far as it depended upon Government help, was at a standstill. I do not think that anybody who has not been the Head of an Administration can realise what an ungrateful task it is to rule a province under such conditions, how much way is lost that it may take years to recover, by a penuriousness which is for the time unavoidable, how often additional expenditure is in the long run imposed upon the Local Government by its inability to meet the pressing needs of the moment. I am absolutely at one with those who decided that the very first use to which the surplus must be put, since it had followed upon no new taxation, while starvation of expenditure had certainly contributed to it, was in some degree to recover the headway that had been lost during these late disastrous years; and that, till that had been done, no material permanent reduction of taxation should be contemplated. I gather that something like two millions sterling has been devoted to this purpose, of which about three-quarters of a million are specific grants to Local Governments.

“At the same time, another three-quarters of a million has been devoted to direct remissions of Government demand. The *pándhari-tax* in the Central Provinces is a small matter—only Rs 70,000 a year in all. But the people who pay it are small men—so small that they pass through the meshes of the income-tax collector's net. The tax has long been an anachronism, a survival from bygone days, which has been retained, only because the needs of the Provincial Government were so great that it could not afford to relinquish any source of revenue. Its final disappearance will be hailed with delight, alike by those who collected and by those who paid it.”

“But to my mind the one great feature of the present Budget which, above all others, lends it distinction, is the remission of all outstanding famine-arrears, amounting to 1½ millions sterling or two crores of rupees; and I think that what we have heard this morning shows that it is not to me only that this feature appeals most strongly. The remissions permanently diminish no source of revenue; their precise effect upon the finances is known exactly; above all, they give relief where relief is most needed. There is no conceivable reduction or abolition of a general tax which would not have given relief, at the expense of the public purse, to many who needed none; whereas, of these remissions, every

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anna goes straight to those who suffered most sorely in the late grievous famines, and who are most sorely in need of assistance. I believe that the money could have been spent in no wiser, in no more beneficent—in the long run, I would almost say, in no more productive—manner. My Lqrd, again I venture to speak as one who knows. When last I had the honour of addressing this Council in connection with a Budget Statement, I alluded to the difficult and anxious nature of the task of nursing through its period of convalescence a province which had endured such calamities as had then afflicted the Central Provinces. And one of my very greatest difficulties was the dealing with the famine-arrears. The task now before the present Chief Commissioner is still more difficult and still more anxious, inasmuch as a second famine has followed close upon the first, and what is true of him is true of other Local Governments, and especially of Bombay, parts of which have suffered even more grievously than the Central Provinces, and to which by far the largest portion of the relief afforded has rightly been given. I know how greatly their labours will be simplified and their hands strengthened, now that the Government of India have, with a wise generosity, wiped the famine slate of India clean.

“It is true that a portion, and perhaps a considerable portion, of the arrears thus remitted were practically irrecoverable, and must in the end have been relinquished. But the remission of irrecoverable balances brings relief, no less than the remission of those that are recoverable, for no man can say with certainty under which category his own debt will be held to fall. It must be remembered also that the amount of relief actually given greatly exceeds the amount of revenue remitted. In all those provinces in which the zamindari tenure obtains, remission of Government revenue on account of the failure of crops carries with it, by law, a corresponding remission of the rent upon which that revenue is assessed. And I may add, for the information of the Hon'ble Mr. Smeaton, that suspension of revenue also carries with it suspension of rent, and that the larger portion (I think almost the whole) of these arrears consists of suspended revenue. By the time that the relief which has now been given by a stroke of the pen reaches its ultimate recipients, who include some of the most manly and most industrious classes among the peoples of India, its volume will have swollen to at least three crores. It will reach them in tens and twenties and fifties of rupees; and when the news has had time to penetrate to them, there will be tens of thousands of humble homes in India whose inmates will sleep with lighter hearts.

“The distribution of the remissions has been criticized, and it has been hinted that the Punjab has received more and the United Provinces less than a

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fair share of relief. As regards the United Provinces, we have remitted the whole of the land-revenue outstandings, and could not well do more; while in the Punjab remission has been confined to those arrears which had actually accrued in famine-stricken districts. It must be remembered also that in the Punjab it is the rule to suspend only in the first instance, and that remissions are hardly ever given at once, so that a considerable portion of the arrears now remitted in the Punjab simply corresponds with what has been remitted in previous years in other provinces. Still, the figures do, on the face of them, appear to lend some force to the criticism, and if our resources had permitted only of partial remission, the Punjab might possibly have received a smaller share of the total relief. But we were in a position to wipe the slate clean—to give a fresh start, free from balances, to all the famine-stricken tracts of British India; and the occasion was one, if ever there was one, for generosity unmarred by too nice a discrimination.

“ With reference to what fell from the Hon'ble Mr. Hardy regarding arrears of takávi, I am not quite sure whether he would have had us remit them as well as revenue, or instead of revenue. If the former, my answer is that there is a limit to our means. If the latter, there are, I think, very excellent reasons for preferring revenue. The Government of India fully recognize the fact that in some districts the burden of takávi debt is heavy, and that some portion of it will, no doubt, be found to be irrecoverable, where the people have bought at famine prices seed which failed to fructify, or have used the advances for the support of themselves and their families. That they do recognise this is shown by the fact that they have already sanctioned the writing off of some 22 lakhs of takávi arrears as irrecoverable, and that next year's Budget includes a provision of 20 lakhs more under the same head. But the distribution of takávi is largely adventitious, while that of the revenue is comparatively uniform, and arrears of the latter form a far better index to the need for relief than do arrears of the former. A very large portion of the takávi outstandings simply represents money which is not yet due, and which will be repaid without the slightest difficulty; and it was our desire to avoid discrimination. Finally, it requires strong and exceptional grounds, to be established by careful inquiry, in order to justify the remission of money which has been borrowed, and of which the borrower has enjoyed the advantage; whereas the remission of a demand based upon our share in the produce of land which has failed to produce anything, is a recognized and legitimate practice. The question as between the Imperial and Provincial Governments, I must leave to my Hon'ble colleague in the Financial Department.

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“When addressing this Council in 1900, I expressed my satisfaction at the increase then made in the annual grant for new irrigation works, ‘not only as a provision of immediate funds, but also as an indication of future policy,’ and the present Budget exhibits a still further advance on the same lines. But a far stronger and more unmistakeable indication of the great importance which the Government of India attach to this subject, and of their determination to adopt a liberal policy for the future in the matter of the extension of irrigation, is to be found in the constitution of an Irrigation Commission, under a distinguished President of European renown, of which I had till a few weeks ago the honour to be a member. I cannot pretend to foretell what the recommendations of that Commission will be. But I shall be surprised if they do not result in the expenditure, on definite and systematic lines, of much larger amounts than hitherto upon irrigation works, protective as well as productive. I hope also that they will provide us with a final and conclusive answer to those who tell us that because, taking one year with another, the rain that falls in India is sufficient for agricultural purposes, therefore it is possible, and our duty, so to store and utilize the surplus as to render failure of crops impossible. That very much more can be done than has been done is a common-place; that it is our duty to do very much more, and that without delay, is my conviction; but that it is even physically possible,—and still less is it possible by any expenditure of money which a sane Government could contemplate,—to secure the whole, or anything like the whole, of India against famine, I hold to be a delusion of the deepest dye.

“This is not the occasion, nor indeed would it be my business, to discuss at any length the much-disputed question alluded to by the Hon’ble Mr. Gokhale, whether in the past railways or irrigation should have had the first claim upon our finances. For my own part, I am clearly of opinion that the Government of India were right in giving in the first instance the foremost place to railways, even if regarded solely as protective measures. It is often said, as the Hon’ble Rai Sri Rám Bahádúr has remarked, that their effect has been to substitute money famines for food famines. Even if it were so, surely the change is for the better; for it is easier to pour money than food into a famine-stricken district. But I do not think that the case is correctly stated. What railways have done is, to turn famines which were of food and money both, into famines which are of money only; and in doing so they have profoundly modified and made more simple the whole problem of protective irrigation. But be this as it may, I think that it is now the turn of irrigation works; and above all, of small works, as regards which I heartily agree with the Hon’ble Mr. Ananda Charlu that so far they have not

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received the attention which they merit, and that it is hardly possible to exaggerate their aggregate importance. I may explain to the Hon'ble Rai Srí Rám Bahádúr, with reference to what he has said about the United Provinces receiving no share in the grant of 25 lakhs for Minor Works, that 18 out of the 25 remain at present undistributed, pending advice as to their distribution which has been asked for from the Irrigation Commission.

"I am entirely in accord with what the Hon'ble Rai Bahádúr has said regarding the great importance of improving, by all the methods that science can suggest, the agricultural practice of the country. In March, 1900, I promised the Hon'ble the Mahárájá of Darbhanga that as soon as the finances of the country improved, and as soon as a suitable Inspector General of Agriculture had been found, the subject of agricultural investigation, experiment and education should be taken up in earnest. These two conditions have now been fulfilled, and I hope shortly to see substantial progress made. The sympathetic manner in which my Hon'ble friend Sir Edward Law has alluded to the subject encourages me greatly to believe that, when I approach him in the matter of funds, I shall not find him obdurate. The Indian Government is the owner of the largest landed estate in the world; and I, personally, think it is a fair subject of reproach that it has done so little in the past for its scientific improvement.

"I do not propose, at the present moment, to discuss the references which have been made by the Hon'ble Mr. Bose, the Hon'ble Rai Srí Rám Bahádúr, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Smeaton and others, to what I may be permitted to call (since I had no share in framing it) the masterly Resolution which has recently issued in exposition of the Land-revenue policy of the Indian Government. It will be enough for the present to assure my Hon'ble friends that it will be one of my first duties to examine the promises held out and the lines of policy laid down in that Resolution, and to consider in what direction present action is required to give effect to them.

"I hail with satisfaction the admission of the Hon'ble Mr. Pugh that, taking India as a whole, the income derived from the administration of justice is not more than sufficient to form a safe provision for the expenditure. I hope that the assertion that the Government are really deriving an enormous revenue from its Courts of Justice, which has been so often made, so often examined, and so often shown to be incorrect, has now been finally abandoned. But I am unable to accept his suggestion that each province of the empire should be treated for this purpose as a self-contained and independent unit. That would mean that, as among the several provinces, the smaller the estates, the less valu-

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able the land, and the less wealthy the proprietors, and therefore the less able to pay for expensive justice, the higher must be the *ad valorem* fees which they would pay.

“As regards the particular complaints which he preferred, I understand that he attributes the existence of the defects which he alleges to the supposed parsimonious treatment of the Local Government and the High Court by the Government of India. The appeal is to my Hon'ble colleague, and I may leave it to him to deal with.

“I am sure that the Hon'ble Mr. Gokhale will not expect me to comment with any fulness upon his long and suggestive speech so far as it relates to matters under my charge. It is impossible to discuss allegations or arguments which are supported by elaborate statistics, without an examination of the figures, and for that, of course, there has been no opportunity. That during the past decade a very large part of India has suffered grievously from the unfavourable nature of the seasons, nobody will for a moment deny. But that is the only one of his conclusions which I am able to accept without further examination, while many of them I hold to be absolutely incorrect, at any rate in the sweeping form in which he enunciates them. He proposes an inquiry into 'the conditions of a few typical villages.' But who is to decide what villages are typical? Do villages indeed exist which can safely be assumed to be typical? I can imagine nothing more misleading, nothing more dangerous than an inquiry of this nature, conducted with the avowed intention of arguing from the minute particular to the enormous general—of basing a huge pyramid of conclusions upon the slenderest apex of facts. I have already touched upon the subjects of irrigation and of the improvement of agriculture, to both of which he rightly attaches such great importance.

“The Hon'ble Mr. Gokhale presents us with statistics, and asks us to conclude from them that the Indian peasant *must* have grown poorer during the past fifty years. The Hon'ble Saiyid Husen Bilgrámi tells us from his personal observation, that he is, as a fact, better off. I confess that in such a matter I attach greater weight to personal experience than to *à priori* reasoning. And my Hon'ble friend's testimony will carry special weight, as based upon an intimacy of knowledge to which no one who is not a native of the country can pretend. At the same time, I have spent twenty years of my service in India in work which has brought me into intimate daily contact with the people, and I also have formed a very definite opinion as to their condition.

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"We have heard a great deal of late about the poverty of India, about its impoverishment under British rule, and about the reduction of the average income within the last fifty years. And some of the remarks which have fallen from Hon'ble Members during the present discussion have seemed to endorse what we have heard and read elsewhere. As for the diminution of average income, the best and shortest answer that I have seen to the assertion has been given by the *Hindu Patriot*. It is briefly, that the assertion is sheer nonsense, and opposed to common knowledge. As the *Patriot* observes, 'the day labourer who used to get only one anna a day now receives more than two annas.' There is not a Member of this Council who cannot of his own personal knowledge confirm the statement.

"But, as the *Patriot* very truly remarks, increased wages do not necessarily mean increased comfort, and the charge of impoverishment remains to be dealt with. In the great cities, there is, no doubt, poverty amounting to destitution, as in all the great cities of the world. In the villages and small towns the labouring classes are poor enough in all conscience; more especially in backward or unprogressive tracts, where no development of industries or of communications has brought assistance to the labour-market; and most of all in purely agricultural areas, where the change to which the Hon'ble Saiyid Husen has alluded, that is slowly taking place under the solvent influences of occidental ideas and institutions, has substituted cash payments for work actually done, for the old customary payments in grain. But if their incomes are small, their needs are small also. The margin between the two is narrow; and when prices rise, as they do rise in years of stress, there is no doubt that the pinch of hunger is widely and severely felt. But, so far as my knowledge and experience carry me, there is in ordinary seasons *far* less of that carking grinding poverty, that uncertainty of how the day's food is to be provided, that certainty that on some days it will not be forthcoming at all, which eats into the heart of man—there is far less actual destitution than there is in wealthy England, the only country with which I am able to make a comparison. The fact is partly due, no doubt, to that practice of universal charity which is in its details so small as almost to escape observation, but as a whole so splendid as to constitute, in my eyes at least, the chief glory of the Indian people.

"We are told that India is being slowly bled to death, that its agriculture, its commerce, and its industries are ruthlessly exploited for the benefit of England, that the British rule has been one long continuous process of impoverishment, under which the old prosperity of the peasantry has steadily decayed till they stand tottering on the brink of famine, and that even in the best of years

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many of them hardly escape starvation. My Lord, I am not so rash as to predicate anything of India as a whole. I dare not frame an estimate for a whole nation. But I should like to send those who believe this thing (for I recognise that some, though not all, of those who say it do sincerely believe it)—I should like to send them to a district in the Punjab where I spent eight years in the beginning of my service, which I settled, which I knew by heart, and which I revisited only ten years ago: a district only fifty miles from Delhi, which, while it is traversed by a great canal and includes some of the finest well cultivation in the province, includes also great jungle areas where the people live chiefly upon the produce of their herds, and wide plains where the crops of industrious cultivators are dependent upon the uncertain rains of Heaven. I should like them to tell the people of that district what they tell us, and to ask them whether they agree. There are men there who have heard from their fathers—or perhaps I should now say, from their grand-fathers—and who would tell them, as they were never tired of telling me, of the state of affairs which preceded our advent. I will not weary the Council by any attempt to describe that state of affairs in detail. Suffice it to say that in the early years of the last century, when we took over the district, the royal canal had long dried up, that more than four-fifths of the area was over-run by thick forest which afforded shelter to thieves, vagabonds, and beasts of prey, and its inhabitants either removed or exterminated, and that out of 221 villages in a single *pargana*, the people of no fewer than 178 had been wholly driven from their homes and fields.

“I believe the history of our early administration of that district to be typical. It would have been impossible to ‘impoverish’ what had already been laid desolate. But at first we made many and grievous blunders. We misunderstood the local tenures; our assessments, founded upon the rates which we inherited from our predecessors, were oppressive; and our police and criminal administration was stern and rude, though perhaps not more so than the unsettled state of the district demanded. But the mistakes did not long remain undiscovered or unrectified. The country gradually settled down in the early thirties, a rough survey afforded a basis for a more reasonable revenue-system, and from that time to the present, or at any rate up till 1892 when I last saw it, the history of the district has been one of continuous advance in prosperity. In 1871, when I first went there, its condition was that of an ordinary fairly prosperous British district, though it included tracts which had suffered from the too prodigal use of canal water. When I revisited it in 1892, the change for the better that had taken place in the interval was marvellous. The canal had been realigned at great expense so as to extend and improve irrigation; the supply of water had been rigorously limited to what was needed, rather than to

what was asked for; the swamps had been drained, so that I found waving sheets of wheat where I had been accustomed to shoot snipe; the saline efflorescence which had thrown hundreds of acres out of cultivation was slowly but steadily disappearing; villages which I had been obliged to assess with extraordinary leniency on account of their water-logged and depressed condition had become prosperous, and their people were no longer unable to marry their daughters because they were barren with malaria; new branches of the canal had been carried through arid tracts of which the produce had been notoriously insecure; and a railway had been constructed right through the heart of the district. I either marched through or saw people from, not merely the canal tract, but every part of the district, including the driest and the most precarious. They had their grumbles and their grievances, without which no properly constituted husbandman is complete; but their general story was one of increasing contentment and prosperity. Nor was outward evidence lacking. It was impossible to ride across the old familiar fields and through the well-known villages without realizing the progress that had been made. To mention three small but significant facts: brick houses, which had formerly been confined to the *sāhukār* of the village, had become much more common; small factories for ginning and baling cotton had sprung up all through the cotton-producing tract; and when I wished to show my daughters one of the picturesque old-fashioned cane-presses to which I had been accustomed, I was told that, except in two villages, they had been superseded throughout the district by the iron mill invented by Mr. Milne of Behea. I know this, that if any one were to tell these people whom I know so well that their history under British rule has been one of continuous deterioration and impoverishment, they would simply laugh in his face. I have chosen to speak of this particular district, because I know it as I have never known any other, and because I visited it again after an interval of fifteen years. But I have served in many other districts of the Punjab; and from all that I have seen and heard, I believe that what I have said of this district is in the main true of all.

“The Hon'ble Rai Sri Rām Bahádur has told us that it is not the case that the Indian agriculturist generally wastes his money in festivals, since he can scarcely lay by any thing. Ah! If he only spent what he had laid by, there would be little to complain of. It is that 'reckless *borrowing* money far beyond their means, to spend on ceremonies,' of which the Hon'ble Saiyid Husen Bilgrámi speaks, that is the origin of so much indebtedness and misery. And what my Hon'ble friend has said on the subject encourages me to make an appeal to him—to him, and to all other leaders of native opinion whom my words may reach. He has told us of the good that might be done by

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'a few men of light and leading' if they would only 'make an organised effort in rural districts to persuade the cultivating classes to adopt more moderate expenditure at births, marriages, affiances, and other ceremonies.' Will not he act, and will not others act, upon his suggestion? The movement cannot come from Government. To give it an official character would be to damn it from its birth. All Government can do is to assist it with sympathy and encouragement and support. The movement must come from the people, if it is to have any chance of success; and since the masses cannot and will not move, it must come from the natural leaders of the people. There are men seated round this table, there are men scattered all over India, who combine that influence and authority over their fellows which hereditary position or personal talents have given them, with the education and enlightenment that would enable them to grasp the problem and to work out a method of solution. Will none of them move to help their brothers? It is not a matter of religion, or a matter of caste; it is an evil social custom which is eating into the substance of the people, and which I would fain see men of all castes and of all religions join together to combat. If they should succeed, they would do more to strengthen the yeomanry and peasantry of India, and to render them better able to resist famine, than would any reduction of assessment or any remission of taxation. During the past twenty years I have seen a steady growth of public opinion in the matter; and I believe that the time is fast ripening, if it is not already ripe, and that in some parts of India at any rate, the people are ready to follow if they can only find some one to lead.

"I cannot conclude without saying a word of cordial thanks, which I have been too busy to convey by letter, to those Hon'ble Members who have, in kind compliance with my suggestion, provided me with copies in advance of the remarks which they were about to make today. By doing so they have greatly lightened my task in replying, and have rendered it possible for me to do fuller justice to their views than I otherwise could have done."

The Hon'ble MR. ARUNDEL said:—"My Lord, I should like to say a few words with reference to the Hon'ble the Maharaja of Durbhunga's comments on railway matters.

"India's incubus is said to be looked for in the heavy railway rates, in the absence of competition among various railways, and in the want of feeder lines.

"Railway charges for the carriage of passengers and goods are lower in India than in almost any other country, except as regards certain special long distance traffic in America. It must be remembered—and this applies also to the Hon'ble Mr. Turner's comment—that Railway Companies do just what Steamer

Companies do; they sell their freight in the best market, and will reduce down to a mere fraction above the actual cost of working, if that is necessary to secure business. Unrestricted competition would not be a panacea. It might reduce rates for a time for traffic from certain competitive points, but a railway losing on such traffic would raise the rates at intermediate places, and short distance traffic would be penalized.

"With respect to the feeder lines, it is almost always a question of some guarantee of interest that blocks the way. I am glad to say that in a few cases local boards have been able to guarantee the interest for feeder lines in which they are interested, and I hope their example may in time be followed elsewhere.

"My Hon'ble friend urges that a main line should not have power to block branch line schemes on the mere selfish ground that they intrude on its monopoly of traffic. But if the branch be a mere short-circuit, or what may be called 'a robber line,' which will make its profits by drawing off traffic from the main line without developing new traffic of its own, what would a Railway Company say if it saw its profits diverted by such a method? What hope is there that the capitalists so conspicuous by their absence would come forward to construct any line with such a prospect before them? The Hon'ble Member laments the absence of great capitalists and would be prepared to induce them to come even if a few lines did not pay and even if some 'had to be wound up.' I fear that even if I had the hardihood to face such a result, my Hon'ble colleague the Financial Member would be deaf to my persuasions.

"If we have not had the great financiers of whom my Hon'ble friend speaks, we have had a greater in the Government of India, who have already built 2,500 miles of railway, and thus accomplished more than any other agency could have effected.

"The Hon'ble Member urges that Government should withdraw from the active promotion of railways in India; but I fear if the Government were to do so, no new lines would ever be constructed except short-circuiting 'robber' lines.

"I find it difficult to meet my Hon'ble friend's comments on the grant of guarantees of interest on capital expended on railways, for while he says 'there are many instances where a Government guarantee is necessary,' and that 'a more generous policy might be adopted and Government guarantees more freely and liberally given in order to attract capital,' he also urges that 'the duty of Government . . . lies . . . in the direction of inducing, by every means in its power, capitalists to construct railway lines without coming under a guarantee of interest.'

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"It will, I fear, in most cases still be necessary, when railways are not constructed by the State, to afford some kind of guarantee to capitalists who desire to invest in railway undertakings.

"With regard to the particular case mentioned by my Hon'ble friend, a special form of guarantee was asked for by the Bengal and North-Western Railway to enable them to raise the capital and construct the line outside the programme of the Government of India, and this involved negotiations which have only recently reached a conclusion."

The Hon'ble Major-General SIR EDMOND ELLES said:—"My Lord, my Hon'ble Colleague Rai Bahadur P. Ananda Charlu has at considerable length, and in somewhat circuitous language, brought forward what is practically a demand for the reduction of the army. I detect in his request somewhat of that vein of naive humour which he attributes to others, not unmixed with the accents of despair at the prospect of ever realising his ideal. I do not propose, my Lord, to enter at length into the dangers, real or imaginary, hovering round the frontiers nor into the obligations which we, no less than other dependencies, owe to the Empire. I would only say that, in our opinion, the army of India, European and Native, is not in any way in excess of its requirements: some consider it all too small. Because we have been able to spare a certain number of troops to aid in the struggle for supremacy in South Africa, which we hope soon to see ended, it by no means follows that our army is too large for the maintenance of internal peace and of peace on our border. The policy of the Government is to maintain not only a sufficient but an efficient army, and that policy, I submit, should be maintained; it will be an evil day for India when it is departed from.

"I trust that, to quote my Hon'ble Colleague, although the Government are not 'indifferent to military expenditure, they will ever prove obstreperous and persistent' in opposing any reduction of the army; which, with our increasing responsibilities, is all too small for the work which it has to perform. Under recent arrangements, the burden of wars in which India has no direct interest, will be borne by the Imperial Exchequer; this has been the case both in South Africa and in China, and has effected a large reduction during the past two years in military expenditure.

"I can hold out no hopes to my Hon'ble Colleague, and should oppose with such force as I could any proposals to effect his object.

"With reference to similar demands from the Hon'ble Mr. Gokhale and the Hon'ble Rai Sri Ram Bahadur, I would only add that, if the former by his elo-

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quence can induce the Chancellor of the Exchequer to accept part of the charge for the upkeep of the army in India, he will earn the gratitude of Government and render the solution of that intricate problem known as Indian finance a much simpler one for my Hon'ble Financial Colleague."

HIS HONOUR THE LIEUTENANT-GOVERNOR said:—"At this hour of the afternoon, I must be brief in my remarks on this very notable Budget. And first I should like to say that the Finance Member struck the right note in congratulating, not the Government, but India, on the overflowing exchequer, of which she finds herself in possession today. It was in the air that there was to be a remarkable surplus, but none who did not study the Treasury balances could have quite realized what that surplus would turn out to be. Nearly one-half of the increase that has made this surplus is from railway earnings, and the whole Council will join the Finance Member in his satisfaction at an increase of this kind which certainly has been recovered without pressure on the poor. The next largest item is at the Customs-houses, and again it can be said that no man has bought English cloth or foreign sugar, who has not been well able to pay for it. There was a small recovery of suspended revenue for which each Province will make its own justification, but the generous remission of two crores of outstanding revenue, announced in this Budget, is evidence that in no Province has there been pressure on the Local Governments, or through them on the people, to realize arrears, when there was the smallest hesitation about the propriety of the demand. I think that among reasonable people there will be a consensus of opinion that the administration of India has been carried on, in the year that is closing, with circumspection and a generous consideration for the difficulties of the poor.

"But further the impression is strong that the finances of India are approaching a stability which has long been unknown. Exchange has steadied, and the violent fluctuations which defied the financier's calculations have ceased. At the same time a new source of income has come into play which is destined to give not merely growing help but growing firmness to the estimates of Government. As Mr. Arundel has pointed out, the railways have for three years yielded a net profit, considerable in amount and increasing year by year, large in unfavourable seasons and larger still in favourable ones. In no country in the world is the saying so true, as it is in India, that it is the unexpected that happens; but when one examines the details of income during the last three years, one is led strongly to the belief that we stand on the threshold of a period of steadier income than we have done for a generation.

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"The question then naturally rises, as it has been raised in repeated speeches today, whether, with an income easily raised, and tolerably assured, there should not be a reduction of taxation. If there is so large and so easy a surplus in a year when the country is only recovering from an unparalleled series of bad harvests, the surplus should be bigger hereafter, and the taxpayer should be relieved of dues which are not needed for the ordinary charges of administration. My Lord, in my judgment, as in Mr. Ibbetson's, the decision of the Government of India was right. During the long period of the lean years the Local Governments have been starved. The most imperative improvements have been impossible—improvements which are the duty of a civilized Government, and which, in very truth, mean the comfort and well-being and progress of the people themselves. If the taxation, which yields the income, is not oppressive, it is in the true interests of the people themselves that the opportunity should be taken for beginning those improvements.

"Let me illustrate from this Province of Bengal. There are many pressing directions of improvement, among which the extension of primary education in the just foresight of Your Excellency's Government ranks high. But there is another, in which the voice of the people is unmistakeable. The first and commanding requirement is the reform of the police. The police bear sorely on the people. They harass them. Police exactions, police apathy, police inefficiency are the universal complaint. The case is a matter of money. If the police take tithes for doing their duty, it is because they are underpaid. If they are apathetic, it is because they have no prospects. The kernel of the recommendations of every Police Commission is money. With money you will get honesty. With money you will get efficiency. Money, which is the root of all evil, is in these matters the foundation of all good. If and when the funds can be spared, the reform of the police is of the first importance to the comfort of the people and the credit of the State. The recommendations of my Government in this matter are before Your Excellency, and we know that in that systematic review of the requirements of India, which Your Excellency has undertaken, these recommendations will shortly come up for decision. And so, when the question rises, whether reform shall be postponed or taxation lightened, I believe it to be in the true interests of the people that the decision at this stage should be to carry out the reforms so long delayed.

"My Lord, I have to thank your Government for the liberality with which you have treated Bengal. I trust that, with the handsome allotments you have

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made to it for education and police, we shall be able to make substantial advance. The issues that were broadly settled at the Educational Conference have raised some difficult questions. The introduction, for example, of a new principle for grants-in-aid to elementary schools will demand a very careful examination of the methods by which it can be most economically and efficiently applied. But I welcome a change which is obviously right, and the examination I have spoken of has been already instituted.

"In the construction of new railways this Province has an abundant share. The construction of the Grand Chord to Katras is an assurance of the early completion of a great design, which with the linkings at the Jherria collieries, will give an invaluable addition to the traffic facilities of Calcutta. The Midnapore connection of the Bengal-Nagpur Railway and the Murshidabad line will open up rich tracts of country, and I am pleased to think that the bridging of the Pabna at Sara Ghat or Godagiri is now within the range of practical politics. I do not need to say that I warmly endorse the decision of Your Excellency's Government to make the main railway station for Calcutta on the Calcutta side of the river. I trust that means may be found of enlisting more largely the assistance of private capital in the construction of supplementary lines. The Howrah and Ranaghat lines have set an excellent example, which, I believe, will be largely followed if opportunity be given. The short Act which was passed the other day is an earnest of the willingness of the Government of India to assist, but I venture to suggest for that consideration, which my Hon'ble friend at the head of the Public Works Department always so courteously gives, that the question requires further enquiry and decision than it has received of the claims of the Railway Companies to exclude private capital from the construction of tramways that are not robber-lines within their sphere. It is not in the public interest that a railway should succeed in preventing the construction by others of feeder lines, which it cannot or will not construct itself.

"On the subject of municipal improvements in Calcutta, to which two Hon'ble Members have referred, I understand that the Finance Member will inform them of the position in which this long and intricate correspondence stands.

"I listened with interest to the remarks of Sir Edward Law on the industries of the Province. I too hope that by united and vigorous effort the indigo concerns may succeed in making a good fight against their formidable opponents. The researches on which they have been engaged during the last year, in order to

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improve the outturn of plant and of dye, have been conducted with intelligence and earnestness, and now that the community has been roused to a sense of their danger, they are developing alternative systems of agriculture, which promise to be of permanent benefit to the country.

“The coal-industry needs no re-assurance. The cautious doubt whether it does not spread too fast.

“I wish I could be as hopeful as my Hon'ble friend of the prospects of Agricultural Banks. I believe they will succeed. The situation in India corresponds with curious closeness to that which Raiffeisen tackled in Germany, and the Indian peasantry are not only honourable in their obligations, but accustomed to ideas of co-operation. But all the experience we have yet had indicates that the progress of these Banks will be, as in Germany, very slow; that there will at first be many failures with which we must not be discouraged; and that, although there will be successes, the example of which will spread, the day is, alas, not yet near, in which the Banks will materially affect the condition of the rural population.

“There remains to me, my Lord, but one remark. To a Provincial Government, looking anxiously ahead to the settlement of its contract, on which all provincial schemes must depend, no assurance could have been more satisfactory than the intimation by the Finance Minister that in future the assignments of revenue to Local Governments would include a proportion of growing revenues, calculated with a view to allowing for a natural growth in expenditure being met by expanding revenue. This was the suggestion made by this Government a couple of years ago, and I am pleased to find that it has been accepted, for, I think, it affords a basis of adjustment without the friction which, as the Hon'ble Member admits, has invariably attended the process in the past. It is quite right that the scramble which attended the quinquennial settlement should be abated, and it is desirable that there should be a principle and an understanding to guide the decision of these settlements. It was the absence of any recognition of growing needs that led to much of the jealousies and polemics of the past. Then there arose the fear that provincial accumulations, stored for any purpose however beneficent, were not safe from the eagle eyes of the Indian Chancellor, and foresight and prudence were at once disconcerted. But I can assure the Hon'ble Member that Local Governments are reasonable and loyal. They recognize that there are times when provincial schemes must give way to Imperial needs. So long as they are assured that they will in turn be treated with fairness and consideration when

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times improve, they submit loyally to the inevitable, and I have welcomed the Finance Minister's statement, because it is the first intimation we have had of a plan which gives Local Governments this confidence."

The Hon'ble SIR EDWARD LAW said :—" I will endeavour to reply to some of the observations which have been made by my Hon'ble Colleagues in the course of this discussion. My Hon'ble Colleague Mr. Turner suggests that we should remit the income-tax, on incomes below Rs. 1,200 per annum. The suggestion is not unnatural, and will certainly be borne in mind ; but, as I explained in my Budget Statement, the Government of India consider, for reasons which I gave, that it is, today, somewhat premature to take any definite steps for the direct remission of taxation.

" In now remitting arrears of land-revenue, to the amount of nearly two crores of rupees, we have alleviated burdens, without any permanent sacrifice of revenue, and, if later on, we are fortunate enough to witness a continuance of that financial prosperity which has marked the years 1900-1901 and 1901-1902, the question of the possibility of the remission of taxation will be most carefully considered. It must, however, be borne in mind that we are committed to freer expenditure, than in the past, under such heads as Education, Sanitation, Justice, Public Works, and Administration, and funds must be found to meet these demands. I can therefore only say, now, that the question raised by my Hon'ble Friend will receive the most sympathetic consideration, should circumstances permit.

" The remarks which I have just made, may be taken as applying, generally, to the suggestion made by the Hon'ble Syed Hussein Bilgrami, that we should reduce the salt-tax. I may further point out to my Hon'ble Friend that a reduction in the salt-tax of—

4 annas per maund would entail a loss of 89 lakhs of revenue.

8	"	"	"	178	"	"	
12	"	"	"	267	"	"	and
16	"	"	"	356	"	"	.

" And it is universally admitted that a very small reduction would be of no avail to the consumer whom we should be glad to relieve. I am disposed to ask my Hon'ble Friend whether he has carefully considered the figures which I have now put before him ?

" I turn to the suggestion of naming fixed maximum and minimum rates for Council Bills.

"I admit that there is much that is reasonable in my Hon'ble Colleague's proposal, but, as a matter of principle, I am not in favour of such absolute rules of procedure. That which grows naturally, is, as a rule, better and more solid than that which is suddenly established by legislation or official declaration. And this is, I think, especially the case in financial matters.

"I have already explained that I see no harm, but rather an advantage, in admitting imports of gold, within such limits as do not interfere with our arrangements for cashing currency notes, and the readiness of the Secretary of State to sell Bills in excess of the requirements of Government, has afforded a practical proof that we are not unmindful of the considerations which my Hon'ble Friend has advanced.

"With regard to the proposal that Government should make grants-in-aid to Calcutta municipal finances, my Hon'ble Colleague in the Home Department, not having had the time to study all the papers connected with the question, has asked me to reply.

"I must observe that this is by no means a one-sided question. Our accounts show very heavy Imperial expenditure on Government establishments, throughout the year, in Calcutta, and these disbursements, by which the City profits, are of course largely increased in the winter months. No other Indian City enjoys such exceptional advantages.

"I may, nevertheless, add that the question of facilitating desirable improvements in this City, is still under the consideration of the Government of India.

"With regard to countervailing duties on imports of bounty-fed sugar, I stated in my Budget Statement that Government were fully aware that these foreign sugars profit, in many cases, by indirect bounties which the present law on the matter does not admit of our countervailing. We have the whole question now under consideration, and we fully understand its importance, but, until we shall have had the opportunity of carefully examining the decisions of the Brussels Conference, we cannot say what steps it may be advisable to take.

"My Hon'ble Colleague questions our budget estimate of 24 lakhs for returns from countervailing duties on sugar, during the coming year, as inconsistent with the receipt of some 37½ lakhs during the year 1901-1902. I may, however, point out that, if the Foreign Governments reduce or abolish their direct bounties, as I understand they are about to do, we shall, under the existing law, have to reduce our countervailing duties in proportion, and our receipts will correspondingly diminish. Should we find it advisable to revise our present

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system, our receipts may, perhaps, not suffer any diminution, but their maintenance will apparently depend on fresh legislation, and we cannot estimate the effect of laws not yet formulated, or even certainly contemplated.

“ Finally, in reply to my Hon'ble Colleague's remarks, I may say that the question of measures for establishing a closer connection between the Department of Finance and Commerce, and commercial and industrial interests, is now engaging our most serious attention.

“ My Hon'ble Colleague the Maharaja of Darbhanga dwells at considerable length on the necessity of feeder lines to our main railways, and the importance of encouraging their construction. The Government of India is, I believe, in full accord with this idea, but there are many difficulties in carrying it into execution, which only become evident to those engaged in endeavouring to secure its fulfilment. I can assure my Hon'ble Friend that we are fully alive to the importance of the question, and that our best efforts are devoted to its practical solution.

“ My Hon'ble Colleague also alludes to the question of the countervailing duties on the importation of bounty-fed sugar. I have nothing to add to what I already said on this question in my Budget Statement, and in my reply to the Hon'ble Mr. Turner.

“ As regards assistance from the Central Government to Calcutta municipal finances, I have also dealt with this question in replying to the Hon'ble Mr. Turner.

“ My Hon'ble Friend asks why capital does not flow from England to India. On that subject I think, I may say, with some confidence, that there are distinct signs that capital is beginning to flow, and we know that it was the question of exchange which was the main factor restraining such inflow of capital up to a very recent date. We now observe that the Exchange Banks—to speak of no other sign—have been drawing much larger sums from Europe than they formerly did.

“ The Hon'ble Rai Bahadur B. K. Bose has, in his speech, dealt so exclusively with questions relating to the policy of Land Assessments, that it does not fall within my province to reply to his observations.

“ Many points in the speech of my Hon'ble Colleague representing the United Provinces of Agra and Oudh, are outside the province of the Finance Department, but, as regards his remarks on the approaching Provincial Settlement, I would observe, that if the Government of India accept proposals involving

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additional expenditure, such as he mentions, in connection with Police and Educational reforms, we shall naturally take the extra cost, of such proposals as may be accepted, into consideration, in arranging the terms of the settlement.

“ Another point, to which I must refer, is my Hon'ble Colleague's statement that the Government of India are committed, by their approval, to provincial expenditure amounting to 4 crores per annum. I must say that I am unaware of any such definite committal as my Hon'ble Friend assumes, though I may repeat that where we may sanction extra expenditure, we shall not fail to provide for the corresponding revenue.

“ The speech made by the Hon'ble Syed Hussain Bilgrami dealt almost entirely with land, and other questions, which do not come within my province to comment upon, or to reply to. The single point, I think, directly connected with Finance, was that which he raised in connection with the salt-tax, and to that I have already replied.

“ With reference to my Hon'ble Colleague Mr. Pugh's remarks on the administration of justice, I am quite prepared to admit that, generally speaking, the administration of justice should not be considered as a source of revenue. If, however, we reflect on the, I believe, admitted fact that litigation is often a sort of pastime in India, there is perhaps less reason for adhering strictly to the general principle in this country than would be morally obligatory in most other countries. In any case, I think, that I may safely say that the Government of India have not so far considered such surplus revenues as may possibly accrue from the administration of justice, as available for general purposes, until needs for efficient administration have been fairly met.

“ We are constantly increasing our expenditure on justice in accordance with demands made through the local authorities and High Courts, but I cannot say that I am convinced that we always obtain the full value of our money for the sums sanctioned. To obtain such full value, we are in a very great measure dependent upon the efforts of the Judiciary and of the Bar in expediting procedure, and I am not sure that all members of the Bar make the rapid termination of a suit one of their chief aims.

“ I may mention that we have under consideration a proposal, costing about a lakh of rupees, for strengthening the High Court of Calcutta, and as regards Mufassal Courts, my Hon'ble Colleague will have observed that we have made a special grant of 32 lakhs for Public Works, and it is probable that the Local Governments, in the exercise of their discretion, will devote a portion of this money to the object which he specially recommends.

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"As regards the two propositions that each province should pay for the administration of justice within its own borders, and that any surplus of receipts arising therefrom should be primarily devoted to the administration of justice within that province, I do not think that we should accept them without some qualification. I am inclined to think that, owing to what may be described as a prevailing passion for litigation, there will, in some of the older settled provinces, always be a greater or less surplus of revenue, even after all reasonable requirements for the administration of justice have been satisfied, and, if such revenue accrues, I see no reason why it should not be devoted to the improvement of justice in newer or less favoured provinces. It occurs to me that the Calcutta trader obliged to prosecute a suit in another province would have just cause of complaint, if he found the administration of justice in that province inefficient, and he would not be satisfied by being told that local charges in the particular Province far exceeded the returns realized, and that consequently no improvement costing money was possible.

"We must consider India as a whole in the question of the administration of justice, as in all others.

"It is, moreover, possible that my Hon'ble Friend has an exaggerated idea of the amount of profits derived from justice. The following are the most recent figures showing the situation :

Receipts, Rs. 3,97,84,000. Expenditure, Rs. 3,23,63,000.

"I must point out that the Courts are only a portion of the machinery necessary for the due administration of justice. I think that stationery, rent (or interest representing rent) of court-houses, and a portion of the cost of jails and police, might fairly be added to the above figure for expenditure, which I may mention includes nothing for the pensions of retired Judges and officials of the Courts. Also I may inform my Hon'ble Colleague that of court-fees and stamp-receipts, three-quarters are credited to provincial revenues. The Imperial Government, therefore, from these sources, touches only one-quarter of such surplus as may accrue. The direct charges for Law and Justice are defrayed entirely from provincial funds.

"It is not my place to deal with the questions of military policy raised by my Hon'ble Colleague Mr. Ananda Charlu, but I must point out that, in matters of fact, his remarks imply a belief which is absolutely unfounded. He implies, with sufficient clearness, that the despatch of troops from this country to South Africa and China, crippled our resources. It did nothing of the sort.

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On the contrary, the Imperial Government took upon itself the burden of paying in a liberal spirit, every rupee connected with the cost of, temporarily, sending abroad a portion of that garrison, which those whose special business it is to decide, consider it necessary to maintain, as a rule, in India.

“ My Hon'ble Colleague states with some assurance, that the arrears of land-assessments which the Government of India have resolved to remit, are either irrecoverable, or oppressively recoverable. I do not know whence he gets the information leading to this conclusion, which, it appears to me, could only be confirmed by an intimate knowledge of conditions, in detail, of districts which he has never visited, and with which he has no connection. Our opinion on the question, is that, during the coming year, a very large proportion of the arrears remitted, could be collected without any semblance of oppression. These ideas are formed on the reports of competent local officers who have carefully studied the position in the districts under their charge. We believe that the remissions we have sanctioned, will entail a direct loss of revenue, in the coming year, of £738,000, and we have accepted this loss, and that in subsequent years, with the view of affording every reasonable opportunity of recuperation to the raiyats in afflicted areas.

“ As regards the salt-tax, I have already dealt with the question, in its general bearings, in my reply to the Hon'ble Syed Hussain Bilgrami.

“ I may mention that I have observed that my statement that the increased returns from duties on cotton-goods, indicated increased consumption, has been challenged, on the ground that the goods have not been consumed, and that the increase is due to the overstocking of the market by unwise speculators.

“ My critics on this point have not carefully studied the Budget Statement. I stated distinctly that one of the reasons for not anticipating as large returns from Customs in the coming year, as in 1901-1902, was that we apprehended that the market might possibly be overstocked in certain articles, amongst which I specifically mentioned cotton-goods.

“ In Part II of the Financial Statement, it will be found that we estimated for a decrease of £39,600 in receipts of duty on cotton-goods. This decrease corresponds with a decrease of importations of upwards of £1,100,000. I should be astonished to learn that the cotton-goods market in India was today overstocked to an extent exceeding this sum.

“ I believe that we have made ample allowance for temporary overstocking, and if we deduct the £39,600, estimated as possibly resulting from overstocking,

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from the total increase of £86,000 in duties on cotton-goods, we find that the increase of importation, which must be assigned to *consumption*, only, yielded some £46,000—a very handsome figure—fully justifying my remarks on the subject.

“I understand that my deductions from the increased value of importations have been criticised from the point of view that a comparison of the *quantities* imported in the two ten-year periods 1881-82 to 1890-91 and 1891-92 to 1900-1901, shows but a very small increase in favour of the latter. But the critic has forgotten the growing production of the Indian cotton-mills! His calculation is therefore, from his own point of view, worthless.

“Further, I may ask, what is the relevance of a comparison of quantities, to the argument on purchasing power? If a man can spend more money on the purchase of a particular commodity which he requires, his purchasing power has clearly increased, whether fluctuations in the price of the commodity purchased, enable him to obtain a greater or less quantity for his money.

“My Hon'ble Colleague, Mr. Gokhale, has dealt with so many questions, and in such detail, that not having had sufficient notice to prepare careful answers, I am unable to give him the full reply I should have been glad to offer.

“My Hon'ble Colleague finds cause for dissatisfaction in our surpluses, because he thinks that they may be the result of the exchange policy adopted nine years ago, and he does not approve of that policy. That policy, he will, however, remember, was the outcome of the deliberations of the most competent experts, on a question of great technical difficulty, and its success in achieving the desired end—securing a steady exchange—is conspicuous, and now practically unquestioned. For practical purposes, we need no longer consider or discuss it. In any case, the enormous benefits to the Indian people, from the sound financial position which we now enjoy, must be held as affording more than adequate compensation for many evils, even if such existed, and if they could rightly be attributed to our policy.

“But, do the ills which my Hon'ble Colleague pictures to himself, really exist in the widespread way he assumes? Does not my Hon'ble friend, who represents an unfortunately afflicted section of the country, and is necessarily, and rightly, deeply impressed by the sufferings he has seen around him, unwittingly assume that the general condition of this great empire is exemplified by that of the relatively small distressed area which lies under his immediate observation? I would ask him to compare extent of areas and heads of popula.

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tion, in districts where famine conditions have prevailed, during the last two years, with extent of areas and heads of population, where conditions have been normal or prosperous. And, if he requires further proof of the general, as distinct from universal, well-being, I would ask him to consider the growth of imports of articles consumed by the indigenous population, the constant increase of traffic on our railways, the general growth of revenues from Excise, Stamps, and minor heads, and to seek diligently for any cause, other than general material prosperity, which could produce these results.

"It has been suggested that our present financial prosperity only indicates the prosperity of a small class, whilst the majority of the people are in distress. There might be grounds for such an idea, if we found our Customs returns increasing, only, or out of proportion, from importations of articles of luxury; if we found our railway receipts increasing, out of proportion, from first and second class traffic; if we found our Postal Savings Bank deposits increasing chiefly in the accounts of the large depositors; or, if we found our income-tax returns from the larger incomes, rapidly augmenting; but it is the opposite of all this that is the case. As I have pointed out, it is from import-duties on articles consumed by the agricultural and poorer classes, that we obtain rapidly expanding returns; it is from goods and third class passenger traffic that our railways have prospered; it is the small investors who multiply and increase their deposits in the Postal Savings Banks; and it is our income-tax returns from incomes above Rs. 2,000 per annum, which fail to meet our reasonable anticipations.

"My Hon'ble Colleague, in his statement, has made some remarks which he will permit me to criticise. He begins by talking of *similar* surpluses. Well, I have looked at the figures he quotes, and I confess that I see no similarity, between a deficit of 5 crores and a surplus of 7 crores. The figures given by him are, 1897-1898, deficit 5'36 crores; 1898-1899, surplus 3'96 crores; 1899-1900, surplus 4'16 crores; 1900-1901, surplus 2'50 crores; 1901-1902, surplus 7'00 crores. Where are the *similar* surpluses? I only see figures showing a fluctuating position, though one that is clearly improving and progressing in a very favourable direction. I think also that my Hon'ble Colleague, in his conclusions on the question of the larger revenue that is now being raised, does not, perhaps, pay sufficient attention to the fact that we have increased expenditure in view, and that we have already increased expenditure in directions which I believe meet with his full approval. If we were to cut down our revenues as he proposes, we should be unable to face the expenditure which is generally held to be desirable. Again, in the calculations which he has made, showing what I may, perhaps, call theoretical surpluses, my Hon'ble Colleague shows that, taking the figures which I read just now, namely, the actual deficit or surplus for each of the five years considered, if we had not had

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this, that, or other, special expenses, we should have had different results, and we should have had a surplus all through. I quite admit it. If you are not obliged to spend your money, you may keep it in your pocket; but I do not myself see that anything is proved by a statement of this sort. We know that we have from time to time, and, unfortunately, too frequently, to provide for special expenditure, or, we have to face a special failure of revenue; we cannot admit that the situation is certain, on the ground that, if we eliminate all special causes of fluctuation from one side and the other, we arrive at a fairly maintained average.

"My Hon'ble Colleague raises a charge against Government that the increase of taxation was rapid and constant during a period of years from 1882 to 1896-97, and he would have us believe that the increase in revenue (at least that is what I gather from his remarks) is solely due to this constant increase of taxation. But I think that this assumption is fully refuted by his own figures, since it was not during those years that there was any surplus. It is since those years, and during a period when there has been no increase of taxation whatsoever, and when the natural growth of the revenues alone influenced the situation, that we have had these surpluses. Then, my Hon'ble Colleague says 'the land-tax too has come in in its own automatic way for large augmentations during the period', and if I remember right, in the earlier part of his speech, he seemed to take me to task (under a misapprehension no doubt) for having instanced the increase in land-revenue, as evidence of increasing prosperity. I most certainly did nothing of the sort; in my Budget Statement, on the contrary, I observed that the raising of the land-revenue is subject to such restrictions that we cannot count on it as a really elastic source of revenue. Again, my Hon'ble Colleague says, 'One startling fact about these land-revenue collections is that during the six years from 1896-97 to 1901-02 (a period including the two greatest famines of the century) these collections actually averaged £17'43 millions a year, as against £16'67 millions, the average for the six preceding years.' These figures do not absolutely coincide with those which we have, but they are sufficiently near for me to accept them for the sake of argument. What are the facts of the case? In these big figures, my Hon'ble Colleague includes all increase of land-revenue from land newly irrigated and brought under cultivation during the period, and also the increase from land-revenue from the new Province of Burma. When these are deducted the figures are entirely changed, and we find his average for the first period to be 15'15, and for the second period to be 15'25: an infinitesimally small variation on so very large a sum.

"My Hon'ble Colleague also asks, why with four continuous years of fat surpluses to guide us, and no special cloud threatening our horizon, should we budget for a surplus of 1½ crores, when three times

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the amount would have been nearer the mark, and that, calculated according to a reasonably cautious standard? There certainly have been four years of surpluses, but there has not been that steady, uniform, progress which would be necessary to give absolute confidence as to what the future may have in store for us. As I explained in my Budget Statement, there is every reason to hope for a good surplus next year, but we have, as yet, no sufficient guarantee for the continuance of the very big surpluses of the last three years, and it is, if I may be allowed to say so, a question in which all the necessary data and figures having been examined exceedingly carefully, first of all by Local Administrations, and then by the Central Government, we are in as fair a position to judge as any one else can be.

"Then, my Hon'ble Colleague complains of a fall in prices due to the artificial appreciation of the rupee. I do not know whether I need go into all the arguments he deduces therefrom, or into the arguments which he deduces from speculation as to what will happen in the future, as regards prices, but I may point out that the Hon'ble Sri Ram considers that there has been a very great increase—30 per cent.—in prices; so that there is a considerable difference of opinion on this relatively simple question; and this between gentlemen who apparently draw the same conclusions from the most directly contradictory premises.

"Then, with reference to the question of the consumption by certain classes of the population of certain classes of imported goods, my Hon'ble friend thinks that only fine piece-goods, worn by the richer classes, are imported from Europe, and that the raiyats are selling, not buying, silver. He tell us too that the wealthy are a mere handful in the total population. Has it occurred to him to think what would be the appearance and gait of this wealthy handful, if they were, as he imagines, the only wearers of the 2,000 million yards imported in 1900-1901, and of the 229 million ounces of silver imported for private account, in the last five years?

"I earnestly recommend these considerations to the serious attention of my Hon'ble Friend. Such figures, and statements of fact, as I have had time to notice, are, not only, not convincing; they are clearly incorrect, or misleading. I can only hope that a little more study and calm reflection will convince him that, far from there being any cause for despair, as regards either the present or the future, we may look forward, with good hope, to steady progress in the welfare and prosperity of the masses of the population of India.

"I find that I have omitted one point which, perhaps, I ought to have noticed, as my Hon'ble Colleague laid considerable stress on it. He has produced a table of exports, in which, having selected two particular successive periods, he

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shows a serious falling off in valuable staple products, and he draws the most pessimistic conclusions from his figures. But why has my Hon'ble Friend compared the results of a period which he says 'was marked by the two most disastrous famines of the century,' with a period of normal prosperity? I must leave him to answer this question for himself.

"I think that the public whom he would convert to the ideas he is pleased to enunciate, would prefer to consider the question from more solid premises. It is clear that, for a fair comparison, exceptional periods of famine should be excluded. I think, that a comparison between two seven-year periods (normal agricultural cycles) excluding very recent famines, would be much more reasonable. If we take two such successive periods, 1882-83 to 1888-89, and 1889-90 to 1895-96, that is to say, up to the date of the first terrible famine, we find that all my Hon'ble Colleague's calculations are entirely upset, and the results, following his method, are in many cases completely reversed, whilst in cotton exports, where there is a slight falling off in the second period, no account is taken of the increasing consumption of the Bombay cotton-mills.

"My Hon'ble Colleague, Rai Sri Ram Bahadur, is not the only Member of the Legislative Council who proposes a reduction of the income-tax on small incomes. I have made my remarks on this question in reply to the Hon'ble Mr. Turner, and I need not repeat them. I will only say that my Hon'ble Friend has made the best of his brief. The facts connected with the case are, however, familiar to us, and although the permanent loss of 35 lakhs of revenue is a sufficiently serious matter, the proposal will be most fully considered, should the moment arrive for accepting some remission of taxation.

"With reference to the remarks on the necessity of the prompt distribution of takavi advances, I may state that the Government of India has not, in my experience, ever hesitated for a moment to sanction such grants when applied for by the competent local authorities.

"My Hon'ble Friend infers that the special grants sanctioned for Irrigation, Education, Public Works, Sanitation, and Administrative purposes are for one year only. That is in the main correct, and the restriction is, I think, clearly necessary. It is our intention that the bulk of the money should be spent on objects involving as little recurring expenditure as possible. We could not, in present circumstances, undertake to provide for recurring expenditure to the full amount now sanctioned for a single year. We hope that circumstances will allow us in revising the Provincial Settlements to make some allowance for future expenditure under the heads specially indicated this year.

"With reference to my Hon'ble Colleague's suggestion that further concessions should be made to the public both in the Postal and Telegraph Depart-

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ments, I must point out that the Postal Department Budget, for the coming year, shows the very narrow margin of surplus of £23,000, only, on a total of £1,377,000, whilst the Telegraph estimates show a positive loss of £114,000 approximately. The question of a re-arrangement of rates for the transmission of inland telegrams has, however, already occupied our attention, and I should be very glad if circumstances should hereafter permit us to reduce the charges.

"My Hon'ble Friend questions my assumption of the recuperative power of the raiyat, and he quotes against me, my words, that we had considered it advisable in making the remission of arrears of land-revenue to give 'time to recuperate'. I do not follow the objection to this phrase. I have always understood that recuperation was essentially a matter of *time*, and that the term is inapplicable to *immediate* recovery.

"Again, I do not follow the argument that because the raiyat's income is assumed to have increased by only Rs 2 per annum, during the last 20 or 25 years, whilst the prices of food-stuffs are assumed to have increased by 20 or 30 per cent. during the same period, he is a sufferer.

"The raiyat is essentially a producer of food-stuffs, and he supplies his wants, other than those for food, from the sale of the surplus of his produce. Up to the limit of the quantity of produce which he requires for seed and for his own food, the difference in its price cannot affect him, and if, for the surplus which he sells, he is now able to obtain some 30 per cent. more than formerly, it would certainly seem that, from this point of view, his position has considerably improved.

"I admit that there is some foundation for my Hon'ble Colleague's complaint that there are sometimes considerable difficulties in securing the free encashment of notes, or the supply of notes, at Mufassal Treasuries, and, as regards encouragement of the circulation of notes, it is certainly very desirable that all possible facilities should be given for their encashment. But we must remember the vast extent of the empire, and I think that it will be realized that there are insuperable practical difficulties in furnishing all local treasuries with the large sum in cash and notes which, as regards the particular question under consideration, might be desirable.

"I am most anxious to see such improvement, as may be practicable, made in this direction, but I must point out that it can never be to the advantage of Government to furnish notes to be used as a means of making large remittances at cheap rates; that is to say, to saddle Government with the expense of transfers required by private individuals who should fairly be called upon to pay themselves for such requirements.

"My Hon'ble Friend discusses the question of Provincial Settlements, and he quotes, with apparent disapproval, a statement made by Sir James Westland,

to the effect that the first claim on Provincial revenues is the claim of the Imperial Government. I feel bound to state that the principle thus enunciated is one which I fully accept, and which I feel confident must be accepted by all my successors.

"Has my Hon'ble Friend fully considered what is the nature of the revenues which he terms Provincial? I would point out to him that the revenues, the application of which we discuss in considering Provincial Settlements, are, speaking generally, in no sense Provincial. They are Imperial revenues, collected, for convenience, by Provincial Administrations, who deduct the cost of their collection, whilst benefitting provincially by the expenditure involved in that collection. It seems to me self-evident that the reasonable demands of the Central Government, on the proper working of which the whole administrative machine depends, must be held to have a primary lien on all revenues collected, except such as are specifically raised, in addition to ordinary taxes, for the satisfaction of purely local needs,

"In my Budget Statement, I mentioned the principles by which Government would be actuated in considering the next Provincial Settlement. I have nothing to add on that question.

"My Hon'ble Colleague alludes to the obligation of Provincial Governments to maintain minimum annual closing balances. I think that, in this connection the following figures showing a comparison between the obligatory minimum balances and the estimated balances at the end of 1901-1902 will be of interest :—

	Minimum balances.	Estimated balances at the end of 1901-1902.
	R	R
Central Provinces	8,00,000	23,31,000
Burma	12,00,000	1,40,79,000
Assam	5,00,000	5,31,000
Bengal	20,00,000	47,08,000
United Provinces of Agra and Oudh	20,00,000	43,79,000
Punjab	10,00,000	19,61,000
Madras	20,00,000	45,24,000
Bombay	20,00,000	64,38,000

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[*Sir Edward Law.*]

"It will be remembered that when, at the end of last year, abnormal circumstances had depleted certain Provincial Treasuries, the Central Government made special grants to bring them up to the required minimum.

"My Hon'ble Friend urges that Government should make large grants to municipalities and district boards. I must remind him that our purse is not inexhaustible, and that there is a limit to the strain which we can properly put on our credit. I would ask him to note that the outstanding total of advances to municipalities and district boards, on the 31st March, 1901, was Rs. 57,59,631. Further considerable advances have been made during the past year.

"My Hon'ble Friend has also touched on the question of octroi. I am prepared to admit that octroi has many advantages, but it has also certain disadvantages, and particularly that of giving special openings for fraud. He mentioned, as objectionable, the possibility of the introduction of a house-tax. I cannot myself see why he should object to the idea of a house-tax. I can hardly think of a more useful municipal tax than a house-tax, which must be paid by those who can afford to pay, which for collection entails a minimum expenditure, and in connection with which there can be no possibility of fraud.

"My Hon'ble Colleague Mr. Smeaton criticises my statement regarding the circulation of currency notes, on the ground that the amount stated to be in circulation, includes notes locked up in treasuries and sub-treasuries.

"He will however observe, if he studies my Financial Statement, that in the second table given, which I mention as meriting the more important consideration, sums held by the Government Reserve Treasuries and by the Presidency Banks at their head offices, are excluded. I demur to the proposition that notes held in the ordinary treasuries and sub-treasuries should be excluded from comparative statements of the amount in circulation.

"My Hon'ble Colleague quotes the late Sir Richard Temple as an authority for estimating the incidence of the salt-tax at 3 per cent. on average incomes. I must point out that, now the average incidence for the whole population of British India, is about one half anna per mensem. Now, our pessimistic friends compute the average income of the indigent classes at two annas per diem, or 60 annas per mensem, and at this rate the incidence of the tax amounts only to '83 per cent. on the poorest class in the land, or, allowing very liberally for non-working days, to a maximum of one per cent."

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His Excellency THE PRESIDENT said :—" We have had a somewhat discursive discussion ; and as people are, as a rule, discursive only when they are in a good temper, I hope I may conclude that the second Budget of my Hon'ble friend the Financial Member is one that in its broad outlines has caused general satisfaction. There are several features of it which deserve to produce that result. The conversion of a modest into a handsome surplus in 1901-02, even if we have been assisted by good fortune, is itself gratifying. But, even eliminating the accidental element from this expansion, and allowing for the caution with which my Hon'ble friend framed his estimates a year ago, there remains in the elasticity exhibited by our main heads of revenue, and in the steady growth of receipts from those sources which indicate purchasing power and prosperity—sufficient cause for temperate congratulation. It is a great thing, for instance, to know that after years of adversity and unfavourable criticism, we have finally turned the corner as regards our railways, and that, in addition to the innumerable benefits which they have brought to all classes in the country, they are now a steady recurring source of profit to the Indian taxpayer. During the three years since I took over my present office, more than 3,000 miles of railroad have been opened in India. Over 2,000 additional miles are under actual or impending construction, and we are gradually filling up the blank spaces in the map, and the more obvious gaps in the public needs. The increased receipts, not merely from the main imports, such as cotton, sugar, silver and mineral oils, but from Post Office, income-tax, stamps, excise, those sources in fact which I agree with the Hon'ble Sir Edward Law in regarding as evidence of an improving margin of wealth and comfort in the country—point in the same direction. I know that it does not do to be too cheerful in Indian finance, partly because of the vicissitudes to which we are liable, and still more because anyone who dares to be cheerful is at once described as an optimist ; and an optimist in respect of Indian financial or economic progress appears to be regarded in some quarters as a dangerous character. No one, I think, can charge me with having been an offender in that respect. But in the Budget speeches which I have delivered from this chair, and of which this is now the fourth, I can point with satisfaction to the fact that the hopeful forecasts in which I have from time to time indulged have in no case been falsified, while when I said last year that India was already beginning to tread upon a brighter and happier pathway, I could not have wished for a more ample vindication of my remark than the Budget Statement which twelve months later has been laid upon this table.

" However, when a Government finds itself in possession of large balances, the world is always more interested to know what they are going to do with them than how they got them : and I turn accordingly to the manner in which we have decided to dispose of our surplus funds. There are three methods of dealing with a surplus other than hoarding it. The first is to reduce taxation,

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the second is to increase administrative expenditure, and the third is to give relief to suffering classes or interests. Do not let it be supposed that before deciding to adopt the second and third, we did not most carefully and exhaustively consider the first. Every Government, every Viceroy, and every Finance Minister, must wish to reduce taxation if they honestly and conscientiously can. We are not above those feelings; and, for my own part, if the conditions of our finance continue to improve, I entertain reasonable hopes of being able to recommend such a reduction before I leave this country. The Hon'ble Mr. Charlus said that he had never known a tax imposed in this country and afterwards taken off. He forgot that only an hour or two earlier he himself and all of us had voted for the abolition of the pandhari-tax in the Central Provinces. But the questions which we had to ask ourselves on the present occasion were these. Are the burdens imposed upon the community by existing taxation so heavy as to stand in urgent need of mitigation? Is our position sufficiently assured to enable us to make what must be a permanent sacrifice of revenue, and to make it on a sufficient scale to relieve the people upon whom it presses with greatest weight? After a period of exceptional distress that has been confined to distinct parts of the country, is a reduction of taxation which is bound to be general, rather than partial, in its application, the best method of setting the sufferers upon their legs again? We could not truthfully answer these questions in the affirmative. Though we have had surpluses now for three years, we could not say with absolute confidence that we have entered upon an era of assured annual surpluses. There is still a good deal of distress, and of conditions bordering upon famine, in other parts of India, and we all felt that we should like to see the outcome of the next monsoon. Again, we convinced ourselves upon enquiry that even if we had run the risk and had reduced taxation, we should not have brought our charity home to those who most need it with the directness that we desired. A good deal of the sacrifice would have been spent upon classes and persons who, though they would have welcomed the relief, and though we might have been glad to give it, do not stand in real want. I do not share the Hon'ble Mr. Gokhale's views on our taxation. I do not believe that its total burden presses with cruelty upon the people. If the Hon'ble Member were to transfer his residence to any European country, I expect that he would very soon be back again here, with altered views about fiscal matters. In the case of taxes affecting the entire community, it is further certain that unless the reduction were on a very large scale indeed, the benefit would never reach the consumers at all. The Hon'ble Sir Edward Law in his reply has given the figures of what a substantial reduction of the salt-tax would mean. I wonder if half the speakers and writers who so glibly recommend it

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have worked out what it would cost, and have paused to consider whether we could, in the present year, have afforded such a sacrifice. It is a question of capacity much more than of inclination. When the sacrifice entailed is to be reckoned not in lakhs but in crores, the critics of Government can afford to be generous, because they have no responsibility; but Government, which is responsible, is bound to be circumspect.

"We did not, however, come to our decision without consulting the heads of Local Administrations, and we found that, without an exception, they were in favour of relief in preference to reduction. The point upon which we laid the greatest stress was that relief, if given, should be given to the needy. Now the neediest among the needy in British India are, as no one will dispute, the cultivators who in Bombay, the Punjab, the United Provinces, the Central Provinces, and the British district of Ajmer, have, during the past two years, been so grievously smitten by famine. We ascertained that the total arrears of land-revenue, already suspended in these areas, was just short of 2 crores, or a sum of £1,320,000. We therefore resolved to wipe off the whole of these arrears by a stroke of the pen. It would have taken three or four years to collect this sum, and a good deal of it, no doubt, would have never been collected at all. We thought it better, however, to remove all doubt upon the matter by writing off the entire debt, and by compensating the Local Governments for the portion of it that would, in ordinary circumstances, have fallen to their share. I have not yet heard of anybody, and there has been no one in this debate, who has seriously questioned the propriety of this decision. Looking to all that we have gone through, and may perhaps have to go through again, I am not going to claim this as a Prosperity Budget. But I do emphatically claim it as a Poor man's Budget and a Peasant's Budget, and it has been a source of the greatest pleasure to my colleagues and myself to be able to evince our sympathy with those classes in this practical form. I was glad to hear from the Hon'ble Mr. Bose, who is such a firm friend of their interests, that our gift has been received with deep gratitude.

"Our second object was to set going again at a becoming rate of speed the administrative machine in the various provinces. Owing to the strain of the past few years, the stokers have everywhere been stinting their fuel in the furnaces, and the engines have not been going at much more than half speed. Every branch of administration has suffered in consequence—education, police, public works, sanitation. This gradual deterioration is, in the long run, fatal to efficiency, for the machine itself gets rusty and unequal to its maximum capacity, while the engineers become indifferent and slack. Our first proceeding

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was out of the large realised surplus of the past year to assign 40 lakhs or £266,000 as grants-in-aid to those provinces, *viz.*, Bombay, Madras, the Central Provinces, and the Punjab, where the suspension of work had been most marked and most serious. This was for non-recurring expenditure, intended to restore the provincial administrations to the normal level of capacity and output. Our next step was to provide the provinces in general with the materials for the fresh burst of activity which we desire to press upon them, by grants from our anticipated surplus of the ensuing financial year. With this object we have given them a further 90 lakhs or £600,000. Of this, 40 lakhs are to be devoted to education. A good deal of this will clearly be non-recurring expenditure. But we entertain such strong views about the need of a greater outlay upon education, and the measures which we already have in hand, or are about to undertake, for the expansion of every branch of educational effort in India, must require such a continuous expenditure, that the charge is not likely to be reduced in succeeding years. The remaining 50 lakhs we have given to public works and sanitation, in both of which respects progress has been arrested in many quarters, and to making up the deficiencies in provincial establishments; of these 50 lakhs, it is estimated that 30 will be recurring. I have been glad to hear from the Lieutenant-Governor of Bengal so frank a testimony to the wisdom as well as the generosity of our policy in this respect. It is quite a new sensation for the Government of India to be applauded as the fond parent of a large family of devoted though impecunious children. I only hope that the experience will not be a short-lived one, and that the Local Governments in their gratitude for our bounty will not fail to exercise the greatest vigilance and economy in its distribution.

“Finally, we decided not to wait for the Report of the Irrigation Commission, but to devote an additional sum of 25 lakhs to minor works, such as tanks and wells, over and beyond the grant for larger works, which has been kept, since I have been in India, at the annual figure of 1 crore. My Hon'ble colleague pointed out in his opening statement that if we add to these the sum given from the Famine Insurance Grant for unproductive works, we shall be spending upon irrigation in the following year a total capital outlay of 139 lakhs or £927,000—a sufficient answer, I hope, to any who may hitherto have suspected the Indian Government of indifference to this most pressing need.

“I have now explained and defended the financial policy which has found expression in this Budget; and I claim for it, that though alternative methods of spending our money might have been forthcoming, no means could have been devised better calculated to diffuse its benefits through every part of the

country or to carry the sorely needed relief more swiftly to the necessitous spots. I now pass to a consideration of the general policy which has been pursued by the Government of India during the past twelve months, and of the degree of advance that has been made on the path that we have chalked out for ourselves.

"A year ago I gave an indication in outline of the various projects that we have in view. I should like, if I have time while in India, to place upon the anvil every branch of Indian policy and administration, to test its efficiency and durability, and, if possible, do something for its improvement; always bearing in mind that there is no finality in India or anywhere else, and that the utmost that any one Government or Head of a Government can effect is to hand over the administrative machine to the next comer with all its parts intact and in good working order, capable of answering the fullest requirements that the conditions of the time are likely to impose. We have, I think, made substantial progress in several directions.

"The new Frontier Province has been started upon its career, and I am very hopeful that it will tend to unity and continuity of policy in respect of the Frontier. That it will result in the quicker despatch of business is quite certain, and has already been demonstrated in connection with recent events in Waziristan. We have fortunately had peace for three years in Chitral, Dir, the Khyber, the Samana, and the Kurram. The Chitral reliefs, which now take place in the autumn, have been conducted without the firing of a single shot. I am presently going up to Peshawar to inspect things myself, and to see the frontier Khans and *jirgas* who will be summoned to meet me in Durbar. Our policy of substituting tribal militia for the regular troops in advanced positions on the Frontier is slowly but surely coming into operation. It is now more than two years since the British garrison was able to leave the Khyber. The Samana Rifles are about to be entrusted with some of the Samana posts. The Military are on the eve of being withdrawn from the Kurram, where the Kurram Rifles have reached a high standard of efficiency. The Khushalgarh-Kohat Railway has already entered Kohat, and the line is being pushed on towards Thal. The Kohat Pass Road has been opened, and is in constant use. On this section of the Frontier we may certainly point to good work done, peace so far unbroken, and greater security obtained.

"We have observed with pleasure that the death of that remarkable man, the late Amir of Afghanistan, during the last year, has been followed by the tranquil succession of his son, the Amir Habibulla, without any of those disturbances which had for long been predicted. The latest news from Kabul does not mention any uneasiness, and we earnestly trust that the present ruler may consoli-

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date his position and continue on a larger scale the reforms which had been initiated by his father. The most friendly relations prevail between the British Government and His Highness; and our hope is that the alliance between the two Governments may become even firmer and more intimate as time passes on. Where the interests of two parties are identical, there exists a natural bond of union.

"Further down the Frontier we have been involved throughout the past year in a blockade of the Mahsud Waziris. This turbulent tribe—one of the most unruly of the Pathan clans—had carried their raids and offences upon British territory and British protected subjects to a point at which the arrears of fines had reached a formidable sum. We offered them the opportunity of clearing off this debt, and of starting afresh under a system of tribal subsidies, paid to the tribe, and distributed among themselves. They declined these terms, and a blockade was imposed and maintained with as much strictness and severity as were possible along a cordon many hundreds of miles in length, through a country of immense physical difficulty. I observe that the policy of a blockade arouses almost as conflicting emotions in the bosoms of Frontier critics as used to do, for instance, the Frontier policies of Lord Lawrence and Lord Lytton. Those who prefer the drastic methods of an expedition denounce a blockade, and do their best to prove that it is either a failure or a sham. Those who, from the experience of past expeditions, with their shocking disproportion of cost to result, distrust that method of procedure, as strongly favour a blockade. For my own part, I regard the two as alternative methods of coercing a hostile or rebellious tribe, and the distinction between them as one of policy rather than of ethics. Of the two I would certainly prefer to try the blockade first, both because it is so far less costly, and because it is attended by so much less loss of life and acute suffering. But when, in the course of a blockade, the enemy persist in making a series of savage attacks upon our outposts and convoys and men, cutting up frequent parties and becoming possessed of a large number of long-range rifles, then I am not going to sit idle and allow these acts to be pursued with impunity. Therefore it was that towards the close of last year we decided, while still maintaining the blockade intact, to initiate a series of retaliatory sallies or reprisals upon those who had provoked them. These reprisals were conducted with great gallantry and endurance by the soldiers, who were pushed forward from the cordon line. At no time were more than 5,500 men engaged in active operations, being split up into smaller columns, which scoured the valleys of the tribesmen, inflicting what damage they could, and conclusively proving the vulnerability of even the heart of the Mahsud country. These proceedings soon brought the tribe to

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their knees. The balance of the fine was paid up, the captured rifles were surrendered, security was given for the restitution of flocks and herds seized by the Mahsuds during the blockade, and for the expulsion of outlaws from the country; the principle of tribal responsibility for future offences has been explicitly accepted; and on these conditions the blockade has been finally raised, and a state of peace has been resumed. I said something just now about the relative cost of an expedition of the old-fashioned sort and a blockade. When I add that the former seldom costs less than a lakh a day, and when you see that my Hon'ble Military Colleague has entered in this Budget an estimate for our Mahsud proceedings of less than 16 lakhs, the bulk of which will have been incurred by the military movements at the end, I think it will be admitted that we chose the more economical course. If there be any one who argues that this is a large price to pay for the recovery of a fine originally fixed at one lakh of rupees, I would remind him that the tribe have lost very much more than the fine. They have lost in the forfeited allowances of 15 months a sum of $1\frac{1}{2}$ lakh, in the value of rifles surrendered by them $\frac{1}{2}$ lakh, in the value of property destroyed and live-stock captured by our troops $2\frac{1}{2}$ lakhs: so that the total loss to the tribe, the fine included, has been in excess of 5 lakhs. If, therefore, the Government of India has disbursed a net sum of 10 lakhs or even more, is not that, I ask, a small price to pay for the restoration of peace along the most difficult and troubled section of our border? Whether the peace will be lasting or not, I will not presume to foretell. The Waziristan problem is not of my creation, and I can but handle it to the best of my ability, and endeavour to evolve order and tranquillity out of one of the most complex and troublesome situations that even the North-Western Frontier has ever presented to the Government of India. I want nothing better than to live at peace with these people, and, as far as possible, to leave them alone. But if they reject these overtures and persist in a policy of outrage and rapine and disorder, then I shall hit back and hit hard. While these events have been going on, the policy of the Frontier Militia in Waziristan has necessarily been somewhat in the air, though the South Waziri Militia, which included a good many Mahsuds who stood firm to us even through the conflict with their countrymen, covered themselves on more than one occasion with considerable credit. Now that peace is restored, the Militia will have a better chance, and it is notable that one of the principal demands put forward by the defeated clansmen at the recent *jirga* was that larger opportunities might be afforded to them of enlisting in the British service in future.

"To resume my former narrative of political and administrative progress during the past year. In the interval the Imperial Cadet Corps, which is a dear child of mine, has started into being. We have without difficulty selected over

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twenty young men from the princely and aristocratic families of all India, drawing them from districts as far apart as Hyderabad, Vizianagram, the Frontier, Rajputana and Kathiawar. The Corps includes four Ruling Chiefs who have come to us at their own wish. The discipline and training provided are in the main military, and the standard of living enforced is simple and strict. I am hopeful that in this institution we shall have found a means of providing honourable employment for selected scions of the Indian aristocracy and of training the pick of their number so as to qualify for future military rank and service.

"The Hon'ble Sir Edmond Elles in his memorandum has given an account of the steady advance that is being made in the work of rendering our Indian Army, both European and Native, a more efficient machine. There are some who contend that its numbers are too small for the gigantic task with which they might one day be confronted. There are others who argue, like our Hon'ble Military critic from Madras, that they are more than sufficient for every day needs. Both parties will admit the cardinal importance of making the existing army as fit for its task as the application of the latest results, whether of military invention or of experience in the field, renders possible; and the present Commander-in-Chief and the Military Member have addressed themselves to this object with a business-like energy that finds its reflection in many notable reforms already achieved or in course of execution. The re-armament, both of infantry and cavalry, and of our batteries of artillery, which is being pursued with as much rapidity as the supply of weapons admits of, the reorganisation of the Madras Army by a bold infusion of the fighting blood of more northern races, the creation of a transport system with an existence other than on paper, the construction of light frontier railways, the endeavour to render India self-providing in respect of armaments and ammunition, large measures of administrative decentralisation, the reform of our horse-breeding establishments, the ventilation and lighting of our barracks by electricity, the settlement of the cantonments' difficulty by the legislation which has passed this Council, and, above all, the addition of a large number of officers to the Indian Staff Corps—for there can be no doubt that for a long time our regiments have been sadly under-officered, and that it has been found well nigh impossible to reconcile the standards of regimental efficiency with the numerous calls that are made upon the officers for service on the frontier, for non-military service in fighting famine and plague, and for service in other parts of the Empire—where the authorities seem to fancy the Indian officer more than they do any one else—all these plans and projects I say, which have taken, or are taking, shape, mark a policy of sustained and steadfast advance. That we have been assisted in carrying them out by the handsome savings that have accrued to us from the absence

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of our troops at the Imperial expense in South Africa and China is well known. But we have also had our set-back in the extra charge that seems likely to be imposed upon us in connection with the proposals of His Majesty's Government to raise the scale of pay of the British soldier. We had not expected, and we can hardly be expected to welcome this change, and we have placed our views upon it before His Majesty's Government.

"I am happy to be able to record the fact that we have in the past year secured that reduction in the telegraphic rates between Europe and India for which I undertook to press three years ago. It is not as large a reduction as I should personally have liked or as will one day come. But we have secured a conditional promise of a further reduction from 2s. 6d. to 2s. a word if the returns from traffic are found to justify it. I should like also to find time to consider the question raised by the Hon'ble Mr. Turner of telegraphic charges within this country, which seem to me to admit of some reform.

"It is gratifying to find that the policy which we initiated here three years ago of combating by such means as lay in our power the inequitable system of sugar bounties has not been without its effect upon public opinion elsewhere. I do not doubt that it has played its part in contributing towards the practical abolition of those bounties, which has been the result of the recent Brussels Conference, and which is one among many evidences of the shrewd and tactful diplomacy of Lord Lansdowne. The Convention has not yet been ratified by the Legislatures of Foreign Powers, and, until it comes into operation, we must continue our precautions here. We must also be on our guard that the real objects of the agreement are not evaded by indirect bounties in one or other of many forms.

"Passing to the sphere of internal administration, there are many respects in which we can claim that distinct progress has been made. The singularly able Report of Sir Antony MacDonnell and his colleagues upon the Famine Commission of last year, has enabled us to frame definite rules upon many disputed points of famine policy and procedure; and we are, I hope, in process of evolving a Famine Code of general acceptance, which will guide our officers in future struggles.

"In the course of last summer we completed a most careful and searching survey of the whole of our Land-revenue policy, and we endeavoured, in answer to our critics, to furnish to the world no mere departmental defence of our methods and objects, but a serious and conscientious examination of the subject of assessments in relation to the various parts of India, and to define the lines of broad and

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generous treatment in the future. Our pronouncement was not an academic treatise, meant to be read, or perhaps skipped, and then forgotten. We intend it to be a rule of guidance to the Local Administrations ; and on points where doubt exists, or where the local practice does not appear to be in accordance with the principles laid down, we have addressed them with a view to ensuring conformity in the future. I am grateful for the reception that this document has met with from the public, which has more than repaid me for the months of labour that were devoted to the task. I hope that it has removed some misconceptions, and dissipated some doubts.

"I have already mentioned the large grants that we are making in the forthcoming year to education. These are the prelude to a policy of educational reform that was inaugurated with the deliberations of the Simla Conference last year, that is now being further investigated in respect of University education,—a most important branch of the subject,—by the Commission that is sitting under the presidency of the Legal Member, and that will not stop until it has embraced every branch of educational activity—secondary, primary, technical, industrial, and commercial. In all these respects money has been grudged in the past, and effort has been wasted or diffused, in the main from want of a definite plan. I conceive that a ruler could not bequeath to India a better legacy than the introduction of system, shape, and consistency into that which has hitherto been somewhat formless and void. Upon everyone of the particulars that I have named, the Local Governments have been addressed : their opinions have been invited as to positive suggestions and definite needs ; and before another year has passed, I hope that we may appear before the Indian public with a concrete policy that will communicate to education in its various branches an impetus that will not quickly faint or fade away. A Director-General of Education has arrived from England to act as adviser to the Government of India, and to assure that continuous interest in the matter at head-quarters which has sometimes been lacking. There is only one consideration that I would ask the public to bear steadily in mind. Education, if it is to be reformed, must be reformed for education's sake, not for the sake of political interests, or racial interests, or class interests, or personal interests. If that golden rule be borne in mind both by the Government and the public, we shall get through. If it be forgotten, then the most strenuous of efforts may be choked with disappointment, or may perish in recriminations.

"Throughout the past cold weather, the most momentous of our recent Commissions has been taking evidence in different parts of India upon the question of future extensions of Irrigation in this country. The figures that I have

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previously quoted will have reflected the general sympathy with which the Government of India regard a policy of unhesitating, even if it be sometimes experimental, advance in this direction. So vast is the field, so complex the subject, so enormously important may be the results, that a second cold weather will be required before the Commission has completed its labours. I warn the country that its report will mean the expenditure of money, perhaps of much money, in the future; and I invite those gentlemen who are so keen upon extensive reductions of taxation, and who are probably also among the foremost champions of a generous policy of irrigation, to pause a little, and think whether there is perfect consistency in their attitude. I say boldly that my policy in India involves the spending, though not, I hope, the waste, of money. You cannot have reforms, and not pay for them. I shall hope to leave administration in India more efficient than I found it. But I shall assuredly not do so, unless I add, I do not say to the relative, but to the aggregate, expense.

"There are several questions which we have upon the stocks, and which we hope to carry forward during the ensuing year. There is the institution of Agricultural Banks, or Mutual Credit Societies, which has been alluded to by the Hon'ble Sir Edward Law. I am far from predicting confidently that this experiment will be suited to the conditions of Indian life. But at least let us try, and if we do not attain success, let it not be from failure to deserve it. Sir Edward Law and I are very anxious to see a large development of steel and iron-making industries in this country. India, with its great resources, ought to be far more self-sufficing than she is. One day, when we are gone, this will be a great industrial and manufacturing country, and we may be proud of having added our humble pebble to the cairn of her future prosperity. There is another respect in which we are desirous to bring our administrative mechanism more up to the level of modern requirements. This is by the institution of a Commercial Bureau, or Department of Government, which will take special charge of trade, customs, and the like, and will both advise Government, and act as the intermediary between it and the mercantile public. In another direction I hope to communicate a definite stimulus and to breathe fresh life into the dwindling and sometimes perishing art industries of India, by holding an Exhibition in connection with the Coronation Durbar at Delhi in January next. I should be very sorry if that great function, even though it be one of official ceremony and national rejoicing, were mainly limited to pageantry and pleasure. I should like it to be of permanent service to the people; and it occurred to me that a better way of securing that end could not be contrived than to assemble there a collection of all the best that the Indian artificer or handicraftsman is capable of producing, so as both to appeal to the

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taste of the immense audience that will be gathered together, and to encourage and revive the industries themselves.

"Lastly, there is another subject that we are about to take in hand. I spoke last year of Police Reform as one of the most urgent needs of Indian administration. The matter has not been lost sight of since, and we have recently sent home proposals to the Secretary of State for the constitution of a Commission, to concentrate into final shape and conclude the independent enquiries that we have been making, but that are at present somewhat lacking in consistency and unity, because of the very varying aspect of the problem in the different provinces. This will, I hope, be the last big Commission for the appointment of which I shall be responsible, but the work that lies before it, and that touches every home, and almost every individual in every home, in the country will not be the least in importance. I agree with His Honour the Lieutenant-Governor in thinking that in some respects it will be the first.

"Now I can quite believe that there will be some persons who will say that the present administration is earning a strange and abnormal repute, as one of Commissions, Committees, and enquiries. The charge is quite true. I do not for one moment dispute it. We have had a Famine Commission, and a Horse-breeding Commission. We have got now at work an Irrigation Commission and a Universities Commission. We have a very alert and capable Special Commissioner who is examining into our railways; and I started nearly three years ago the plan of a Travelling Railway Commission, that has already visited and conducted local enquiries in several parts of India. I have myself presided over Conferences to enquire into the question of Education at large, and into the teaching and system of the Chiefs' Colleges. We have had Committees to report upon Agricultural Banks, upon military decentralisation, upon Commissariat frauds, upon the starting of technical and industrial schools, and upon other and less important matters. And now there is the proposal of a Police Commission which I have just launched. What, it may be said, is the use of all these investigations? Are you not tending to obscure the issue, and to delay action? The answer to these questions is, in my opinion, very simple. The object of all these enquiries is in every case the same, *viz.*, to arrive at the truth. The truth ought, I suppose, theoretically to be lying about, like an exquisite shell on the sea-shore, open to the eyes of men. But in practice it is apt to be overlaid by all manner of sea-weed and sand and slime, and it has to be dug out and extricated from its covering or its surroundings. If I have undertaken the policy of reform of which I have been speaking, I positively decline to accept the responsibility until we know where we are, what are the exact features of the problem

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that we have to deal with, and what, on the whole, is the best that it is open to us to do. A reform in India is a change applied not to a town, or a district, or a province, or a country, but to a continent. Conceive anyone proposing a new plan or a new policy for the whole of Europe—if such a thing were practicable—and doing it without the fullest enquiry in advance—enquiry both to ascertain the dimensions and necessities of the case, and to let the various experts and authorities have their say. There is no country in which this is more essential than India, where there is always a danger that the executive authority may be out of touch with a constituency so scattered and so huge, and where therefore I am always insisting upon the necessity of building bridges between the Government and the people. I do not say that every Commission or Committee is everywhere invariably appointed with the objects that I have described. I have known the opposite. They may be said, indeed, to fall into two categories, Commissions to shelve and Commissions to solve. If anyone thinks that any of the Indian enquiries to which I have alluded have belonged to the former class, he is greatly mistaken; and if any sleeping partner in the abuses or errors which we desire to correct is hugging to himself the illusion that these Commissions will pass by like a gust of wind, and leave no trace but a report behind, he will suffer a rude awakening. I am a disciple of the wise man who said that words are women, but deeds are men: and though I am far from anticipating that any of our investigators will show the slightest lack of virility in their reports—the Famine Commission certainly did not—yet it is to the action taken upon their reports, rather than to the reports themselves, that the final weight is to be attached. Perhaps I may also add that, if anyone is disposed to think that the constitution of an Indian Commission, and its process from the cradle to the grave, are light and perfunctory operations, that can be airily undertaken by one who is either a dilettante or is inclined to be a shirk, he displays an extreme ignorance of the subject. There is the reference to be drawn up involving long and anxious study, the Secretary of State to be consulted, the consent of his Council obtained, the members to be selected by a careful balance of the interests and merits, not merely of individuals, but of provinces, races, and even of creeds. Very often there is prolonged correspondence with Local Governments. Then, when the work is started, references and intermediate reports are continually coming in, which the head of the Government is compelled to study. Later on there is the Report itself, which condenses the labours perhaps of a twelve month, and the intellectual precipitation of a multitude of minds. Then comes the detailed examination of the Report, the discussion of the extent to which it can or should be acted upon, further consultation with the Home Government, and perhaps with Local Governments, and, finally, the orders of Government in

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a succinct form. I can assure Hon'ble Members that it needs, not indifference, but no small spirit, to start and to see through an Indian Commission from beginning to end, and I would earnestly recommend any Viceroy who desires to have a quiet and easy time to eschew my perilous example.

"Before I close this long but not, I hope, unjustified speech, there is one subject to which I should like to make brief allusion. I daresay that Hon'ble Members are familiar with the view, to which I have often given public expression, of the part that is played by India in the Imperial system. I am myself by instinct, and by conviction, an Imperialist, and I regard the British Empire not merely as a source of honourable pride to Englishmen, but as a blessing to the world. In the picture of what the Empire is, and what it is capable of doing, India has always, in my eyes, assumed a predominant place. Her geographical position, her resources, and the part that she has played in history, are sufficient to explain this importance. But I often wonder if the outside public has any conception of the extent to which it is illustrated in the politics of the hour, or of the contributions that have been made by this great dependency to the cohesion and defence of the Empire. I should like to give to this Council a few illustrations of my meaning, derived from the experiences of the past two years.

"It is, I think, generally known that it was by the loan and prompt despatch of British troops from India that Natal was saved from being overrun by the Boers at the beginning of the South African Campaign. It was the holding of Ladysmith that prevented them from sweeping down to the sea. That service has been publicly acknowledged by the Commander-in-Chief in England, and by the Secretary of State for War. It is also known that it was an Indian General Commanding Native troops from India that relieved the Legations at Peking; and further that, in the absence of our European troops elsewhere, it has been by Native regiments that our garrisons in China have since been supplied. But the extent or value of our contribution in either case is perhaps imperfectly understood. Since the beginning of the war in South Africa, we have sent from India 13,200 British officers and men to that country, of whom 10,000 are still absent. Over 9,000 Natives, principally followers, have gone with them, of whom 5,600 are still away. To China we sent 1,300 British officers and men, nearly 20,000 Native troops, and 17,500 Native followers, of whom 10,000 Native soldiers and 3,500 followers are still away. I venture to say that these are very large and handsome contributions.

"Then I would like to mention another respect in which we have been of service. This has been in the provision of ammunition, stores, and supplies. In

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these two wars we have sent out from India 21 million rounds of ammunition, and 114,000 projectiles and shells, 11,000 tents, 11,000 sets of saddlery, 315,000 helmets, 169,000 blankets, 290,000 pairs of boots, 42,000 tons of fodder and rations, and 940,000 garments of various descriptions. These articles have not been required either wholly or mainly for the Indian forces. They have been ordered for all the troops in the field. The whole of them have been manufactured in this country, and the benefit has not of course been altogether one-sided, since their manufacture has given employment and wages to thousands of Indian artisans. During the same period we have sent out 11,600 horses, 6,700 mules and ponies, and 2,700 bullocks. We have also despatched small bodies of men to take part in minor campaigns that have been waged in Somaliland, Jubaland, and other parts of Africa; and we have undertaken to raise, for the Colonial Office, 5 Native regiments for service in the Asiatic Colonies or possessions of Great Britain.

"But our services do not stop short at the loan of military resources and men. India is becoming a valuable nursery of public servants in every branch of administration, upon whom foreign Governments as well as the British Empire show an increasing inclination to indent. We have over a dozen officers from India in the service of Siam. We have Medical officers serving in Persia, Abyssinia, East Africa, and the Straits Settlements. We have Engineers in Egypt, Nigeria, Uganda, and China. We have postal and telegraphic officers at the sources of the Nile, on the Zambesi, and at the Cape. Scarcely a week passes but I do not receive a request for the loan or gift of the services of some officer with an Indian training. This is a tribute to our system, and a striking vindication of its value.

"Now, when the Empire calls upon us to make these contributions or loans, I do not pretend that on our side of the ledger is to be written only loss. Very far from it. The entire expenses of the troops while they are out of India are, of course, borne by the Imperial Government, and everything ordered from us is paid for by them. Nay more, the absence of these large bodies of men in South Africa and China for so long a period of time has resulted in the present case in very great savings to ourselves, owing to the relief of all financial responsibility for the absent units. These savings have amounted to a sum of $3\frac{1}{4}$ crores, or £2,180,000, and without them we should not have been able to embark upon the policy of military reorganisation that I have before sketched.

"We, therefore, have profited as well as the Empire, although our profit has been pecuniary, while hers has been moral and material. Our gain has been due

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to the accident of the prolonged absence of our troops. But our contribution was made independently of any thought or prospect of gain, and was a service to the Empire. By reducing our garrisons, we were content to run a certain risk—for who knows what may happen on an Asiatic frontier—but we did it in the interests of the Empire, with whose stability our own is bound up. During the past three years it has been the constant duty of the Government of India to balance the Imperial and the Indian aspects of our obligations: and if we have been helpful to the Empire without detriment to the true interests of this country, then I am sure that there is no one who will not be willing to endorse and even to share our responsibility. We do not go upon our knees and supplicate for favours in return. But we beg that the part played by India in the Imperial system, and the services rendered by us in time of trouble, may not be forgotten by the British nation, and that they may find in it, when the occasion arises, good grounds for reciprocal generosity and help."

The Council adjourned *sine die*.

CALCUTTA; }
The 27th March, 1902. }

H. W. C. CARNDUFF,
*Offg. Secretary to the Government of India,
Legislative Department.*

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