

*Wednesday,
28th March, 1906*

ABSTRACT OF THE PROCEEDINGS

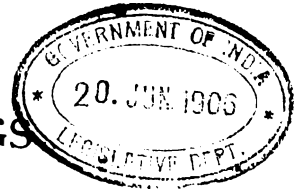
OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XLIV

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ABSTRACT OF PROCEEDINGS

OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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1906.

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 28th March, 1906.

PRESENT :

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

His Honour Sir A. H. L. Fraser, K.C.S.I., Lieutenant-Governor of Bengal.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., Commander-in-Chief in India.

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

The Hon'ble Sir Denzil Ibbetson, K.C.S.I.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. J. P. Hewett, C.S.I., C.I.E.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Sir Rameshwara Singh, K.C.I.E., Maharaja Bahadur of Darbhanga.

The Hon'ble Rai Sri Ram Bahadur, C.I.E.

The Hon'ble Mr. L. A. S. Porter.

The Hon'ble Mr. L. Hare, C.S.I., C.I.E.

The Hon'ble Mr. H. A. Sim, C.I.E.

The Hon'ble Nawab Fateh Ali Khan, Kazilbash, C.I.E.

The Hon'ble Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. A. A. Apcar, C.S.I.

The Hon'ble Mr. S. Ismay, C.S.I.

The Hon'ble Mr. W. T. Hall, C.S.I.

The Hon'ble Mr. A. C. Logan.

The Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca, C.S.I.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

QUESTIONS AND ANSWERS.

The Hon'ble MR. GOKHALE asked :—

“ Will Government be pleased to state what expenditure has up to date been incurred in establishing new head-quarters at Dacca for the Government of Eastern Bengal and Assam ? ”

[Mr. Baker; Mr. Gokhale.] [28TH MARCH, 1905.]

The Hon'ble MR. BAKER replied :—

“ It is understood that the question relates only to the expenditure incurred on buildings.

“ The expenditure that will be incurred up to the end of the current month on establishing head-quarters at Dacca for the Government of the new Province is estimated at Rs. 1,77,000.”

The Hon'ble MR. GOKHALE asked :—

“ Have Government noticed the report of an alleged occurrence in Jullundur Cantonment, which has been published by the *Tribune* of Lahore in its issue of 16th instant under the heading ‘ A case of unmitigated zulum. Major Cowie surpasses himself ’ ?

“ Is it true that Lala Sheokarn Das is a wealthy banker and house-proprietor in Jullundur Cantonment, who rendered valuable services during the Sepoy Mutiny of 1857 to the British Government and the European community which took refuge in Jullundur barracks ?

“ Is it true that for some time past the relations between Lala Sheokarn Das and Major Cowie, Cantonment Magistrate, have been of an unfriendly character ?

“ Is it true that on the 4th instant, a grandson of Lala Sheokarn Das—a boy of 11 years—had an attack of fever, and that on 6th March, about noon, Major Burnside, the Sanitary Officer, declared the case to be one of small-pox ; that the banker thereupon declared his readiness to arrange for the case being specially treated in the house itself and to take all reasonable precautions against the spread of the disease ; that in spite of this assurance, a notice under section 203 of the Cantonment Code was served on him in the course of the day, asking him to remove the boy at once to the infectious disease huts ; that on receipt of the notice, Lala Sheokarn Das requested that he should be allowed at least 24 hours, as required by the Code, to arrange for the boy's removal, and that at the same time he submitted a written application through the Station Staff Officer to the Officer Commanding that as his house was well-built, clean and well-ventilated, he should be permitted to make special arrangements in the house itself for the treatment of the boy ; that he also personally represented to Major Stewart, the Station Staff Officer, his fears that Major Cowie, whom he regarded as his enemy, might send

[28TH MARCH, 1906.] [*Mr. Gokhale; Commander-in-Chief.*]

the police to his house at night and forcibly remove the boy, unless the permission applied for was granted to him at once; that Major Stewart assured him that orders would be passed on the application the next day, and that nothing would take place in the meanwhile; that in spite of all this, Mr. Schofield, the Police Inspector, accompanied by a Police Sergeant and the Bazar Chaudhri, went to the banker's house at about 9 P.M. to remove the boy from the house by force, and that, on his being asked to produce his authority, the Inspector went to Major Cowie's bungalow and returned at 11 P.M., armed with the necessary authority; that meanwhile, fearing that the boy would be taken away by the police by force, Lala Sheokarn Das removed him himself to the house of a relative in Jullundur City; that the Inspector, finding that the boy had been removed before his return, went back to Major Cowie in Lala Sheokarn's own carriage to report what had taken place; that on 8th March, Lala Sheokarn Das received the order of the Officer Commanding on his application, permitting him to have the boy treated in his own house; that thereupon he brought back the boy to his house from the city, and that the boy died on the morning of 10th March?

"Is it true that the Government of India in the Military Department, in their letter No. 3564, dated 24th July, 1895, have laid down as follows:— 'It is not intended that these powers (about removal) should be exercised in respect of well-to-do and respectable persons, who can and do arrange for being attended, when suffering from these diseases (malaria, small-pox, diphtheria and typhoid fever) at their own houses and when all reasonable precautions to prevent the spread of the disease are taken by those who are responsible for looking after them'; and that these orders have been communicated to Cantonment authorities by the Quarter-Master General of India in a Circular, No. 16, dated 11th September, 1895?

"Is it true that last year Major Cowie himself issued printed rules, freely permitting plague patients to be treated in their own houses?

"If the facts are as stated above, will Government be pleased to state what notice they propose to take of Major Cowie's conduct in the matter. Will they also be pleased to issue orders which will make a repetition of such proceedings impossible?"

His Excellency THE COMMANDER-IN-CHIEF replied:—

"Owing to the absence on tour of the General Officer Commanding the Jullundur District, details have not been received. The case is being investigated by the Local Government."

[Mr. Gokhale; Sir Arundel Arundel.] [28TH MARCH, 1906.]

The Hon'ble MR. GOKHALE asked :—

“ With reference to my question of last week about the *Weekly Chronicle* of Sylhet, are Government aware that the paper had alleged that the Mehtar woman had complained to the Chairman of the Municipality that she had been assaulted by a Gurkha? Was the statement of the Chairman taken? If so, why was it not included among the papers laid on the table last week? If it was not taken, why was it not taken? What opportunity was given to the Editor to prove his statement, and how did the Government satisfy itself that the woman had not changed her version? Is it to be understood that Government claim the power to punish a newspaper on the strength of a mere police report, without a regular trial and without even giving the Editor an opportunity to show that his version of an occurrence is based on facts? On what grounds does the Government of Eastern Bengal and Assam describe the supply of official publications and advertisements to a newspaper as ‘ Government support ’ of that paper? ”

The Hon'ble SIR ARUNDEL ARUNDEL replied :—

“ In answer to the series of questions put by the Hon'ble Member I have to say that the attention of Government has been called to the fact that the *Weekly Chronicle* of Sylhet alleged that the Mehtar woman made a statement to the Chairman of the Municipality to the effect that she had been assaulted by a Gurkha.

“ The Government are not aware whether the statement of the Chairman was taken. The depositions of the woman and her husband laid on the table of this Council last week declare that the assault alleged never took place.

“ The Government are not aware whether any formal opportunity was given to the Editor to prove his allegation, but it is obvious that he had every opportunity of publishing the evidence on which he relied. The papers laid on the table show that the woman declared that she never made the complaint of attempted rape as alleged.

“ The Government have already stated their views as to the action taken by the Local Government and they have nothing further to add. They are concerned only with the particular case.

“ The Government are not acquainted with the grounds upon which the Lieutenant-Governor made use of the expression ‘ Government support ,’ but they see no reason to take exception to it.”

[28TH MARCH, 1906.] [*Nawab Saiyid Muhammad.*]

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1906-07.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said :—“ My Lord, I beg to congratulate the Hon'ble the Finance Member and Your Lordship's Government on the Financial Statement that has been presented to this Council. It is now some years that the element of uncertainty, due mainly to the fluctuations of exchange, has been gradually eliminated from the Budget estimates, and in spite of cautious and partial surrender of revenue from taxation, it has been found possible to provide for a surplus year after year. I notice with pleasure the success that has attended the endeavour to attain a higher standard of accuracy in estimating revenue and expenditure. Thus the final accounts of 1904-1905 agree closely with the estimates at the beginning of the year. The same remark applies to the year which is now drawing to a close, though the conditions in some important provinces were less favourable than were anticipated. It is recognised on all hands that so long as exchange is in stable equilibrium, other causes, however regrettable or unexpected, cannot have a permanently disturbing effect on the Financial administration, and it is this important factor that has enabled the Government to deal more firmly with the problem of taxation than was found feasible in former years. The first word of acknowledgment in this connection is due to the salt tax. When the first reduction of 8 annas on the maund was made the effect was not very noticeable, as the boon did not reach to the poorest consumer. But the further reduction of another 8 annas on the maund has had a decisive effect upon consumption, as the Hon'ble Finance Member points out in paragraph 14 of his Statement. Salt is not an article that can be wasted or abused, and the remarkable advance that has taken place in the consumption conclusively proves that the old rate of taxation pressed heavily upon the people, who had to go without the quantity of salt necessary for all their requirements. Even cattle are being given more salt, and the reduction of taxation has had the most beneficial effect, and I venture to think that this great boon which has given a powerful stimulus to the consumption of salt will have ultimately a wholesome effect on the health of the population.

“ My Lord, the proposed application of the surplus is such as will commend itself to all right-thinking people. After reducing the salt tax and raising the taxable minimum of income it is in the fitness of things that the claims of the agricultural tax-payer to relief should be considered. I hope the time will come when the Government will be in a position to announce a reduction in the land-revenue demand itself, but in the meantime I gratefully

[*Nawab Saiyid Muhammad.*] [28TH MARCH, 1906.]

welcome the beginning that has been made in abolishing a number of local cesses which pressed very heavily on the agricultural population. I recognise with special gratitude that the largest surrender of revenue occurs in the Presidency which I have the honour to represent, and that the Ryotwari Village Service Cess in the Madras Presidency has been abolished. At the same time I regret that it has not been found possible to abolish the cess levied in Madras on proprietary or permanently-settled estates. The Hon'ble the Finance Member states that this could not be done because of 'certain practical difficulties that have arisen by reason of the establishments employed in the "Proprietary" tracts of Madras being in a transitional state.' Consequently, the difficulty is not of a permanent nature, and since it is admitted to be a real cess I submit that it may be abolished, on principle, as early as it is found practicable. I am glad the practice of making certain petty appropriations from the funds of District and Local Boards for Provincial purposes is to be abolished, since no criticism of the existing system can be severer than that employed by the Hon'ble the Finance Member himself, who characterises it as 'a blot on our administration of Local Funds.'

"Among the proposed irrigation works I note the reference to the great Tungabhadra project in Madras, though there seems to be no immediate likelihood of its being taken in hand. It is undoubtedly an ambitious scheme, but its scope of utility is correspondingly large, while its importance as a protective work cannot be exaggerated. Before finally making up their minds, I hope the Government of India will give the scheme their best attention and afford the Local Government an opportunity of placing it before them in all its bearings.

"In the memorandum of the Railway Board attached to the Financial Statement, it is satisfactory to find that the Board is devoting its attention to improve the comfort and convenience of third class passengers. The two urgent reforms are the development of the system of communication between passengers and guards and drivers of trains and the general convenience of third class passengers. In the higher classes of carriages the means of communication between passengers and guards and drivers exists on some of the lines at present, but it is still more necessary in third class carriages, particularly in carriages and compartments reserved for females. And as regards the general convenience of third class passengers, the Board admits that a great deal remains to be done.

"My Lord, I may be permitted to draw attention to the claims of Indians to higher appointments under Government in connection with the various redistributions of territories for administrative purposes. Besides such redistributions

[28TH MARCH, 1906.] [*Nawab Saiyid Muhammad; Nawab Khwaja Salim-
ulla of Dacca.*]

as have been already effected, thereare, I understand, schemes in progress in the Madras Presidency for the creation of new districts out of the old ones which are considered to be too large or unwieldy. In every instance the administrative machinery is to be enlarged and the employment of a larger number of public servants becomes necessary. It is on occasions of this kind that the Government has a fitting opportunity for recognising the claims of the Indians and associating them more largely in the important work of administering the country."

The Hon'ble NAWAB BAHADUR KHWAJA SALIMULLA of Dacca:—
"My Lord, allow me to congratulate Your Lordship's Government on the very satisfactory budget presented to us and the Hon'ble Finance Member for his clear, lucid and interesting exposition of the dry details of figures. We are grateful to the Government for the remissions in taxation it has granted since the budgets began to show surpluses, and it was but right and proper that such remissions began with those on whom the taxation was pressing very hardiy. The reduction of the salt duty has been one of the greatest blessings that could be conferred on the agricultural population of India, and the remarks of the Financial Member that even the Bhil woman knows that for the same price she ought to get a third more of salt than she used to do, shows that the beneficent results of the reduction have reached the humblest classes of His Majesty's subjects, classes for whom they are intended, and with regard to whom doubts had been expressed in some quarters, as to whether the effects would be felt by them at all. In two years, there has been an increase in consumption to the extent of nearly 34 lakhs of maunds, and the agriculturists are now able to use salt for their cattle. I trust our Finance Minister, before he lays down the reins of office, may be able to announce a further reduction from this Council Chamber to the further relief of the millions of the agricultural population of India. The raising of the taxable limit of incomes has conferred another great boon on the poorer middle classes, whose lot is the hardest in India. Unaccustomed to manual work, many of them, so far Bengal is concerned, unused to trade, their sole means of subsistence are the minor services which afford a scope which must daily become more and more contracted with increasing numbers. The lot of the 'Bhadra loge' in Bengal, Hindu or Mussulman, is very hard indeed, and no boon would be better appreciated by a large class of His Majesty's subjects than if the taxable minimum under the income tax were raised to Rs. 1,500 a year. If this were not possible at an early date, may I venture to suggest that the present minimum of Rs. 1,000 a year should

[*Nawab Khwaja Salimulla of Dacca.*] [28TH MARCH, 1906.]

be excluded from all incomes up to Rs. 2,000 a year, for while an income of Rs. 1,000 is wholly exempted, an income of Rs. 1,100 a year has to bear the tax on the whole amount. Incomes up to Rs. 2,000 a year are assessed to tax on a lower scale, and might not the Government ease the burden that sits on the bread-winners amongst the poorer classes, by extending the concession in the way I have ventured to suggest. It is a matter of very great disappointment to us, that the countervailing duties on sugar have availed nothing to revive the dying sugar industry of India. The resources of organization, capital and skill, which continental nations have brought to bear upon this industry, have been too much for the humble agriculturists in India, and sugar, like indigo, may soon cease to be an industry that may be taken into account in India. No grant is more useful and looked upon with greater interest by the landed classes than the one for agricultural development and research, and no part of the grant will be better employed than that which may be set apart for improving the sugarcanes in India and the methods of their cultivation.

“I have to thank Your Lordship's Government for the abolition of the Dak cess in Bengal; the days when it was necessary have long gone by, and a much needed reform has come to the great relief of the zamindars of Bengal. Though the amount remitted under the heading of cesses, in the combined provinces of Bengal and Assam, amounting to Rs. 3,80,000, is comparatively very small compared to the substantial relief granted to the other provinces in the Ryotwari village service cess and the Patwari cess, I do not grudge the good fortune of our sister provinces; Madras has had a remission of Rs. 28,00,000 and the United Provinces of Rs. 25,54,000: would it be too much to hope for a readjustment of the Road cess in Bengal in the light of these large and substantial remissions to the other provinces of India?

“My Lord, I have the honour to be the first representative in Your Lordship's Council of the new province of Eastern Bengal and Assam. The province has just been born amidst many fears and hopes. I venture to predict that with passing years, as the policy of the Government is better understood and appreciated, the fears will have passed away and the hopes will have become realized. I do not for a moment ignore the strong sentiment of attachment and a passionate desire to cling together, which a seeming severance has so unmistakeably evoked, but I am sure that time will show that there has been no severance, in the sense in which those who were opposed to the creation of the new province understood it, no division of the Bengali-speaking people, Hindus and Mussalmans, no weakening, but on the contrary, a greater development, of the two sister

[28TH MARCH, 1906.] [*Nawab Khwaja Salimulla of Dacca; Mr. Logan.*]

provinces, better government, better education in both, better means of intercommunication and generally a great accession of strength to the Bengali race. The Eastern Province is very largely Mahommedan; it is no exaggeration to say that the masses are practically Mahommedan, and the want of education from which they suffer is a source of weakness to the nation and a loss of available strength to Government. I do not plead for any exceptional treatment of the Mahommedans as against any other race or community in India. Given the same advantages and the same opportunities, the Mahommedan is as good an asset of the country and of the State as a member of any other community, but the Mahommedans have to recover lost ground, and in their efforts to do so I am sure they will have the sympathy of Your Lordship's Government and the Members of Your Lordship's Council, representing other interests and other communities. As the representative of a largely Mahommedan province I am deeply concerned in this. The only means to raise the Mahommedans—their only hope—is education; it is to be regretted that in the past, they have not been able to avail themselves of the opportunities offered to them by Government in this respect and they have allowed precious time to go by. The leaders of our community are now happily fully alive to the great importance of the question of Mahommedan education, and I trust that as in the case of the Europeans and Eurasians, for whom, having regard to their circumstances and position, a separate special allotment has been so justly and so generously made, some facilities by way of a special allotment should be given to the Mahommedan community so that they may get over the handicap from which they suffer so severely at present."

The Hon'ble MR. LOGAN said :—" My Lord, I desire to restrict my remarks to a point of practical importance, more especially to the Government of Bombay, but perhaps in a greater or less degree to all the Provincial Governments which are exposed to the contingency of famine. The liberality with which Bombay was treated in the Provincial settlement which came into force on April 1, 1905, has, I believe, been heartily acknowledged by the Governor in Council; but there is nevertheless one unsettled point which the occurrences of the last two years have brought into prominence, and which now requires solution. The Bombay Presidency, as everybody knows, has been suffering from scarcity, sometimes amounting to famine, in successive or occasionally alternate years since 1896; and although the tolerably favourable aspect of 1904, when the settlement was drawn up, excited the expectation that the lean years were passed, that expectation has unhappily not been fulfilled, and the Dekkhan at least has suffered from a partial, but severe, failure of the crops in

both years since then. It is quite possible that such failures will continue to occur for some time, for we know from history that a series of famines commenced in the Dekkhan in 1396 and did not end till 1409, and these thirteen years so depopulated the country that little revenue could be collected for a generation afterwards. Such a cycle is evidently now recurring, and may prove all the longer, because the annual visitations are less intense. Thus scarcity may become a feature of the peninsula for nearly as many years in the future as it has been in the past.

“Now settlements with Provincial Governments are intended to provide for all regularly recurring charges. In the last settlement with Bombay, however, the Government of India made no proposals for the division and regulation of famine expenditure; and since all charges not settled on a Provincial Government are a liability on the Imperial revenues, it was at first supposed that as long as scarcity was chronic in the Presidency the charges would be met by the Government of India. Subsequently, however, it was made known that the principles laid down when famine was a rarity are to be followed under the very different circumstances now prevailing: in other words, that famine expenditure is first to fall on Provincial revenues, and only to be transferred to Imperial when the former are exhausted. This dictum at once called forth a moderate protest from the Bombay Government, but the point was then not pressed because of the hope that the cessation of lean years would deprive it of practical importance.

“But, my Lord, as I have already said, this hope has been disappointed and both years of the new settlement have been marked by scarcity. In the current season this is so serious that, as I observe, the Government of India have had to allot 42 lakhs in the Budget to the Presidency for famine charges from next month. The question of principle has thus become of pressing importance, and the Bombay Government has been compelled to draw attention to it emphatically. It holds that the stimulus to economical administration which Provincial settlements are intended to create will be destroyed by the prospect of all savings being swept away on each occurrence of distress, and asks the Government of India either to devolve famine charges on the Provincial Government as part of the settlement with a corresponding allotment of revenue, or else to undertake the whole of those charges itself. The latter it regards as the far preferable course; since famine, like wars, expeditions and political missions, is properly a matter to be financed by a Government which has powers, not possessed by Provincial Governments, of borrowing or otherwise raising funds for irregularly recurring emergencies. But so far the Financial Department of the

[28TH MARCH, 1906.]

[Mr. Logan.]

Supreme Government has shown no disposition to accede to this request, and has merely accepted the liability for the coming year because the situation requires it.

"I may be allowed, my Lord, to dilate a little on the present situation. The Government of India started the new settlement with a special assignment of 50 lakhs to help in clearing off old famine and plague debts; yet in only the second budget framed under it in Bombay what do we find? Although the estimated receipts on which the settlement was framed have already increased by 15 lakhs, the expenditure estimated for the settlement has increased by 56½; and of this nearly 46 lakhs are expenditure on famine, or on village water-supply diminished by the failure of rain. So that the whole of the 50 lakhs meant to give the Bombay Government a clearance of old debt is absorbed by an accession of new debt; and in addition the Bombay Government have had to cut down desirable, and in some cases urgent, requirements in thirteen departments by over 15 lakhs, in order to make up the minimum balance of 20 lakhs required by the Civil Account Code. So here is the Bombay Government practically insolvent again in the second year of the settlement. The picture is sufficient to illustrate the disheartening circumstances under which the Presidency will continue to be administered if the failures continue; and it gives cogency to the argument that the principle of the exhausted balance should now be replaced by something less calculated to derange the orderly course of Provincial administration and worry the administrators. I do not see why this should pass the wit of the imperial statesmen. The conditions of the problem do not seem to me, *primâ facie*, very complex or delicate. What mischiefs, counterbalancing the inconveniences of the present system, does the Government of India apprehend from frankly relieving Local Governments of all liability for famine? Political pleasantries apart, we all know that Local Governments cannot either produce or prevent failures of the rain or rivers, and when famine does come they are bound to give relief in accordance with the minute and liberal regulations drawn up under the orders of the Supreme Government. They can therefore neither create nor materially control the liability, and the Government of India would risk little or nothing from a supposed recklessness on their part as to whether famine occurred or not. Nor can it be argued that if relieved of famine charges the Local Governments would be reckless in expending their money in other ways; for the settlements all proceed on the assumption that there will be no famines, and that the Local Governments will nevertheless evince economy and efficiency in the ratio of their independence, and this latter assumption I believe has never been belied.

[*Mr. Logan ; Mr. Hall.*] [28TH MARCH, 1906.]

Thirdly, the Government of India can have no possible fear of financial difficulty on its own part, since it is positively embarrassed by its surpluses year after year, and will continue to be as long as the rupee stands where it is. I may add that undertaking all famine charges will be a stimulus to the Government of India to push on the great irrigation schemes which are the best means of mitigating future famines in the Dekkhan. I would therefore suggest that in future imperial budgets full provision should be made under the head Famine Relief and Insurance for all anticipated famine charges, irrespective of the balances of Local Governments. It is better to apply the surpluses in this way, if necessary, than in remitting taxation while Local Governments are in the utmost straits for money. But if there are valid objections to this course which I have overlooked, then I would suggest that in the Bombay Presidency at least, with its chronic liability to scarcity, an insurance account should be opened in the provincial budget, and that the late settlement should be revised so as to create an additional assignment for this purpose. This course may obviate some possible objections as to provincial responsibility which might apply to the former. But in either case the money must come from the Government of India, for to a Local Government famine means not only expenditure on relief but the loss of revenue as well, and therefore, except in the first of a series of famines, there never can be any substantial balance to meet the charges. Nor indeed ought there to be any balance beyond the prescribed reserve, while the needs of the Presidency in a hundred directions continue to outrun its resources, or any funds which even by the most liberal settlement may be conferred by the Government of India. Knowing as I do how much money is urgently required for the improvement of almost every branch of the administration, and cannot be got, it seems to me very anomalous that the Government of India should call on the Local Government to deplete its already insufficient funds for abnormal emergencies, while their own money bags are overflowing. It is true that the Government of India have made a liberal allotment for the famine in the present budget; but I have already shown the straits into which the Government of Bombay was thrown before this was done. What is wanted is some settlement which will obviate such anxiety and disturbance in the future; and any device that can be adopted to this end will no doubt be welcomed by Local Governments."

The Hon'ble MR. HALL said :—" My Lord, I wish to congratulate the Hon'ble Finance Member and the Government upon the prosperous state of the finances—over one-third of a million persons are in receipt of relief and yet

[28TH MARCH, 1906.]

[Mr. Hall.]

there is a large surplus in the current year, the agricultural taxpayers' burden is in some provinces to be substantially reduced, additional grants are promised for administrative improvements, while Districts Funds are to be aided by the abolition of certain contributions which they have hitherto had to make.

"I desire to express gratitude for the amelioration of the Burma Police and in particular for the special pension scheme for officers who joined the force some twenty years ago. I am convinced that the additional expenditure on the Police generally, large as it is to be, is fully required and that the results will be very gratifying.

"The grant for agricultural and veterinary development is also most welcome. Twenty-five years ago there were to be found people who doubted whether the Veterinary Department would ever become a success. But confidence in the Veterinary Assistants was gradually established. Their services are now much in request, and one would have to make a long journey to find any one—official or cultivator—willing to express doubt as to the utility of this Department in Burma.

"So it will be in the case of agricultural development. There may be some difficulty, doubt and delay at the outset. I am, however, confident that but a few years will elapse before it is recognised by all classes that a great boon was conferred on the country by the Government when it initiated the measures which are now being undertaken for the improvement of agriculture.

"One cannot but recognise that the reasons given in the Financial Statement for the abolition of certain cesses in some provinces are sound. In Burma there is no patwari cess, and accordingly the agricultural taxpayer in that Province does not share in the relief which is to be so generously granted elsewhere.

"I would also mention here that Upper Burma did not get any share of the grant made a year ago in aid of District Funds, which was described as being approximately 25 per cent. of their total revenue from cesses on the land. There are District Funds in Upper Burma, but there is no cess, and so the poorer and more backward portion of the Province did not participate in the grant, though its needs are undoubtedly very pressing.

"I desire to express gratitude for the discontinuance of the practice of taking a contribution from Local Funds for the district post—Burma so gains Rs. 1,21,000 a year. But at the same time I venture to hope that if there is any surplus available for distribution to District Funds a

[*Mr. Hall; Mr. Ismay.*] [28TH MARCH, 1906.]

year hence, it may be found possible to make a somewhat larger assignment to my Province and especially to Upper Burma.

“There is one other matter on which I would say a few words. The coming expiry of the current Provincial Settlement makes us who are particularly interested in the development of Burma somewhat anxious. The share of the revenue under some of the principal heads which we have been allowed to enjoy has not been unduly low when compared with the shares as fixed in some other provinces. I would, however, represent that liberal expenditure in Burma, if well directed—and there is every ground for believing that it will be well directed—will pay, will in fact be immediately productive.

“In conclusion, then, I would express a confident hope that in the new settlement Burma will receive generous treatment and due consideration for its admitted needs.”

The Hon'ble MR. ISMAY said:—“My Lord, the very brief remarks which I have to make on the Budget concern only its relation to the Central Provinces and Berar. I desire in the first place to acknowledge the very welcome relief which will be afforded to agricultural taxpayers by the abolition of the Patwari cess. All land-revenue cesses are more or less unpopular, but whereas the Road, School and District Dāk cesses have been realized in the Central Provinces since the earliest days of British rule, the Famine Insurance cess and the Patwari cess have been the creation of comparatively recent years. The object of the former cess was never properly appreciated by those from whom it was realized, and its abolition during the current year was hailed with great satisfaction. The Patwari cess has always been regarded as a greater burden even than the Famine Insurance cess. At a time when the Patwari was the servant of the proprietary body the remuneration for his services as village accountant was never grudged. But under our present revenue system the Patwari has become as much a member of the district staff as any other official of the Land Record Department, and so far from being regarded as the natural friend of the Malguzar he too often labours under the suspicion of being inimical to his interests. Then again the incidence of the cess was such as to impose a not inconsiderable burden upon the agricultural classes. The local law provides that a Malguzar may be called upon to contribute any sum not exceeding six per cent. on the assessed revenue towards the remuneration of Patwaris and the defraying of charges incurred on account of the proper supervision, maintenance and correction of the Patwaris' records. My Lord, the removal of this heavy burden is a boon for which the agricultural classes of my Provinces will be deeply grateful.

[28TH MARCH, 1906.]

[*Mr. Ismay.*]

“The only other matter on which I desire to offer any remarks is the new Provincial Contract for the Central Provinces and Berar. In lieu of the temporary settlements which have hitherto been made from time to time with the Central Provinces, the new Contract with the amalgamated Provinces which will come into force from the 1st April is of a quasi-permanent nature. The present irregular distribution of revenue will then come to an end and the income derived from Land-revenue, Stamps, Excise, Forests and Assessed Taxes will be divided half and half between Imperial and Provincial.

“My Lord, I have examined with some considerable care the terms of the new Contract, and I find that the provision now made for developing the resources of the Provinces is very much more liberal than has been allowed on any previous occasion. The last temporary settlement with the Central Provinces was made in 1897, but under that settlement it was found impossible to make both ends meet, and the Provincial accounts have year by year disclosed a deficit varying from 15 to 30 lakhs which has had eventually to be made good by the Imperial Government. Apart from the ordinary terms of the present Contract, which in themselves appear to be sufficiently liberal, a special guarantee has been given insuring the Provinces against any extraordinary loss of land-revenue arising from famine or unfavourable seasons, and an initial gift of no less than 30 lakhs has been made to enable the amalgamated Provinces to make a fair start.

“My Lord, it is probably only those who have served in the Central Provinces who are able to appreciate to the full how backward this part of the country is as compared with other parts of India. The Provinces are being rapidly opened up by railways and the exploitation of their mineral wealth is proceeding at an ever-increasing pace, but the resources of the Local Government have hitherto not been such as enable it to keep abreast with the requirements imposed by the general development of the country. Many important feeder roads still remain to be constructed and such progress as has been made in this direction has only been rendered possible by sacrificing the Grand Trunk roads which before the advent of the railway were the pride of the Provinces. The Great Eastern road, upon which lakhs of rupees were spent in the seventies, is no longer properly maintained, and the same is the case with the road from the north which traverses the Nerbudda Valley. The road from Nagpur towards Bombay practically terminates in a swamp a few miles out of Nagpur, and even the road connecting Jabalpur with Nagpur, which was for many years one of the best in India, has, owing to the heavy manganese traffic, fallen into great disrepair at the Nagpur end.

[*Mr. Ismay ; Mr. Apar.*] [28TH MARCH, 1906.]

“And what is true of roads is equally true of buildings. It is unnecessary to enter into detail, but it may not be out of place to say that, as head of the Judicial Department, I have recently found it necessary to urge upon the Local Government that the Court-houses in every district are becoming overcrowded and that nearly 20 lakhs will have to be expended upon Court buildings alone if proper accommodation is to be made available. At Nagpur, the head-quarters of the Administration, Judges are at present holding their Courts in tents and in temporary sheds.

“Then again there are other calls upon the Provincial revenues which are no less urgent than those connected with roads and buildings. I may refer briefly to one measure of reform in which I am personally interested. Until very recently no attempt had ever been made to separate the judicial and executive branches of the Administration, and the trial of civil suits was practically in the hands of Extra Assistant Commissioners and Tahsildars, who possessed no legal training and who were already burdened with executive and magisterial work. All this is now changed and a judicial service has been constituted consisting, as in other parts of India, of District Judges, Subordinate Judges and Munsifs. But the scale of pay at present sanctioned for members of this service is admitted on all sides to be unduly low, and as a natural consequence suitable candidates for judicial employment in the Central Provinces and Berar are no longer forthcoming. To put the judicial service upon a proper footing will entail considerable expenditure, but it is a reform which cannot any longer be delayed.

“My Lord, it is in no spirit of complaint that I have made these few remarks. I recognize fully that my Provinces cannot expect to be placed, at the expense of the general taxpayer, in as good a position as other Provinces in which local taxation is heavier and the land-revenue more productive. I frankly appreciate the liberal treatment we have received in connection with the new Provincial Contract, but I also desire to emphasise the fact that but for such liberality much good work which will now be rendered possible would have had to be left undone.”

The Hon'ble MR. APCAR said :—“My Lord, I am glad to be able to congratulate the Hon'ble Member on the satisfactory Budget Statement he has submitted to the Council.

“In the Memorandum by the Railway Board for 1905-06 attached to the Budget Statement it is stated that the estimated net gain to the State on the working of the State and Guaranteed Railways is nearly 304 lakhs of rupees,

[28TH MARCH, 1906.]

[Mr. Apcar.]

almost the largest yet obtained in any year after meeting, as I understand, in addition to the expenses of working, all charges for interest on Capital outlay by the State and on Capital raised by Companies and also the annuity payments for railways purchased by the State. And it further appears that this is the sixth year in succession in which there had been a surplus.

“To Lord Curzon the credit must obtain of having opened the largest mileage. No less than 5,525 miles have been added during the first six years of his reign, and the total mileage open at the end of 1904 was 27,565 miles with a Capital outlay of Rs. 35,285 lakhs. The gross earnings per mile have risen from Rs. 63 in 1854 to Rs. 277 in 1904, and the percentage of net earnings on Capital from 22 to 591.

“In 1874 the goods carried were 5,503,000 tons: in 1904 they were 52,051,000 tons, while the number of passengers rose from 24,977,000 to 227,097,000. I gather these figures from the Administration Report of the Railway Board for 1904-05.

“Now this state of things is very satisfactory and should make the Government have no hesitation in further extending and developing railways in India, for it is evident that if wisely projected they will pay handsomely.

“The coal traffic is, I observe, a most important one, for in 1904 no less than 8,233,451 tons are said to have been mined, of which 7,080,425 tons fell to Bengal. In 1885 the coal was only 1,294,221 tons out of a goods total of 18,925,000 tons. In other words, the percentage of coal carried has risen from 6·8 in 1885 to 15·8 in 1904.

“It is apparent from the above that the coal traffic is an important and expanding one, and that every effort should be made to facilitate it. I read in the report that ‘as usual the needs of open lines, especially in regard to rolling stock, have received first consideration.’ This is a statement which no doubt ‘as usual’ is inserted in every report, but it is one which it is difficult to reconcile with existing facts. I would very respectfully but earnestly ask that this statement regarding rolling stock be made a matter of practice rather than precept. With the splendid results shown, parsimony in providing the urgent needs of a railway in respect to rolling stock is worse than a mistake; it is wholly inexcusable and it indeed would be much better, if any question of funds arises, that a halt be made in the matter of extension and that the clamant needs of the existing railways in the matter of rolling stock be first attended to. I therefore notice with great

pleasure a provision in the Budget of 382 lakhs for rolling stock. I hope that this sum will be spent, and more if necessary. It is satisfactory to see it at last acknowledged by the Railway Board that Indian railways as a whole are at present below what should be the standard of equipment of rolling stock for present requirements. The deficiency being admitted, it only remains to make it good.

“Another matter to which I would venture to draw attention to is that of the incidence of Income-tax. I am not unmindful of the fact that its continuance is suspiciously like a breach of faith. It is a convenient mode of raising revenue, and it is perhaps desirable that the machinery for levying the tax should be with us and in working order; but I think that the limit might be raised, and that in the case of small incomes there might be a rebate as is the case in Great Britain. There all incomes of £160 are exempt and for incomes between that amount and £700 an abatement which ranges from £160 to £70 is allowed. Thus an income of £400 pays tax on £240 and one of £700 on £630. This, my Lord, seems a reasonable thing, and I should like to see the minimum raised to Rs. 1,500 and an abatement of Rs. 1,500 allowed up to incomes of Rs. 3,600. The tax itself, as ways and means admit, should be reduced also.

“There is another matter which will before long come before my Hon'ble friend, the Finance Minister, though it will not probably be necessary to budget for it this year, and that is the Calcutta Improvement Scheme. The is not the time to discuss the merits of that scheme, but I would only point out that in the opinion of the mercantile community the contribution of Rs. 50 lakhs proposed by the Government is quite inadequate; it should be at least Rs. 120 lakhs. The improvement of Calcutta is not a municipal but an imperial matter, and I would ask the Government to think 'imperially' on this subject.

“When Mr. Riskey introduced the present Municipal Act into Council just six years ago, he said that 'the state of the City calls for more than the attention of the Municipal Commission; it is a matter which concerns not only the Government of Bengal but the Supreme Government and is sure to attract very special notice in England as well as in other countries.' And again 'the interests threatened are those of the foreign trade not of Calcutta only, but of the whole of Northern India and Assam.'

“With these remarks I entirely concur, and inasmuch as the improvement of Calcutta is designed in the first instance to eradicate the plague, and in the second place to generally improve the health of Calcutta, upon which in no

[28TH MARCH, 1906.] [*Mr. Apcar ; Mr. Gokhale.*]

small degree does the expansion of commerce depend, it is only fair that a large proportion of the cost should fall on the imperial revenues, and that that proportion should be fixed with no niggard hand."

The Hon'ble MR. GOKHALE said:—"My Lord, for the second time, the Hon'ble Mr. Baker has laid before the Council a budget, which, judged by the limits within which he was free to move, is an interesting and satisfactory statement, and which for lucidity of exposition will take high rank among the Financial Statements of the Government of India. I am particularly pleased to read what the Hon'ble Member writes about the effect of the recent reductions of salt duty on the consumption of that article. Time was, not so long ago, when it was the fashion, both in this Council and outside, to regard the burden imposed on the masses by a high salt duty as after all only a light one, and to deny that its rate could seriously affect consumption. If ever the Government of India finds itself driven to enhance the duty again, I hope the Finance Member of the future will remember the eloquent testimony of my Hon'ble friend on the results of recent reductions, and no one will again venture to contest the proposition that in dealing with a prime necessary of life, such as salt, the only right policy is to raise an expanding revenue on an expanding consumption under a diminishing scale of taxation. Even at present, the level of the duty—about 1,600 per cent. of the cost price—is much too high, and I earnestly trust that the Hon'ble Member will have, as I have no doubt he will be glad to have, another opportunity during his tenure of office as Finance Minister to effect a further reduction, thereby making the duty throughout India at least uniform with what it is in Burma, namely, Re. 1 a maund. The consumption in India, which was under 10 lbs. per head before these reductions, has now risen to about 11 lbs., but it is still far below the level of Burma, where it is about 17 lbs. per head. My Lord, the abolition of certain cesses on land and the discontinuance of certain appropriations from the funds of District and Local Boards for Provincial purposes will be greatly appreciated in the Provinces concerned, and I regard with sincere satisfaction the policy which underlies these measures. My only regret is that Bombay does not participate in the benefit of the relief accorded, and, if it is not yet too late, I would like to suggest one or two directions in which the Hon'ble Member could usefully come to our assistance on the same principle on which he has given the present relief to the other provinces. One is as regards the loss which our Local Boards have to bear as a result of the suspensions and remissions of land revenue granted by Government. The principal part of the income of these Boards is derived from the one-anna cess on land; so when the Government, owing

to the prevalence of famine, suspends or remits a part of the land-revenue, the one-anna cess that is paid with such revenue is also automatically suspended or remitted. The Government anticipates that the amount suspended or remitted this year owing to the present famine will be about 50 lakhs of rupees. This means that the Local Boards will lose a little above 3 lakhs of their revenue during the year. The proceeds of the one-anna cess for the whole Presidency are under 30 lakhs, and to lose 3 lakhs out of 30 lakhs is a serious matter. Moreover, the loss is not spread over the whole Presidency but has to be borne only by the districts affected, which means that in those districts the Boards will not have enough money even for their barest wants. I suggest, therefore, that the grant this year to the Boards from the Provincial revenues should be increased by 3 lakhs or whatever may be the amount of the one-anna cess suspended or remitted with the land-revenue, the Provincial Government receiving, if necessary, compensation from the Government of India for the purpose. I understand that this is the practice that is followed in the Punjab, where as a result the Boards receive their full amount intact, whatever suspensions or remissions the Provincial Government may grant to the agriculturists; and I only ask that our Boards may be treated with the same consideration. Another direction in which the Hon'ble Member could come to the rescue of these Boards is by relieving them of all responsibility for famine relief, which the Famine Code imposes upon them. Under the Code, the duty of relieving famine distress is first cast on the resources of the Local Boards and then on those of the Provincial and Supreme Governments. Now the means at the disposal of the Boards, even for the objects for which they have been brought into existence, namely, education, sanitation and medical relief, and roads, are woefully inadequate, and to throw on them in addition so heavy and unjustifiable a burden as famine relief is to take away from them practically all power of doing useful work. For the last ten years and more, we have had on our side an almost unbroken succession of unfavourable seasons, with no less than four famines, and the embarrassments of Local bodies have been further aggravated by plague and the cost of plague measures; as a result, over the greater part of the Presidency our Boards have been reduced to a position not far removed from bankruptcy. The relief I ask for, though small, will therefore not fail to prove useful in their present circumstances, and I earnestly trust that the Hon'ble Member, who has already given abundant evidence of his sympathy with Local bodies in their struggles, will realize the justice and necessity of granting it.

“Before I proceed to deal with the larger questions on which I wish to offer a few observations today, I would like to make two suggestions and address one

[28TH MARCH, 1906.]

[Mr. Gokhale.]

inquiry to the Hon'ble Member. My first suggestion is that in the general statements of revenue and expenditure, given in Appendix I, the figures under Railways and Irrigation (productive works) should be given net. In the budget for the coming year the receipts under these heads have been estimated at about 29½ millions and the charges at about 27 millions. The net receipts to the State, therefore, under the two heads amount to only about 2½ millions, and I submit that it would give us a much more correct idea of the true revenue and expenditure of the country if only this sum of 2½ millions were entered on the revenue side in the general statements and a separate statement appended showing the gross receipts and charges under the two heads, than that two such huge figures as 29½ millions and 27 millions should be entered on the two sides of the account. The outlay on Railways and Irrigation is on a commercial basis out of borrowed capital, and the receipts are bound to go up, as the capital outlay increases. As a matter of fact, they have been going up of late years owing to increased capital expenditure and other causes by leaps and bounds, having nearly doubled themselves in ten years, standing today at 29½ millions against 15½ millions in 1896-97; but they make no real addition to the revenue of the country, except by that portion of them which represents the net profit earned by the State. In Japan, where they do things more scientifically than with us, the course that is adopted as regards State Railways is the one I have suggested, and only the profits on the undertakings appear on the revenue side in the Financial Statement. Our present practice has been responsible for many curious misapprehensions of the financial position, and it has misled even those who should know better. Thus two years ago, the Military Member of the Government of India—Sir Edmond Elles—advanced in this Council the obviously untenable proposition that though the military expenditure of the country had in recent years been growing, its growth, proportionately speaking, was less than that of our revenue; and he proceeded gravely to establish his contention by treating these rapidly increasing gross receipts under Railways and Irrigation as part of the revenue at the disposal of the State. And when I drew his attention to this error, he simply would not budge an inch, and contented himself merely with the remark that he did not know why he should not take the figures as he found them! My second suggestion is that the income and expenditure of Local Boards, included under the head of Provincial Rates, should be separated from the accounts of the Government of India. It is a small matter—only about 2 millions a year—but it gives rise to much confusion. Take, for instance, education. A reference to Statement B will give one the idea that the Government expenditure on education is nearly 2 millions sterling, when in reality it is only about a million; the rest is Local Boards' expenditure merely

included in Government accounts. It is true that the heading 'Provincial and Local' is there to prevent a misconception : but that in itself is again misleading as the term Local ordinarily includes Municipal also, whereas in the accounts of the Government of India, the income and expenditure of only Local Boards and not of Municipalities are included. I trust the Hon'ble Member will be able to effect this simple but necessary reform. If the suggestions I have made are accepted, our real revenue will be seen to be about 58 millions instead of 87 millions as the Statements in Appendix I lead one to imagine. The inquiry I want to make is about the Gold Reserve Fund and the profits from Coinage. It was stated by Lord Curzon two years ago that the Gold Reserve Fund was to accumulate till it rose to 10 millions sterling, which amount, he declared, 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' This limit has been already passed and the Fund today stands at over 12 millions sterling, and I think the Hon'ble Member owes it to the country to say what he proposes to do with the profits from Coinage in future years. The fund is to accumulate at compound interest and may therefore be left where it is. And the profits—about 2 millions a year on an average of six years—may henceforth be used to provide money for loans to agriculturists in a comprehensive scheme for the relief of agricultural indebtedness. They will thus yield a better interest than when they are invested in consols; such a course will also enable the Government to make some reparation to those classes which have been hit the hardest by its currency legislation. Even if they were devoted to productive public works, reducing by a corresponding amount the annual borrowings of the State, that will be better than the present plan of investing in consols. The justification of a policy, which invests its own money in $2\frac{1}{2}$ per cent. and borrows at the same time for its purposes at $3\frac{1}{2}$, is not quite obvious.

"My Lord, our financial administration is bound up with questions of policy of the highest importance affecting the Government of the country, and unless that policy undergoes a radical change, our revenues will not be administered in a manner which will best promote the true well-being of the people. Of such questions, the most dominant, as it is the most difficult and delicate, is the question of the Army. My Lord, I fear that a protest in this country against the military policy of the Government and the ceaseless and alarming growth of our military burdens is almost like a cry in the wilderness, but the protest has to be made on every occasion that presents itself, as our most vital interests are involved in a proper solution of this question. Moreover, if ever there was a juncture when our voice in this respect should be heard by the authorities, that juncture is now. A profound change has taken place in the general position of Asiatic politics. The triumph of Japan in the late war has ensured

[28TH MARCH, 1906.]

[*Mr. Gokhale.*]

peace in Mid and East Asia. The tide of European aggression in China has been rolled back for good. The power of Russia has been broken ; her prestige in Asia is gone ; she has on her hands troubles more than enough of her own to think of troubling others for years to come ; and thus a cloud that was thought to hang for twenty years and more over our North-Western frontier has passed away, and, humanly speaking, is not likely to return, at any rate during the time of the present generation. The Anglo-Japanese alliance, concluded without considering how it would be regarded by the people of this country, is a further guarantee of peace in Asia, if such an alliance has any meaning. Surely, my Lord, this is the time, when the people of this country have a right to look for a substantial relief from the intolerable burden of an excessively heavy military expenditure, which they have had to bear for so many years past. And the first step in the direction of such relief is to suspend the execution of the Reorganization Scheme drawn up by His Excellency the Commander-in-Chief and estimated to cost more than 10 millions sterling. This scheme was projected in the early stages of the Russo-Japanese War, and was sanctioned in November 1904, when the issue of the struggle was not only uncertain but the odds seemed to be against Japan, and when apprehensions were entertained of hostile movements of Russian troops in the direction of Cabul. Now, however, that the situation has undergone a complete change and the North-Western frontier has for the time ceased to be our one danger-zone, there is no justification for proceeding with a costly scheme, devised to ensure a concentration of the entire armed strength of the country on that frontier at the shortest notice. Ten millions, again, does not represent the whole cost of the scheme. There is to be in addition a permanent burden on its account ; how much it will be we have not yet been told, but the Hon'ble Mr. Baker warned the Council last year that it would be considerable. This recurring charge is to appear on the scene after five years, during which period 2 millions a year are to be spent out of current revenues to carry out the scheme. My Lord, I respectfully protest against the execution of such a scheme at such a time, as involving an expenditure of money and effort wholly beyond our capacity and not called for or justified by the requirements of the situation. The Secretary of State for India stated in Parliament the other day in reply to a question that the matter was being further considered. I earnestly trust that his decision will be to hang up the scheme, at any rate till a more disquieting situation than the present arises on the North-Western frontier. Should the Government, however, unfortunately make up its mind to ignore recent events and proceed with the scheme, I would most strongly urge that the money required for the initial outlay should be found out of loan funds.

My Lord, during the last eight years, the Government has spent its surpluses, amounting to about 35 crores of rupees, on railways, in addition to borrowed capital. Now such expenditure of current revenues as capital outlay on productive works appears in the accounts as an addition to our productive debt (which represents the capital expended on productive works), and this necessitates a reduction by a corresponding amount of the unproductive debt of the country. Last year, when I made this simple statement in connection with my plea that the cost of the Army Reorganization Scheme should be met out of borrowings, the Hon'ble Member, to my surprise, denied the correctness of my proposition. He no doubt spoke under a misapprehension and he evidently thought that my contention was that the total debt of the country, productive and unproductive taken together, had been reduced, when my whole argument was that as our unproductive debt, which after all is the only real debt, had been reduced by the amount of current revenues spent as capital, the whole cost of the new Army Scheme could be met out of loan funds and yet our unproductive debt would stand lower than where it was eight years ago. My Lord, it is most unjust to the tax-payers of this country that while the surpluses that accumulate should be spent as capital, heavy non-recurring charges in connection with the Army should be thrown on current revenues, when every pie that can be spared from these revenues is urgently needed for the education of our children and for a hundred other objects of internal progress. The Hon'ble Member may say that till the surpluses are actually realized, no one can tell what they will be. But surely when they have been realized and when they have been so employed as to reduce the unproductive debt of the country, I think there is no excuse for avoiding borrowing, within the limits of such reduction, for meeting heavy non-recurring charges.

“ My Lord, I beg leave next to urge that the strength of the Army in India should now be reduced by at least those additions that were made in 1885 under the influence of the Penjdeh scare. The growth of the military expenditure in recent years has been simply appalling, as may be seen from the following figures :—

1884-1885 . . .	17·9 crores.	(Before the increases of 1885 were made.)
1888-1889 . . .	22·2 crores.	(After the increases had their full effect.)
1902-1903 . . .	28·2 crores.	
1906-1907 (Budget)	32·8 crores.	

Our military expenditure is now nearly double of what it was twenty years ago. Since 1888, it has risen by over 10½ crores a year and this notwithstanding

[28TH MARCH, 1906]

[*Mr. Gokhale.*]

ing the fact that the strength of the Army has not been increased by a single troop or company during the time. The increases made in 1885 were made in spite of the protest of two Members of the Government of India and in disregard of the view recorded by the Army Commission of 1879 that the then strength of the Army was sufficient both for internal peace and to repel foreign invasion, not only if Russia acted singly but even if Afghanistan joined her as an ally. And since that time the fear of Russian aggression has been the one dominating factor in all our military arrangements. With Russia now crippled and the Anglo-Japanese alliance concluded, the last trace of any such fear should disappear from the mind of the Government, and the country should be relieved of the burden imposed upon it specially as a result of that fear. The increasing difficulty that has of late been experienced in England in the matter of recruitment and in providing the annual drafts for India, with the resulting payment of bounties to short-service men here as an inducement to extend their service, also points to a reduction of the garrison in this country as a necessary measure of justice to the Indian tax-payer. Should the view, however, be upheld that such a reduction is not possible on the ground, urged in this Council by Sir Edmond Elles, that the Indian Army 'is no longer a local militia for purely local defence and maintenance of order' and that it 'must in the future be a main factor in the maintenance of the balance of power in Asia,' I submit that the Imperial Government ought in justice to bear a part of the cost of an army maintained for such a purpose. My Lord, our military expenditure has now grown to such proportions that it over-shadows the whole field of Indian finance, and under its chilling shade, no healthy development is possible for the people. And unless the axe is resolutely applied to its overgrown portions, our life will continue to exhibit the same signs of sickness that at present unhappily mark its growth.

"But the appalling increase in the weight of military burdens is not our only grievance in connection with the Army. The whole system of Indian defence, founded as it is on a policy of distrust, rests on an unnatural basis, and one notes with regret that the position is growing worse every day. Whole populations are now excluded from the Army. The abolition of the Madras Command under the new scheme involves the disestablishment of that Presidency as a recruiting ground and amounts to a denial to the people of Southern India of all opportunity of service even in the ranks. Recruitment is being confined more and more to frontier or trans-frontier men, to the people of non-Indian or extra-Indian areas, with the result that the Army is approximating more and more completely to a mere mercenary force. The Arms Act is being

worked with increasing rigour and licenses to carry arms are now issued more sparingly than at any time before. I believe there are not more than thirty to forty thousand such licenses at the present moment in all India. A large increase has been made in the number of British officers attached to the Native Army, so as to give all Punjab regiments an establishment of 13 British officers and all other regiments of 12. This increase completely ousts the Native officers from even such positions of trust as were open to them before and not even the command of troops and companies is now really left to them. We have been asking for years that the commissioned ranks in the Indian Army may be thrown open to aspiring and qualified Indians, scions of aristocratic families and others, and the reply of the Government is a stiffer closing of such careers to us. It is true that four members of the Cadet Corps were granted commissions last year and the language used by the late Viceroy more than once in speaking of the Corps had raised the expectation that these young men would be allowed the same opportunities of attaining to positions of command in the Indian Army as British officers. The reply given by the Commander-in-Chief to my question on this subject last week disposes of this expectation, and we see that Lord Curzon's promise in the matter, though kept to the ear, has been broken to the hope. In pre-Mutiny days we had two systems, the regular and the irregular. Under the regular there were 25 British officers to a Native regiment, whereas under the irregular there were only just 3 picked ones. The Army Commission of 1859 pronounced in favour of the 'irregular' arrangement; and after considerable discussion a compromise was eventually arrived at and it was decided in 1863 that 7 British officers should be attached to each Native regiment—these to command squadrons and wings, while the Native officers were to have charge of troops and companies. The question was re-opened in Lord Mayo's time and an increase of British officers was demanded; and the discussion again went on till 1875-6, when it was finally decided by Lord Salisbury (then Secretary of State for India) that the 7 officers system should be upheld, his Lordship laying stress on the point that the position of the Native officers should be improved and raised. And now the question having been brought up afresh, we find the decision going against us and the number of British officers in Native regiments raised from 7 to 12 and 13! My Lord, such growing distrust of the people, after so many years of British rule, is to be deplored from every point of view, and not until a policy of greater trust is inaugurated will the military problem, or indeed any other problem in India, be satisfactorily dealt with. I recognize the difficulty of the situation and the undoubted need that exists for caution in the matter. But after all it is only con-

[28TH MARCH, 1906.]

[*Mr. Gokhale.*]

confidence that will beget confidence, and a courageous reliance on the people's loyalty will alone stimulate that loyalty to active exertion. As long as things continue as at present, the problem of Indian defence, do what you will, must remain essentially and practically unsolved. The experts, who accompanied the Russian and Japanese armies in the late War, have declared that the Indian Army will be found too small, if a great emergency really arises. This is bound to be so, as long as reliance is placed on standing battalions exclusively, with such reinforcements as England might be able to send in the hour of need. Everywhere else in the civilized world, the standing army is supported by a splendid system of reserves, and the nation is behind them all. Here alone there are no reserves worth speaking of to augment the fighting strength of the country in times of war, and the matter is treated as if it were no concern of the people. The late Viceroy quoted last year the achievements of Japan to justify the enormous growth in our military expenditure. Does any one, however, believe that Japan's glorious achievements would have been possible, if the Government of that country had merely poured money like water on its standing battalions, unaugmented by reserves, and the magnificent spirit of every man, woman and child in that country had not been behind the Army to support it? Japan's ordinary budget for the Army is only about 37·3 millions yen, or a little under six crores of rupees. And for so small an expenditure, she has a standing army of 167 thousand men, with reserves, which can raise it to over six hundred thousand men in times of war. We spend nearly six times as much money a year and yet in return for it we have only an inexpansive force of about 230 thousand men, with about 25 thousand Native reservists and about 30 thousand European volunteers! Both on financial and on political grounds, therefore, our present unnational system of military defence is open to the gravest objection. My Lord, I respectfully submit that it is a cruel wrong to a whole people—one-fifth of the entire population of the world—to exclude them from all honourable participation in defence of their hearths and homes, to keep them permanently disarmed and to subject them to a process of demartialization, such as has never before been witnessed in the history of the world. Lord George Hamilton once told an English audience that there were millions of men in India, who were as brave as any people on the face of the earth. Leaving such material in the country itself neglected, the Government has thought fit to enter into an alliance with a foreign Power—and that an Asiatic Power, which once borrowed its religion from us and looked up to us—for the defence of India! Japan came under the influence of western ideas only forty years ago, and yet already, under the fostering care of its Government, that nation has taken its place by the side of the proudest nations of the West.

We have been under England's rule longer than forty years, and yet we continue to be mere hewers of wood and drawers of water in our own country and of course we have no position anywhere else. My Lord, things cannot continue—they must not continue—much longer on so unsatisfactory a basis. Time and events will necessitate a change and true statesmanship lies in an intelligent anticipation of that change. The present Prime Minister, speaking in November last on the subject of the Anglo-Japanese alliance, observed as follows:—‘I am enough of an Imperialist, if this be Imperialism—to hold that the maintenance of the integrity of India is our affair and no one else's; and if further measures of defence are necessary—of which I have no assurance—the appeal should be to the loyalty of the people of India and to our own capacity for organizing their defence. Is there not danger that the pride of the Indian people may be wounded and the prestige of the Empire abased in the eyes of the world by the provision, by which Japan makes herself conjointly responsible for the defence of the Indian frontier?’ My Lord, this is true and far-sighted statesmanship and my countrymen ask for nothing more than that the military problem in India be dealt with in the spirit of this declaration of the Prime Minister. The measures needed are Short Service for the Indian Army, the creation of Indian reserves, and the gradual extension, first to select classes of the community, and then, as confidence grows, to all, of the privilege of citizen-soldiership, so that they may be able, if the need ever arises, to bear arms in the defence of their own land. The Government may move as cautiously as may be necessary, but it is in this direction that it must move; and then the whole situation will be altered. Our military defence will then be gradually placed on a national basis, the Army will have the support of the nation behind it, the present military burden will be largely reduced and funds set free to be devoted to other objects of national well-being, the people of the country, instead of being condemned, as at present, merely to pay the taxes and then helplessly look on, will be enabled to feel a real and living interest in their Army, and our position in the matter will cease to wound our self-respect. Now that all fear of any immediate aggression from outside has disappeared, a trial may be given to this policy, and I feel a profound conviction within me that England will have no cause to regret its results.

“My Lord, I am free to confess that there is but little chance of any considerable change in the military policy of the Government of India being made in the immediate future, and if I have spoken at some length on the subject today, it is both because the character of our national existence is bound up with the question and also because a special appeal for a reconsideration of the policy is justified at the present juncture. I have already said that

[28TH MARCH, 1906.]

[*Mr. Gokhale.*]

military expenditure overshadows the whole field of Indian finance, and it is a matter for further regret that even such slender resources as remain at the disposal of the Government of India after meeting the cost of the Army are not employed to the best advantage. My Lord, during the last eight years, the surpluses of the Government of India have amounted to no less a sum than 35 crores of rupees, and the whole of this money has been spent by the Government on Railways in addition to the large amounts specially borrowed for the purpose! Now I do not wish to say anything against the construction of Railways as a commercial undertaking. Till recently they used to cost a net loss to the State every year, but that has now ceased; and there is no doubt that in future years they will bring a growing revenue to the Exchequer. To the construction of Railways on a commercial basis out of borrowed money I have therefore, no objection, though even here the claims of irrigation to a larger share of the capital raised must be recognized better than they have been in the past. But I have the strongest possible objection to our surpluses being devoted to Railway construction, when they are urgently needed for so many other objects vitally affecting the interests of the masses. My Lord, I submit that there should be some sense of proportion in this matter. Already a sum of 250 millions sterling has been spent on Railways. For many years, it was the height of ambition to the Government of India to have in the country twenty thousand miles of Railways. The mileage open to traffic today is nearly twenty-nine thousand and another two thousand is under construction. Are Railways everything, is mass education nothing, is improved sanitation nothing, that the Finance Minister should lay hands on every rupee that he can get either by borrowing or out of surpluses and devote it to the construction of Railways only? Replying to my observations on this subject last year, the Hon'ble Member said:—'When a surplus actually accrues either from a fortunate windfall or from sources the continuance of which is not assured, then I think no more advantageous use for it can be found than to devote it to the construction of remunerative public works.' Now, with all deference I beg to say that the Hon'ble Member's proposition is an unsound one. The course adopted by the Government would be right, if there was no need of non-recurring expenditure in other directions, more intimately connected with the well-being of the mass of the people. But with such urgent needs of the country as decent school-houses for primary schools, works of sanitary improvement beyond the capacities of local bodies, and so forth, unsatisfied, I submit it is not a justifiable course to employ the proceeds of taxation for purposes of remunerative investment. That the surpluses are uncertain does not affect my contention at all. Whenever they

are available, they may be devoted to the objects I have mentioned. When they are not available, the position cannot be worse than it is at present.

“My Lord, the surpluses of the last few years,—rendered possible by the artificial enhancement of the value of the rupee, and realized first by maintaining taxation at a higher level than was necessary in view of the appreciated rupee, and secondly by a systematic under-estimating of revenue and over-estimating of expenditure,—have produced their inevitable effect on the expenditure of the country. With such a plethora of money in the Exchequer of the State, the level of expenditure was bound to be pushed up in all directions. Economy came to be a despised word and increased establishments and revised scales of pay and pension for the European officials became the order of the day. Some remissions of taxation were no doubt tardily granted, but the evil of an uncontrolled growth of expenditure in all directions in the name of increased efficiency was not checked and the legacy must now remain with us. The saddest part of the whole thing is that in spite of this superabundance of money in the Exchequer and the resultant growth of administrative expenditure, the most pressing needs of the country in regard to the moral and material advancement of the people have continued for the most part unattended to, and no advantage of the financial position has been taken to inaugurate comprehensive schemes of State action for improving the condition of the masses. Such State action is, in my humble opinion, the first duty now resting on the Government of India, and it will need all the money—recurring or non-recurring—that the Hon'ble Member can find for it. My Lord, the three evils to be combated in connection with the raiyat's position are his fearful poverty, his ignorance and his insanitary surroundings. And I hope your Lordship will bear with me while I indicate very briefly the lines on which action is really needed.

“(1) First come a group of three measures in connection with the land. They must really go together, if a substantial improvement is the object in view. Of these the first is a reduction of the State demand on land, especially in Bombay, Madras and the United Provinces, and a limitation of that demand all over India. There is ample evidence to show that over the greater part of India—especially in the older Provinces—the agricultural industry is in a state of deep depression. The exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior and the crop-yield per acre, already the lowest in the world, is declining still further. And such a deterioration in agricultural conditions is accompanied by an increase in the land-revenue demand of the State! The raiyat staggers under the burden, but, under the economic

[28TH MARCH, 1906.]

[*Mr. Gokhale.*]

conditions prevailing, cannot help submitting to it. Mr. O'Connor, late Director-General of Statistics in India, speaking two years ago before the Society of Arts in London, and speaking with all his special knowledge of Indian agriculture, said :—'It is doubtful whether the efforts now being made to take the cultivator out of the hands of money-lenders will have much effect, or even if they have the fullest effect, that they will materially improve the cultivator's position until a larger share of the produce of the soil is left in his hands and he is protected against enhanced assessment by Government officials and against enhanced rent by private landlords.' And again :—'I have little doubt that the reduction of the land-revenue by 25 or 30 per cent. if the reduction is secured to the profit of the cultivator, would be of far more value in the improvement of the class who constitute the bulk of the population and who contribute most largely to the finances of the State.' The present system is having, and can have, but one effect. It tends to keep the one industry of the country in a hopelessly depressed condition, discouraging all expenditure of capital on land and rendering agricultural improvement an impossible hope. Whatever loss of revenue such a measure may cause directly to the State will be indirectly more than made up by a material improvement in the condition of the people.

(2) Next, a resolute attempt must be made to rescue the Indian agriculturist from the load of debt that at present overwhelms him. The problem is one of vast magnitude and probably the conditions of the different Provinces will need different treatment. The best plan will be to take in hand an experiment on a sufficiently large scale over a selected area in each Province. Thus take the Deccan Districts in the Bombay Presidency. It is the opinion of competent authorities that quite one-third of our agriculturists, if not more, have already lost their lands and they are remaining on them merely as the serfs of their money-lenders. Now I would take the cases of such men first, and I would appoint a special tribunal to go round and look into each case, going behind the bond where necessary, and I would have a composition effected, either by amicable arrangement or in exercise of legal powers with which the tribunal may be armed. I would place, say, a million sterling at the disposal of the tribunal out of which advances should be made to clear the debt, to be recovered by adding about $4\frac{1}{2}$ per cent. on them to the land-revenue demand of the State— $3\frac{1}{2}$ per cent. for interest and about 1 per cent. for repayment of capital, the repayment being spread over fifty years or so. Having helped to free the man in this manner, the Government may then fairly claim to impose restrictions on his powers of alienation. Of course, this is only a bare outline and the

scheme will have to be worked out in detail and examined carefully before adoption. If the experiment shows signs of success, it can be extended to other parts. If it ends in failure, well, some money will be lost, but the risk has to be taken. When Lord Lansdowne was Viceroy of India, he was so impressed with this evil of agricultural indebtedness that he is understood to have left a minute behind, expressing his opinion that the condition of the agricultural community was a most serious danger to British rule, and pointing out the necessity for immediate action. It is now fourteen years since he left India, and yet the only attempt made by the Government to deal with the problem is represented by some legislation, intended to restrict the raiyat's powers of borrowing! What may usefully be the last link of the chain has thus been made by the Government the sole link, with the result that the situation today is as grave as ever.

“(3) But these two measures will fail to do any permanent good to the raiyat, unless they are accompanied by the third measure of the group, namely, the providing of facilities which, while encouraging thrift, will enable the agriculturist to borrow on occasions for his reasonable wants at a low rate of interest. The Co-operative Credit Societies, for which an Act was passed two years ago, will not go any long way in this direction. The communal spirit is now very weak over the greater part of India, and the unlimited liability principle, which the Act insists upon, will keep substantial men from these Societies, and any number of paupers brought together will have neither the cash nor the credit to help one another. If unlimited liability is removed and a portion of the Savings Banks deposits are made available to these Societies, they may do some useful work. But what the country really needs is the establishment of Agricultural Banks, like those which have been so successfully introduced into Egypt by Lord Cromer.

“(4) Two other measures necessary for the promotion of agricultural prosperity in India, one of which has already received a good deal of attention at the hands of the Government, and the other has been recently taken up by it, are Irrigation and Scientific Agriculture. About Irrigation, I would only like to ask why it is necessary to have the selected projects carried out departmentally and why their execution cannot be entrusted, as in Egypt, to expert contractors, who would find and train the required labour, the Government exercising supervisory control only? I think in this matter, too, the Government of India may well take a leaf out of the book of that great administrator, Lord Cromer. If this were done, far more rapid progress would be made in the matter of Irrigation. As regards Scientific Agriculture, the

[28TH MARCH, 1906.]

[*Mr. Gokhale.*]

country is watching with keen interest the steps which the Government is taking in the matter. I must, however, express one fear in this connection. If it is proposed to import European experts for the work as a standing arrangement, there will be small chance of any substantial good being done. The knowledge brought into the country by a succession of foreign experts who retire to their own lands as soon as they have earned their pension, is like a cloud that hangs for a time overhead without descending in fertilizing showers, and then rolls away. Unless promising and carefully selected Indians are sent abroad to be trained and to take the places of the imported experts in due course, such expert knowledge will never become a part and parcel of the possession of the community. Of course, to begin with, a reliance on foreign experts is necessary, but care must be taken to make the arrangement only temporary.

“(5) The promotion of industrial and technical education in the country is also an urgent necessity as a remedy for the extreme poverty of our people. This field has so far remained entirely neglected, with what results even the most superficial observer can see. The sum of 2½ lakhs of rupees, provided in this year's Budget, is as nothing compared with what is needed. The country requires at least one large fully equipped Technological Institute at some central place, with Branch Institutes in the different Provinces.

“(6) I now come to the question of Primary Education. From Mr. Nathan's Report on Education, we find that in 1901-2, the total expenditure on the primary education of boys in India from the funds of the State was the staggeringly small sum of 13½ lakhs! Since then the amount has been increased, but even so, it remains most miserably inadequate, compared with the requirements of the situation. My Lord, the question of mass education in this country has been neglected much too long, and the Government must lose no more time in waking up to its responsibilities in the matter. What is needed is a clear aim and a resolute pursuit of that aim in a feeling of faith and with enthusiasm for the cause. The first step is to make primary education free in all schools throughout the country, and that can be done at once. The total receipts from fees in Primary Schools throughout India in 1901-1902 were only 30½ lakhs of rupees, so the sacrifice will not be very great. Moreover, the larger Municipal Corporations might be asked to bear a portion of this loss, so far as their own areas are concerned. The next step will be to make this education compulsory for boys in the Presidency-towns and perhaps in a few other leading towns. When the minds of the people have been accustomed to the

idea of compulsion in the matter of education, the area of compulsion may be gradually extended, till at last in the course of twenty years or so from now, we have in our midst a system of compulsory and free primary education throughout the country, and that for both boys and girls. It will not do to be deterred by the difficulties of the task. Our whole future depends upon its accomplishment, and as long as the Government continues listless in the matter, it will justly be open to the reproach of failing in one of its most sacred duties to the people.

“(7) Lastly, there is the pressing need of works of sanitary improvement, such as good water-supply and drainage. As I pointed out last year, most of our towns are simply powerless to undertake such costly works without substantial assistance from the State. With the ravages of the plague in all directions and with the death-rate of the country steadily rising, the question of sanitary improvements assumes an importance which the Government cannot long ignore. The resources of our local bodies are barely sufficient for their current needs and any large Capital outlay is wholly beyond them. The present distribution of resources and responsibilities between local bodies and the central Government is most unfair to local bodies, and that is the explanation of the spectacle we have seen during the last few years, namely, that of the Exchequer of the Government overflowing with money, while these bodies have been in a state verging on bankruptcy. It is necessary that the Government should formulate and announce a definite policy in this matter.

“All these measures that I have briefly outlined will require a large expenditure of money—both recurring and non-recurring. But even as our resources stand at present, there is room for undertaking them all. Thus if the Army Re-organization scheme is held up or at least its initial cost is met out of borrowings, a sum from one or two millions a year will be available, and that may be devoted to a vigorous extension of primary education. The profits of coinage—averaging now about two millions a year—may supply funds for the relief of agricultural indebtedness. The famine grant, which stands at a million sterling, may, after deducting the expenditure on actual famine relief, now be devoted to industrial and technical education. The deposits in Savings Banks may be made available to Co-operative Credit Societies. And whatever surpluses accrue may be devoted to assisting local bodies in the construction of works of sanitary improvement. At any rate an important beginning can be made in all these directions, only the spell, under which the official mind has been for so many years, must be broken.

[28TH MARCH, 1906.] [Mr. Gokhale; Mr. Sim.]

“ My Lord, the improvement of the condition of the masses and the conciliation of the educated classes are the two really great problems before the British Government in India. The success or failure of England’s work in this country will be determined by the measure of her achievement in these two fields. I have already spoken of the work that must be taken forthwith in hand for the moral and material advancement of the mass of our people. The task is one of great magnitude, but it is comparatively a simple one. The question of the conciliation of the educated classes is vastly more difficult and raises issues which will tax all the resources of British statesmanship. There is but one way in which this conciliation can be secured, and that is by associating these classes more and more with the government of their own country. This is the policy to which England stands committed by solemn pledges given in the past. This is also the policy which is rendered imperative by the growth of new ideas in the land. Moreover, my Lord, the whole East is today throbbing with a new impulse—vibrating with a new passion—and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up, whose notions of the character and ideals of British rule are derived only from their experience of the last few years, and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling, which will make it a source of strength and not of weakness to the Empire. One thing, however, is clear. Such a result will not be achieved by any methods of repression. What the country needs at this moment above everything else is a Government national in spirit, even though it may be foreign in personnel,— a Government that will enable us to feel that *our* interests are the first consideration with it and that *our* wishes and opinions are to it a matter of some account. My Lord, I have ventured to make these observations, because the present situation fills me with great anxiety. I can only raise my humble voice by way of warning, by way of appeal. The rest lies on the knees of the gods.”

The Hon’ble MR. SIM said :—“ My Lord, I wish to congratulate Your Excellency’s Government on the continuance of the policy of ‘popular’ relief and reform, to which the Hon’ble Mr. Baker introduced us last year. The abolition of the *Village Cess* will be greatly appreciated in Madras: the relief will reach every Government raiyat in the Presidency, and though the individual

[Mr. Sim.] . [28TH MARCH, 1906.]

sums may be small, the total of 28 lakhs will be considerable ; as large, for instance, as the whole Forest-revenue of the Presidency was last year. Equally appreciated will be the words in which the Hon'ble Mr. Baker expresses the desire of Government to set bounds to the extension of *Local Taxation* ; it is so easy to impose such taxation, and so easy to drag anything, even Famine Relief, within any definition of it that can be devised, that the Hon'ble Mr. Baker's words, backed, as he rightly claims them to be, by deeds, will be regarded as a very welcome pronouncement.

"Similarly, the increased provision for expenditure on *Forests*, and the kindly mention of the *Tungabadra Irrigation Project*, will be greatly appreciated. In regard to the former, I would again put in a special plea for all the liberality that is possible ; parsimony in the case of Forests simply means postponement — postponement of all the benefits, which we expect and which we have led the public to expect, the forests will eventually yield in return for present inconvenience ; liberality means hastening those benefits, and there can be few departments in which a policy of vigorous development and liberal expenditure will more rapidly repay itself. For the staff, too, I would bespeak the most favourable consideration of Government, when occasion offers, for the work of a Forest-officer is work of a high order, and the conditions under which it is carried out are exceptionally arduous.

"The prominent mention of the *Tungabadra Project* and the strong and sympathetic consideration promised to it will be read with much satisfaction in Madras ; so also, I think, and over a much larger area, will be the Hon'ble Mr. Baker's assurance that in considering the relative priority of works, direct financial returns will not be allowed to obscure or outweigh the awful indirect claims of Famine. We admit, of course, that the relative claims of others must be fairly considered before the project can be sanctioned, but, sincerely as Madras sympathizes with those others in their needs, it believes that there can be few places in India where greater good can be done by the introduction of irrigation than in the tract commanded by the *Tungabadra Project* ; 1,500 square miles irrigated, 1,500 more commanded, and five districts protected, in the heart of the famine zone, constitute, we believe, a very strong claim.

"In such a connection, the need for cheap and easy loans at once obtrudes itself, and the success which has attended the *Agricultural Bank* in Egypt shows how much liberality and simplicity of procedure may accomplish in this direction. That Bank has been but a short time in existence, yet at the end of last year it had 185,530 loans out amounting to £5,900,000, and after discharging all its preference dues, it paid dividends at the rate of $7\frac{1}{2}$ per cent. on its

[28TH MARCH, 1906.]

[Mr. Sim.]

ordinary shares, and £15-15-0 on its deferred. It is true that the concession to the Bank is an extremely liberal one and that the Bank does not attempt to combine its money-lending business with complicated lessons in self-help and co-operative credit; still it shows what can be done and has no doubt already attracted the attention of Government. Like myself, the Hon'ble Mr. Gokhale has just drawn attention to this in his speech.

"For its share in the additional grant for *Police*—shared with the Minor Provinces, I notice—as well as for the grants for *Railways*, the *Madras Harbour*, and the like, we shall be duly grateful; and if Madras does not figure in the distribution of this year's grant for *Technical Education*, we trust it is only because the Hon'ble Member in charge is considering how much he can give us next year.

"I should like to congratulate the Central Provinces, Bengal, and Eastern Bengal and Assam, on their *Provincial Settlements*, as set out in paragraphs 215—222 of the Statement. It does not perhaps seem to be a matter with which Madras has much concern, and certainly Madras does not grudge them the liberal terms which they have obtained from the Hon'ble Member. But Madras may perhaps be excused if, comparing its own terms with theirs, it wishes that *its* turn, too, for re-settlement had still to come, instead of being past and over.

"It was in 1903-04 that the question of revising the Settlements came up, and the terms of revision were set out in paragraph 212 of the Financial Statement of March, 1904. There it was laid down that the revision should be carried out on a general basis of Provincial receiving not more than a *quarter share of growing revenues*, and Bengal, Madras and the United Provinces were at once, speaking generally, re-settled on this basis; the other Provinces, however, had to wait till the next year, and in the meantime more liberal ideas had come in, and in paragraph 203 of the Financial Statement for March, 1905, the present Hon'ble Member, in settling Bombay and the Punjab, raised their share of growing revenues, generally, to a *half*, instead of a quarter, and in the present year (paragraphs 215-217-218) he has similarly settled the Central Provinces, and (because of the partition) re-settled Bengal and Eastern Bengal and Assam. The result is that Madras and the United Provinces remain on the old *quarter* share basis, while the other Provinces are on the new-*half* share footing.

"The balance, of course, was made up to Madras by a fixed assignment, and I am not now suggesting that the total amount granted to Madras was insufficient *at the time*; but it is easy to see that, while the greater part—in the

[*Mr. Sim ; Mr. Hare ; Mr. Porter.*] [28TH MARCH, 1906.]

latest cases, 99 and 100 per cent.—of the provincial revenues of the other Provinces will be continually increasing, a much smaller part of ours in Madras will be similarly developing, and the rest will be absolutely stationary: we may therefore, without difficulty, foresee a time when Madras will stand at a great disadvantage compared with the other Provinces; and I trust that when that time comes the Hon'ble Member, who, of course, is well aware of these conditions, will show the same liberality to Madras that he has shown to the rest of India.

“May I, at the same time, join with the Hon'ble Mr. Logan and the Hon'ble Mr. Gokhale in asking the Hon'ble Member to make *Famine Relief* less Provincial, and more Imperial, for the present arrangement tells with great hardship on such Provinces as Madras and Bombay. Famine in Madras is of such regular and certain recurrence, that the cost of relief ought, I would suggest, in fairness to the Presidency, to be either specially allowed for in the Provincial Settlement, or shared with Imperial: to treat it as a rare and remote contingency, which may, for that reason, be fairly met from Provincial savings, is to ignore the facts, and to place famine Provinces, like Madras and Bombay, under a heavy liability, from which other and more fortunate Provinces are virtually exempt, and which falls upon the famine-stricken Province at a time when it can least be borne.

“In conclusion, my Lord, I have to thank your Excellency's Government for the consideration shown to Madras.”

The Hon'ble MR. HARE said:—“My Lord, I only wish to congratulate the Government on the Budget which has been presented and to express our gratitude for the remission of the Zamindari Dāk Cess. The relief given by this remission is not to be measured merely by the comparatively small amount of tax remitted, but by the removal of the disproportional annoyance which its collection has hitherto caused.”

The Hon'ble MR. PORTER:—“My Lord, I congratulate the Financial Member on finding himself at length in a position to abolish the Patwari Rate. When last year the Hon'ble Rai Sri Ram Bahadur recommended the abolition of the rate, he pointed out that the argument for the abolition was that the patwari was no longer a village servant pure and simple, but was really an officer of the Provincial Land Records Department; and that—as such—his pay should be met from Provincial revenues. There is much force in this argument. It is true that even now the patwari does perform certain purely village duties, and that theoretically there would be no injustice in requiring

[28TH MARCH, 1906.]

[Mr. Porter.]

the village to contribute a fair share of the patwari's pay. But the present arrangement, by which the local rate contributes 25½ lakhs and Provincial revenues only some ten lakhs, is not fair. His local duties now form but a minor portion of the patwari's work. What a fair distribution of the cost of the patwari establishment between Local and Provincial would be it is difficult to say; as not only the amount but the nature of the patwari's duties have to be considered. Probably one-third Local and two-thirds Provincial would be a fair proportion. In remitting the cess altogether the Government have not only removed a genuine grievance, but have treated the agricultural taxpayer with generosity.

“ There are one or two other matters in connection with the finances of the United Provinces to which I should like to call attention.

“ The enhanced annual grant for the reform of the Police will, I hope, go far towards removing the reproach that Police-officers in the lowest grade of Sub-Inspector cannot live on their present pay. But I regret that the Financial Member has not seen his way to make a lump grant for the proper housing of superior Police-officers. No improvements in pay or other prospects will suffice to attract and keep men of the required stamp, unless the quarters in which they have to spend their lives are decent and sanitary. In the large majority of our police-stations the quarters for officers do not fulfil these requirements. The Local Government is fully alive to the necessity of providing suitable accommodation. Out of the special 6½ lakhs grant, over 3 lakhs have been allotted both this year and next for police buildings. This is in addition to the ordinary budget expenditure. But the leeway to be made up is enormous; and unless some special grants can be made, a generation must elapse before the police-force can be suitably housed.

“ I regret also that no special grant has been made for non-recurring educational expenditure. A statement of the present educational requirements of the United Provinces will be found in the Local Government Resolution published in the *United Provinces Gazette* of the 13th January last. By far the most urgent of all the local requirements is the need of sufficient suitable boarding accommodation in connection with secondary schools. For primary schools boarding houses are of course not required; and in case of the various colleges much has been done by Government and by private liberality to provide suitable hostels and to secure thereby a healthy university life. But to a large extent the secondary schools have hitherto been left out in the cold and it is at these schools that boys spend several of the most impressionable years of their life. The majority of these schools are under district boards:

[Mr. Porter.]

[28 TH MARCH, 1906.]

these boards have no powers of taxation, and they are not in a financial position to provide enough boarding houses. The result is that a very large number of the boys attending those schools are under no supervision or discipline outside school hours; and their moral and physical welfare has to look after itself. I do not see how we can expect to turn out good and loyal citizens under such a system of education as that.

“Another matter to which I should like to refer is the importance of aiding municipal boards to carry out urgent sanitary reforms with a view to preventing the spread of plague. In Benares work on the sewerage and drainage scheme is stopped owing to want of funds. Allahabad cannot yet begin its drainage scheme, estimated (I believe) to cost 5 lakhs, though it hopes to be able to borrow 2 lakhs to make a start. The important hill sanatoria of Naini Tal and Mussoorie both require help; and there are about 25 towns in the plains that have prepared schemes of sanitary improvements, for which it is difficult to find the money. The prevention of plague is not a purely local concern. The subject is one of supreme importance to the Provincial and to the Imperial Governments. Government might well assist local bodies in their efforts either by grants or by loans free of interest. The Local Government is powerless as it has not the money.

“I have mentioned these three matters, not because they exhaust the needs of the United Provinces, but for two reasons. In the first place, the expenditure required to meet these needs is non-recurring, and can therefore most fitly be met by grants from surpluses. The second reason is that no one but district officers like myself, who are in immediate touch with the people, can know how urgent these local needs are.

“It may perhaps be objected that the United Provinces have their allotted heads of income and that special grants over and above that income are doles, and—as such—are opposed to sound finance. To that objection—if it were brought—there are two answers. In the first place, the United Provinces ask for no doles. Those Provinces contribute more largely, I believe, than almost any other Province to the Imperial Government; and all that they ask is that if in any year the Imperial Government has more money than it requires, a portion of their contribution should be returned to the United Provinces for local expenditure. The second answer is that though the new contract is more favourable to the Provinces than its predecessor was, the Provincial revenues are still insufficient to carry on the administration with reasonable efficiency, and at the same time to meet the cost of those reforms which are admitted to be urgently needed. To make matters worse the last two years have been very unfavourable,

[28TH MARCH, 1906] [*Mr. Porter; Rai Sri Ram Bahadur.*]

and Provincial Revenues have suffered severely. In 1904-05 a cold blizzard of unprecedented severity caused enormous loss to the crops throughout nearly the whole of the Provinces. This year the rains have failed over a considerable area, and relief works on a large scale have had to be started in some districts. According to the latest accounts some 170,000 persons are in receipt of Government relief. The Provincial treasury is so depleted that it is unable to meet the cost of these relief measures, which is estimated to amount to—this year and the next—some 26½ lakhs. The truth is that the Provincial income is insufficient for Provincial needs. This fact will have to be faced sooner or later. In the interest of the Provinces the sooner it is faced the better.”

The Hon'ble RAI SRI RAM BAHADUR:—“ My Lord, it is a matter of great satisfaction that the first year of Your Excellency's administration should be signalised by the presentation of a Budget statement disclosing many pleasant features. The Hon'ble Mr. Baker is to be congratulated, because he has, since his assumption of the guardianship of the public purse, been able to present two consecutive Budgets in which the surpluses have been properly utilized and partial relief given to the Indian taxpayers by remission of taxation.

“ GENERAL REMARKS.

“ It is regrettable that the partial failure of the last monsoons has affected seriously the agricultural situation in the United Provinces, the Punjab, some of the districts of Bombay, Rajputana and parts of Madras. Necessity has thus arisen for expenditure on Famine Relief and for remissions and suspensions of revenue in the affected tracts. The consequent decrease in land-revenue has diminished the amount of surplus, and thus the resources at the disposal of Your Excellency's Government for improvement of administration and lightening of taxation have been very much curtailed. It must, however, be acknowledged that the manner in which the available surplus of this year, is going to be applied has evoked a feeling of approbation. The sound and beneficial policy of relieving a portion of the heavy burden on land, by the abolition of some of the cesses, inaugurated by your distinguished predecessor, and a small beginning in which direction was, last year, made by the remission of the Famine cesses in Northern India and the Central Provinces, has, it must gratefully be noted, been continued and considerably expanded by Your Excellency's Government. The abolition of the Raiyatwari Village Cess in Madras, the Zamindari Dak Cess in Bengal, the Village Officers' Cess in Coorg and the Patwari Cess in the United Provinces, the Punjab, the North-West Frontier Province, the Central Provinces, Ajmer and in Sambalpur, has afforded relief to a class of taxpayers who

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906.]

required relief in this direction so urgently, who have been looking for it patiently so long and from whom it could no longer be withheld with justice, especially when the Indian finances have now for some years past been in such prosperous condition.

“THE PATWARI CESS.

“My Lord, the abolition of the Patwari Cess will be hailed with unmixed feelings of gratefulness by the agricultural taxpayers of the United Provinces. Since the remodelling of the system which completely altered the position of the Patwaris from servants of the village to servants of Government, the levying of any cess from the classes connected with land, for defraying the expenses of their remuneration, was wholly unjustifiable. On the occasion of previous Budget discussions, at this Board, I have been urging the abolition of the Patwari rate. In doing so I simply echoed the universal voice of the payers of that rate in the United Provinces; and I am glad to notice that the same feeling existed in the minds of the officials also, as the remarks just made by the Hon'ble Mr. Porter, the official representative for those Provinces, shows. In reply to the remarks made by me on this subject during the last year's Budget debate, and in defence of the action of Government for the retention of this rate, the Hon'ble Mr. Baker was pleased to say that 'the history of the patwari-cess in the United Provinces' threw 'grave doubts on the reality of the benefits to be derived by the cultivating classes from the abolition of the cess.' But I beg to say that no such doubt ought to have been entertained, as the enactment (Act IX of 1889) governing the appointment of Patwaris empowered the landlords to realize from the actual cultivators of the soil a moiety of the cess paid by them to Government; and the landlords exercised this power to the full extent. Your Excellency's Government has earned the gratitude both of the land-holding and the cultivating classes who will be benefited equally by the relief now afforded them by the remission of the Patwari Cess.

“WANTS OF THE UNITED PROVINCES.

“My Lord, with Your Excellency's permission, I would like first to notice briefly those portions of the Financial Statement which have a direct bearing on the United Provinces—the Provinces which I have the honour to represent, and to urge, for the consideration of Your Excellency's Government, some of the most pressing local requirements and the necessity for enlarging the amount at present allotted to the Provincial Exchequer for expenditure under the settlement now in force.

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur.*]

“I find that in the Budget Estimates—

- (1) provision has been made for Famine Relief and for suspensions and remissions of revenue,
- (2) an additional grant of three and a quarter lakhs has been given for carrying out the reforms recommended by the Police Commission, and
- (3) a sum of Rs. 30,000 has been given for the expansion of the mechanical apprentice class at the Roorkee College.

“As regards the first item, I beg to say that the Provinces have hardly had breathing time to recover from the injurious effects of the unprecedented frost of last year's Winter; the partial failure of the rains in the last rainy season and the keeping off of the Winter rains, too late to retrieve the lost position, have rendered the agricultural outlook in many parts very gloomy and serious. No less than eight districts, or portions of districts, comprising an area of 10,504 square miles, with a population of 3,337,000, have been declared by Government as affected by famine, and the number of persons now on the Relief Works in the affected areas is about 200,000. It cannot, however, at present be said with certainty whether the sum allotted in the Budget will suffice for the purpose.

“The three items described above are the only additional allotments. The Imperial Government has made no further additions to the amount at the disposal of the Local Government to meet the increasing expenditure required for sanitary, educational, and other administrative wants of the Provinces. Indeed, my Lord, the absence of any additional grants in the Budget allotments, for the removal of some of the most pressing needs of the Province, has, I must confess, engendered a feeling of great disappointment. I beg to mention some of the most important matters deserving immediate attention, but which, for want of funds, cannot be taken in hand.

“SANITATION.

“The United Provinces have a greater number of big and thickly populated cities and towns than any other province. The carrying out of sanitary measures in these urban areas does therefore occupy a most prominent place in the list of administrative works. The necessity for these measures has now acquired a greater importance in order to prevent and alleviate the severity of plague and other epidemic diseases. These cities and towns require funds to demolish their insanitary quarters, to improve the paving of their

[Rai Sri Ram Bahadur.] [28TH MARCH, 1906.]

roads, alleys and side walks, to widen narrow streets, and to construct and perfect their systems of drainage. Some of the larger municipalities have already commenced to improve and construct their drainage system, but it is impossible for them to bring them to completion without substantial aid from the Government. The incomes which these and other municipalities derive from local sources do hardly suffice for their ordinary expenses. Without Government assistance the measures of sanitation so necessary for the improvement of the health of these towns cannot be taken in hand. In the Home Department Resolution No. 72, dated the 17th January, 1906, Your Excellency's Government has announced the policy that the municipalities and local bodies should be encouraged and assisted in carrying out measures of sanitary improvement.

“ EDUCATION.

“ The next matter which deserves an equal—if not greater—share of attention is Education. A considerable increase in the sum now allotted is necessary for the expansion of Education in all its branches, but those mentioned below require special consideration.

“ *Secondary Education.*—The special grant of 6 lakhs, out of the 35 lakhs to the whole of India, has enabled the Educational Department to give a good start in Primary Vernacular Education; a still larger expenditure is required to bring the United Provinces abreast with other Provinces. But I am sorry to say that Secondary Education has not received the care which its importance deserves. The grant for Primary Education being ear-marked, no portion of it can be applied to improve Secondary Education. In its last review on Education the Local Government, referring to Secondary Education, remarked that in no branch of public instruction is reform more urgently required. The local University has been trying to raise the standard of collegiate education; but this object cannot be attained as long as the students from the institutions imparting Secondary Education go to the colleges with meagre attainments and with no solid training. My Lord, the situation is so truly depicted in the concluding portion of those remarks that I cannot refrain from quoting them *in extenso* :—

‘ There can be little doubt that the policy of concentrating expenditure on Primary Education and leaving English Education to look after itself has been pushed to undue lengths, with results that were certainly never contemplated by the Government of India, and, in fact, are productive of general dissatisfaction. The remedy is to improve the position of teachers so as to attract good men, to improve the accommodation and surroundings of the schools, to build decent Boarding Houses, and to make large grants

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur.*]

to aided schools. The Local Government is doing what it can, . . . but a full measure of reform must await a grant from the Imperial Exchequer.'

The sum annually required by the Local Government to improve the position of Secondary Schools is five and-a-half lakhs to be applied to the following objects:—

(1) Improving the teaching staff in English Schools	1,50,000
(2) Increasing grants-in-aid to English Schools	1,00,000
(3) Improving the teaching staff in Vernacular Secondary Schools.	1,00,000
(4) Grant for buildings	2,00,000

" But on this point also the Budget Statement is totally silent and the prayer of the Local Government for additional allotments has not met with a favourable response.

" *Female Education.*—No Province is more backward in female education than the United Provinces. In the Quinquennial Report on Education in India (1897-98 to 1901-02) it was noticed that, except for the Frontier Province, the United Provinces stood at the bottom of the list, with only one girl out of every 203 attending a Primary or Secondary School. Matters have not improved much in the succeeding three years, for the Provincial Education Report, for the year ending 31st March 1905, gives the number of girls attending schools as follows:—

Secondary Schools	3,304
Primary Schools	18,309
Private Institutions	4,037
T TAL	<u>25,640</u>

These figures give the very insignificant percentage of 74 only for every hundred (in other words seven girls in a thousand) of the female population of the school-going age. This deplorable condition of female education in the Province attracted the attention of the Local Government, and in the last year a committee of Indian gentlemen was appointed to go round and visit institutions imparting education to females in the different provinces, and submit a feasible scheme suitable to the condition and wants of the United Provinces. In due course the Committee submitted their Report containing suggestions for the improvement and expansion of female education; and the scheme proposed by them, when in full working, was ultimately to cost about 6 lakhs of rupees a year. To give the scheme a start a much smaller sum was required, but the Local Government in its letter dated 22nd February last

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906.]

addressed to the Director of Public Instruction, though valuing greatly the proposals of the Committee, expressed its inability to give effect to those proposals in their entirety for some time to come; and said that it had no funds to make any further allotment whatever for the purpose during the year 1906-07.

"My Lord, these facts speak for themselves and require no comment. The situation is deplorable indeed when not even a beginning can be made in the improvement of female education for want of funds.

"*Other Educational Reforms and Measures.*—In its Resolution reviewing the educational progress of the last year, the Local Government requires about 2½ lakhs of rupees as a recurring, and 14½ lakhs as non-recurring, for additional expenditure on reforms considered to be most urgently needed in collegiate education and in the inspecting staff. This demand of theirs also has received no favourable consideration.

"The educational awakening in the United Provinces is unprecedented. To commemorate the Royal visit, the establishment of a Medical College was decided upon, and within the short space of only six weeks no less than 12 lakhs of rupees were subscribed spontaneously for that purpose. 'Private liberality,' says the Local Government in its review on the last Educational Report, 'has done much. Within the last three years several lakhs of rupees have been spent on the schemes for the development of Arabic and Sanscrit, on the endowment of scholarships and on the building of Schools and Boarding Houses Including these sums (19,55,500), and contributions from missionary bodies and donations the subscriptions of the public for education in the Province must in three years have amounted to nearly 40 lakhs of rupees.'

"Surely, my Lord, a people who have shown their eagerness for educational advancement in such a practical way deserve every encouragement from the Government who should help them in their efforts with liberal pecuniary aid.

"The aggregate amount of money received from all sources and spent on the education of each unit of population in the United Provinces is very low as compared to all other Provinces, with the exception of the North-West Frontier Province. The tabular statement given below (compiled from the returns contained in the various Provincial Educational Reports for the last year) will show that the United Provinces spent only Rs. 80 for each thousand of their population, whilst Bombay, which tops the list, spent Rs. 245 for the same unit.

[28TH MARCH, 1906] [Rai Sri Ram Bahadur.]

Table showing for each Province (excluding Native States), the total expenditure on education from Provincial Revenues, Local and Municipal Funds and the special grant of Rs. 35,00,000; and the expenditure per thousand of the population according to the census of 1901.

Province.	Provincial Revenues.	Local Funds.	Municipal Funds.	Provincial share in the special grant of Rs. 35,00,000.	Total of columns 2, 3, 4 and 5.	Population according to the census of 1901.	Expenditure per thousand of population.
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Bombay	26,29,430	9,72,209	4,51,887	5,00,000	45,53,526	18,559,561	245
Burma	9,34,688	2,58,605	2,48,626	2,00,000	16,41,619	10,490,624	155
Central Provinces and Berar	6,29,478	6,56,738	1,09,269	2,00,000	15,95,485	12,630,662	126
Punjab	13,26,732	5,76,936	3,40,443	3,00,000	25,44,111	20,339,339	125
Assam	3,08,427	3,28,298	8,500	1,00,000	7,45,225	6,126,343	121
Madras	25,51,641	9,45,280	2,69,829	6,00,000	43,66,750	38,209,436	114
Bengal	32,27,919	17,45,521	1,17,285	10,00,000	60,90,725	74,744,866	81
United Provinces	11,47,247	19,18,997	1,51,072	6,00,000	38,17,316	47,691,782	80
North-West Frontier	31,124	51,761	38,266	Nil.	1,21,151	2,125,480	56

"PROVINCIAL SETTLEMENT.

"On the occasion of previous Budget debates I have tried to show that the United Provinces are not being fairly treated by the Imperial Government in the matter of allotments made to them for local expenditure out of the revenues raised by them. When the last Provincial settlement was being made we hoped that it would be effected in such a way as to put the Local Government in possession of funds which would suffice not only to cover the actual expenses, but leave a good margin to enable it to meet the ever-increasing wants of a progressive Province, in matters administrative, sanitary and educational. In the Financial Secretary's Memorandum appended to the Budget the estimated revenue for the previous provincial settlement is given at Rs. 3,42,62,000 and the expenditure also comes to the same amount. For the present 'quasi-permanent settlement' the figures both for revenue and expenditure are Rs. 3,66,64,000. No doubt the Government of India have now and then been helping the provincial exchequer with additional grants to meet certain unforeseen charges, such as Famine Relief and remissions of revenue, etc.; but, my Lord, though the sums thus doled out serve the purpose for which they are given, yet unless the allotment is increased by

[Rai Sri Ram Bahadur.] [28TH MARCH, 1905.]

50 lakhs a year the provincial wants cannot be adequately relieved, nor can improvements of a satisfactory nature be effected in the various administrative measures required to promote the material prosperity and educational advancement of its people. That the United Provinces have been starved in the past admits of no doubt, but that is no reason why the same state of things should be allowed to continue in the future. Justice requires that they should receive the same treatment financially as the other provinces of India. They contribute no less than a quarter of the total amount of land-revenue payable by the whole of British India. They do not receive as liberal a share in certain heads of divisible revenue as the other provinces do. The subjoined table will show the approximate shares which the different provinces receive respectively in those heads of revenue; these shares have been calculated from the figures given in Finance and Revenue Accounts of the Government of India for the financial year 1904-05 at pages 6-7, 18-19 and 22-23 :—

Province.	HEADS OF DIVISIBLE REVENUE.					
	Land Revenue.	Stamp.	Excise.	Assessed taxes.	Forest.	Registration.
United Provinces .	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$
Bengal . . .	$\frac{2}{3}$	$\frac{1}{2}$	$\frac{7}{16}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Central Provinces	$\frac{1}{2}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Burma . . .	$\frac{2}{3}$	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Punjab . . .	$\frac{4}{7}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Madras . . .	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{4}$	$\frac{1}{4}$	$\frac{1}{4}$	1
Bombay . . .	$\frac{7}{8}$	$\frac{3}{4}$	$\frac{1}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

A glance at this table will show that the United Provinces' share in land-revenue is only one-fourth, while the shares of the more favoured provinces range from one-half to seven-eighths. Under head Stamp four provinces get three-fourths, while the United Provinces get only one-half. Excise gives a larger share to Burma and Bengal—that of the last-named being seven-sixteenths *i.e.*, a little less than one-half—than given to the United Provinces which get only one-fourth. In Assessed Taxes no less than four provinces get one-half, but the United Provinces get only a quarter. Under the head Forest four provinces get one-half, but the United Provinces receive only a quarter. Under no head is

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur.*]

this difference more visible than Registration. Two provinces get the entire revenue, others get a moiety, the United Provinces alone getting only a quarter.

“The total receipts under the different heads of divisible revenue for the United Provinces in 1904-05 were as follows:—

	Land Revenue.	Stamps.	Excise.	Assessed Taxes.	Forest.	Registration.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total amount	6,31,00,000	84,46,000	1,02,00,000	20,90,000	23,97,000	4,54,000
Imperial share	4,57,00,000	42,23,000	76,68,000	15,76,000	17,97,000	3,40,000
Provincial share	1,73,00,000	42,23,000	25,00,000	5,13,000	5,99,000	1,13,000

If the United Provinces' share in land-revenue alone be equalised to those of the more favoured provinces, their finances will be placed in a satisfactory financial condition. The same object can also be attained by the equalisation of the United Provinces' share in two or three other heads of revenue, say Stamp, Excise and Assessed Taxes, with those of other provinces, who are more favourably treated in this respect.

“INDUSTRIAL EDUCATION AND INDIGENOUS INDUSTRIES.

“My Lord, one of the highly disappointing features of the Budget Statement is that only a very small addition has been made to the amount to be spent on technical and industrial education; the total additional sum for the whole of British India being $\text{₹}2,54,000$ only. It is hardly necessary to state that the addition now made is wholly inadequate when we take into consideration the great importance of the matter, the gravity of the situation, the large interests at stake, the incalculable injury which the absence of a proper and well-organised system of technical and industrial education has done to the material condition of the people, the previous neglect by Government in this direction, and lastly though large surpluses have been accruing since the last seven or eight years yet this branch of education excepting agriculture has not been further advanced. And this paltry sum of $2\frac{1}{2}$ lakhs of rupees has been given to only four provinces and for specified purposes.

“My Lord, opinions may differ as regards the causes—economic or otherwise—which have brought about the poverty of the masses of the Indian population; they may differ also on the question whether the people are getting poorer or richer, but there can be no diversity of opinion as to the fact that the great masses of the people of India are really poor. No better or higher

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906]

authority can be cited on this point than Your Excellency's distinguished predecessor Lord Curzon himself, who, when summing up the Budget Debate in 1903, said as follows:—

'I do not wish it for a moment to be thought . . . that there is no poverty in India. Far from it. There is enough, and far more than enough. There is a great deal more than anyone of us can contemplate with equanimity or satisfaction.'

"Such a conclusion must force itself irresistibly upon the mind of every impartial observer of the state of affairs in this country. The whole of the vast population of India may be divided into three classes—the upper, the middle and the lower. The upper class consists of a handful of big zamindars, rich merchants, and holders of important Government offices. They may be left out of consideration as they form only an infinitesimal portion of the population. As regards the middle classes, who form the backbone of the nation, a large number of them look to service or one of the professions as their only haven. But these walks of life cannot absorb any appreciable number of them; they have very slender chance of earning even a humble livelihood, as trade, commerce and industry are practically shut to the majority of them. If we descend to the lower classes—the vast mass—we are confronted with a spectacle of poverty which, as Lord Curzon said, is 'a great deal more than any one of us can contemplate with equanimity or satisfaction'—and these lower classes form more than 80 per cent. of the three hundred millions of the population of India. In days gone by a goodly number of them had either agriculture or an independent calling of their own as means of livelihood. They either tilled the soil themselves, or were employed by the agriculturists as labourers, or followed some handicraft. The only employment now available to the great majority of the population in the rural areas is either cultivation or labour. The lot of the cultivator, though a little better, is not the less hard or less precarious than that of the labourer. The majority of the peasant classes is involved in deep and inextricable indebtedness, and if the condition of the agricultural labourer is miserable in ordinary times, it becomes simply unbearable, when by the least vicissitude of the season there is a stoppage or cessation of work in the fields. The labouring classes are in a chronic state of poverty hardly raised above the point of starvation.

"The problem of a few thousand of the unemployed in England is deeply exercising the minds of His Majesty's Ministers, but here in India millions of human beings, also subjects of the same Sovereign, are without employment and sufficient food. This problem of the unemployed in this country, I humbly submit, should engage the serious attention of the Government.

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur.*]

“ My Lord, one of the most disastrous and far-reaching effects of the great famine of 1877 was that vast numbers of the artisan and industrial classes, finding their occupations crippled or gone altogether, forsook their hereditary callings and betook to agriculture as a means of subsistence. This combined with foreign competition dealt a death-blow to native industries and handicrafts. A great portion of the rural population has thus been driven to fall back upon land and adopt as their calling agriculture, the success of which in India, more specially in those parts where the means of artificial irrigation are deficient or non-existent, depends largely on the downfall of rain at seasonable times and in suitable quantities. A fierce competition for land for agricultural purposes has sprung up and pressure on it has increased to an alarming magnitude. .

“ In order to protect the rural masses against the consequences of drought and to improve their condition to resist the effects of famine, the first Famine Commission in their report of 1880 suggested (1) extension of means of irrigation wherever it was practicable with advantage, and (2) improvement in the methods of agriculture. Both these subjects have now been taken in hand by the Government and are receiving due consideration. As regards the first, recommendations of the Irrigation Commission are being carried out in several parts of the country. With regard to the second, steps have already been, or are being, taken to establish institutions for scientific research, for imparting instruction in scientific and practical agriculture and for introducing measures calculated to improve the indigenous methods. Liberal allotments for these purposes have been made to the different Local Governments. The provincial Departments have been awakened to their real duties and it is hoped that, within a reasonable period, lasting and extensive improvements will be effected in the agricultural methods of the country, and which would help to remove the poverty of the rural classes to a considerable extent.

“ It is an historical fact that only a hundred and fifty years ago India was industrially one of the foremost countries in the world. Not only did it supply its own cotton and silk fabrics, its metal utensils, its sugar and other industrial products, but exported many of these articles to foreign countries, including the British Isles. But the adoption of the policy of protection by the ruling country in days gone by and other potent causes have dealt the death-blow to the once flourishing industries of India, and alas! her people have now been reduced to the condition of a purely agricultural nation. The figures given in the last Census Report reveal the very disquieting fact that the means of livelihood of a great majority of the Indian population is agriculture. Roughly speaking, of the total population of 300 millions, no less than nearly 192

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906.]

millions are returned as having agriculture as the means of their subsistence. This indicates that out of every hundred people no less than nearly 66 live by agriculture. A merely agricultural nation, my Lord, which depends to a very large extent on the manufactured goods of other countries, can never rise in prosperity. 'An agricultural nation,' observed Frederick List, the eminent German economist, 'is a man with one arm, who makes use of an arm belonging to another person, but cannot be sure of having it always available. An agricultural manufacturing nation is a man who has both his arms of his own and at his disposal.' The first Famine Commission, in their report, alluded to above, noticed with concern 'that at the root of much of the poverty of the people of India, and of the risk to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for the evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits, and led to find the means of subsistence in manufacture or in some such employments.' My Lord, this was the state of things in 1880; more than a quarter of a century has passed away since then. Has any substantial, enduring and appreciable improvement taken place in the condition of the majority of the people, regarding whom the above remarks were made? I am deeply grieved to say that the only answer which can be given to this question is in the negative. It is true that some people have found employment as operatives in the mills established since 1880, in the mining industries recently introduced and on the extensive lines of railways opened since that time. But, my Lord, when the fact is taken into consideration that in the last census (1901) the persons whose means of subsistence is agricultural labour came to about 35½ millions—leaving out the agriculturists proper—the number of men who have found employment in the newly established mills, mines and railways sinks into insignificance, and it cannot be said that any appreciable change for the better in the general condition of that class of people has taken place.

"The question of industrial education has sometimes been mooted, but it has never engaged the attention of Government to the extent which its importance demands. Your Excellency's predecessor appointed a Committee in 1901, which was directed to visit the different Provinces with a view to enquire into the advisability of establishing Industrial Schools at suitable places and to advise Government, after consultation with local educational officers and others, what in the opinion of the Committee would be the best means of establishing such institutions. The constitution of the Committee had, however, one great drawback—it had no Indian on it as a member. The Committee visited various industrial centres and the head-quarters of the Provincial

[28TH MARCH, 1906.] [Rai Sri Ram Bahadur.]

Governments, held local conferences, collected much useful and valuable information and finally submitted their report. That report embodied proposals which did not commend themselves to the Government of India, and in the Home Department Resolution of 14th January, 1904, those proposals were characterised as not fulfilling the requirements laid down in the instructions given for the guidance of the Committee. The recommendations of the Committee were described as open to serious objections. The said Resolution laid down certain lines according to which Local Governments were desired to take action with regard to Industrial Schools as well as the adoption of means to produce better handicraftsmen. But the solution of the problem was left to Local Governments.

“ My Lord, this was in 1904 ; since then the Government has created a new bureau specially devoted to Commerce and Industry, and has placed it under an officer who is possessed of an intimate knowledge of the requirements of the various Provinces and who by his broad sympathies is fitted to advance the cause of industrial training and of the indigenous industries. My Lord, the subject divides itself into two branches ; first, industrial education, and, second, revival and creation of indigenous industries. It is hoped that both these matters will receive a more careful attention from Your Excellency's Government than they did during the late *régime* ; that prompt, well-defined and systematic action will be taken, and means devised for the resuscitation, promotion and encouragement of indigenous industries, for starting industrial schools where none exist, and for placing the existing institutions on a more useful and efficient footing. In order to attain these objects the appointment of special expert officers, European and Indian, both under the Central and Local Governments, appears to me to be a necessary step. These officers should devote the whole of their time to the subject. What I beg most earnestly to submit is that not only would Your Excellency's Government be pleased to devote their best attention to this matter, but would so place sufficient funds at the disposal of the Provincial Governments to enable them to carry on a well-defined, progressive and gradually expanding system of technical and industrial education. No time should be lost in adopting measures, in addition to those already taken, to resuscitate dying industries and manufactures, and to develop and expand those which are in existence, so that every possible resource of the country may be profitably tapped and utilized, and a substratum of wealth, among the people, may be created, which would enable them to tide over, without great suffering, calamities like famine and scarcity. The adoption of such measures will not only improve the material condition of the people, but will also save, to a great extent, the large expenditure which the Government incurs on such occasions and for the recoupment of which recourse is not unoften had to harassing taxation. The considerable sums which Govern-

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906.]

ments of other civilized countries devote to Industrial Education and to the promotion and encouragement of indigenous industries place in very unfavourable light the very small amount which is devoted to this purpose in this country. My Lord, the people of India entertain a very sanguine hope that Your Excellency's Government will be pleased to take a more extensive and more vigorous action in the matter of technical and industrial education and of the revival, establishment and development of indigenous industries. This hope of theirs is strongly fortified by the fact that one of the first measures taken by Your Excellency was the appointment of a Committee to enquire into and report on the question of purchasing supplies and stores for Government Departments from local manufacturers. The Resolution appointing the Committee and indicating the lines to be followed in purchasing stores of local manufacture has in some quarters been styled as the 'Swadeshi' Resolution. The sympathetic policy indicated in that Resolution will, when carried out, no doubt give great impetus and encouragement to local industries.

" Before I conclude my remarks on this subject, I beg to bring to Your Lordship's notice that the recent action of some of the Government Departments is not calculated to encourage local industries. I refer particularly to supplies of warm clothing issued, through the Army Clothing Department, to the troops; although worsted socks of good make and finish could be supplied by the Cawnpore Woollen Mills, yet, I am told, a very large order has just been sent Home without giving the said mills or any other Indian firm a chance to submit a tender for supplying that article. When the Cawnpore Woollen Mills asked for a specification to enable them to submit a tender, they were told that none was available. Articles imported from England have to be paid for long before they can be brought into use; and they cannot be rejected if found inferior in quality. The English manufacturers pay no income tax in India, while the Indian mills, by whom such tax is paid, are deprived of the profits which they would make by getting such jobs.

" INCOME-TAX.

" My Lord, there is one item of income which requires special explanation. While presenting the Budget Statement for 1903-1904, Sir Edward Law anticipated a decrease of £240,000 = ₹36,00,000 in the receipts under the head of Income Tax; from the rise of the taxable limit of incomes to ₹1,000. For the year preceding, the Accounts gave the total collections under the head of Assessed Taxes as amounting to ₹2,11,56,423. In the first year after the remission this amount fell to ₹1,82,19,976. But from the next year the amounts began to rise annually; in the year 1904-1905 it reached to ₹1,90,47,032, and for the current

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur.*]

year (1905-1906) it is estimated to come to ₹1,96,33,000. For the coming year it is estimated that this item of revenue will yield ₹2,01,48,000. A glance at these figures raises in one's mind a very strong suspicion that many persons who ought to have been exempted either have got no exemption at all, or that they are being re-assessed. The increase of more than 19 lakhs in the estimated income for the year 1905-1907 over that of 1903-1904 appears to be otherwise inexplicable.

“GRADE PROMOTIONS OF SUBORDINATE, JUDICIAL AND EXECUTIVE OFFICERS.

“There is one matter connected with the public services in India to which I beg to invite the special attention of Your Excellency's Government. Under Chapter VI of the Civil Service Regulations grade promotions are allowed to the members of the services enumerated therein, but the subordinate judicial and executive branches of the Provincial Service are excluded from that category; the result is that Munsifs and Subordinate Judges in the judicial branch, and Deputy Collectors, Sub-Deputy Collectors and Tahsildars in the executive branch, do not get any temporary grade promotions. These classes of public servants yield to none in their devotion to duty and the performance of the work entrusted to them. In fact, it is they on whom the great bulk of the executive and judicial work in the districts and the sub-divisions falls. The allotment of small sums to each of the provinces will suffice to cover the cost of giving temporary grade promotions to these hard-worked public servants. The bestowal of this privilege will be highly appreciated by them and will give them an incentive to work still better.

“APPOINTMENT OF INDIANS AS ASSISTANT ENGINEERS.

“There is another question relating to the public service in India to which I would draw Your Lordship's attention. It is the appointment of Assistant Engineers to the Indian Public Works Department made in England by the Secretary of State for India. Until recent years the door of competition for entrance into the Public Works Service of the Imperial branch was open to such Indians as had the means and the enterprise to compete for those appointments by entering the Royal Engineering College at Cooper's Hill. Lately the number of appointments open to Indians was limited to two. The notices issued by the Secretary of State during the last two years inviting applications from candidates for appointment as Assistant Engineers expressly excluded the Indians, but as the appointments advertised for were in addition to those to be made from the Royal Engineering College at Cooper's Hill, the appointments which were

[*Rai Sri Ram Bahadur.*] [28TH MARCH, 1906.]

open to Indians, as pointed out by the Hon'ble Sir Denzil Ibbetson during the Budget discussions last year, remained untouched. The Cooper's Hill College is going to be closed, I think, after this year: the Indian public are anxious to know what steps the Government is going to take in order that the appointments which can now be secured by Indians will remain open to them in future when the Cooper's Hill College ceases to exist.

“ACCOMMODATION FOR THIRD CLASS RAILWAY PASSENGERS.

“My Lord, there is one matter connected with the Railway administration to which the Indian public attach great importance, and therefore I consider it my duty to bring it to Your Lordship's notice. There has been a complaint now of long standing that the number of carriages for third class passengers is insufficient on almost all the railway lines, and falls much below the requirements of the constantly growing traffic. This drawback is most injuriously felt when there is a great pressure of third class traffic, specially on the occasion of great gatherings at the religious places. The inconvenience and discomfort to which third class passengers are put, and the great risk of falling victims to epidemic diseases which they incur because of the overcrowding in the carriages, and the long time they have to wait before they can find accommodation in a train, are matters which pass description. It is not an infrequent sight to find the passengers huddled together in trucks and waggons intended for carrying goods. These goods waggons have sometimes labels attached to them limiting the number of passengers to be accommodated in the hot and cold weather, but this injunction is more honoured in the breach than in the observance. My Lord, it is the third class passengers who contribute the large sums which go to swell the railway earnings in coaching traffic. They being voiceless cannot give utterance to their grievances; their case therefore deserves the greater attention. In order to remove their just grievances and to minimise their discomfort and inconvenience, it is necessary that the number of third class carriages on the principal lines should be largely increased. There can be no excuse now for not increasing the number of this class of carriages, as large yearly surpluses have been accruing to those railways, a portion of which can be applied to no better object than providing sufficient accommodation for the class of passengers who contribute so largely to their earnings.

“My Lord, before I conclude I beg to say a few words on the reduction of postage on letters. The time, in my opinion, has come when the minimum

[28TH MARCH, 1906.] [*Rai Sri Ram Bahadur ; the Maharaja of Darbhanga.*]

charge should be reduced from half-an-anna to one pice. The concession made to the public, by increasing the weight of letters to be carried for half-an-anna, is not of much benefit to them, as half-tola weight letter paper is used more generally than paper exceeding that weight. But by the reduction of postage from half-an-anna to one pice real benefit will be conferred on the public. Receipts of the Postal Department have been increasing steadily every year, and after deducting all expenses, large annual savings have been accruing to Government. In the Financial Secretary's Memorandum the increase for the year about to close is estimated at a little over 15 lakhs, and for the ensuing year it is anticipated to reach nearly 19 lakhs. No apprehension should be entertained of any ultimate loss of income from the concession. Past experience of the working of the Postal Department has shown that whenever any concession has been made the increase in the receipts has always exceeded the anticipated loss."

The Hon'ble THE MAHARAJA OF DARBHANGA said :—" My Lord, it has become the custom for unofficial Members of Council like myself to take advantage of the yearly discussions upon the Budget to lay before the Government of India their submissions upon questions of internal administration in which they feel themselves to be interested. In past years there have been occasions more than one in which it has been impossible to avoid controversy or, at all events, serious disagreement with the policy of Government. Today I am glad to recognise that we are meeting in an atmosphere of rest and calm. As the Secretary of State for India observed, in his suggestive speech in the House of Commons some weeks ago, the time has come to allow India to take breath : and we in Bengal at any rate are glad to think that in those words we have discovered the keynote of the policy which Your Excellency intends to pursue in internal affairs. But we are not without our hopes also of progress upon the lines of genuine sympathy and mutual trust which stand revealed by Your Excellency's public utterances. We are in no hurry. The bustle and excitement of the past seven years have cured even the most advanced of Indian reformers of any desire in that direction : but we are nevertheless full of anticipations. Year by year the educated class in India is growing : and while we take a pride in our connections with England, and are grateful for the privileges we enjoy, we are looking forward to the time when Mr. Morley's visions may be realised and when we may be more closely associated with the government of the country than we are at present. Personally all my instincts and all the instincts of the land-owning class to which I belong are against change ; but we

[*The Maharaja of Darbhanga.*] [28TH MARCH, 1906.]

like, my Lord, to feel that we are trusted by our rulers, and that our efforts to act as the mouthpiece of Government to the people are being appreciated.

"Your Excellency has already heard from many an authoritative source of the sincerity and the depth of loyal welcome which India has been proud to extend to Their Royal Highnesses the Prince and Princess of Wales. We in Bengal affirm that we yield to none in our affection for the Royal House ; and although Their Royal Highnesses were not able to extend their tour to any other portion of Bengal than the capital of the Province and of the Empire, they may rest assured that whether at Dacca or at Bankipore the manifestations of joy and respect would have been no less outspoken than they were in Calcutta. The memories of Their Royal Highnesses' visit will long be cherished in India, and the kind and sympathetic words which they have everywhere spoken in response to our greetings have sunk deeply in our hearts.

"I now venture, my Lord, to approach the consideration of two questions in which I confess I am greatly interested. The one relates to the separation of Executive and Judicial functions, the other to the development of Agriculture.

"I am glad to observe from the recent home telegrams that there is a possibility of some reduction being made in the Army expenditure—an economy which I am sure would be applauded by the whole country. If an expenditure of 15 millions was considered sufficient during the South African War, when Russia was in her full strength, there can surely be no sound reason why an expenditure of considerably over 20 millions should be necessary now when the power of Russia has been broken for years to come, and when we are further protected by '*ententes cordiale*' and the Japanese Alliance. What I ask is the use of alliances if we are not to take advantage of them? There is not the shadow of a doubt that 5 millions a year might safely be cut off the army expenditure for the next ten years, and if the 50 millions thus saved were sunk in developing the great resources of the country, we should at the end of that time have laid the foundations of a new India: and with our sinews of war thus strengthened we should thereafter be in a much better position to cope with Russia, should she have designs upon India in the future. On the other hand, if we sink our resources in militarism while Russia, which is sick of war, sinks hers in peaceful development, it may go very hard indeed with India should the shock of conflict ever come. Five million sterling a year represents a capital of one hundred and fifty million sterling. Just imagine for a moment what that would mean if applied for ten years to the development of the country.

[28TH MARCH, 1906.] [*The Maharaja of Darbhanga.*]

“Among the resources of the country which require developing, the great industry of agriculture stands pre-eminent. I am aware that Government intends spending at least 20 lakhs every year in the improvement of our great industry ; but unless the cultivators are placed in a position which will enable them to take advantage of the improvements which Government so generously offers, I am afraid that the money spent will be to a large extent wasted. As Mr. Moreland, Director of Agriculture for the United Provinces, remarked in his paper read at the Benares Industrial Conference :—

‘Quite apart from the advance that is to be hoped for from the applications of agricultural science to this great industry, the fact stands out that capital is the great need ; and so long as the cultivator cannot find money to realise his existing ideal, it is of little use to try and enlarge his ideal by the introduction of new elements that need still more money for their realisation. You are aware that the Government of India has decided to increase largely the expenditure on the Agricultural Department ; but this policy can meet with full success only if the supply of capital is organised at the same time.

“Here then is a further need for cheap capital, for much of the labours of the Agricultural Department will necessarily be wasted if capital is not forthcoming to enable the people to realise their results. So that the supply of cheap capital stands out clearly as the central factor in the problem of agricultural improvement at the present time.

“It would be beyond the scope of this brief paper to discuss in detail the methods by which capital can be brought within the cultivators’ reach, but a few governing conditions may be briefly stated.

“Firstly, the capital required by the individual cultivator is small ; but, secondly, the aggregate amount required is very great ; while, thirdly, the supply must be made promptly and on terms that the cultivator can accept. It follows that a very complex organization is required to control a large capital and distribute it in small sums among a great number of individuals with due regard to the character and competence of each. These conditions make it impossible for the need to be met by banks working on European lines ; and to my mind, at least, they make it equally impossible to rely on the action of Government agency. In a word, the necessary organization must be built up among the people who are to share its benefits.

“As you are aware, an attempt is now being made to create the beginnings of such a organization in India. The economic side of the co-operative movement will no doubt be dealt with fully by other speakers at this Conference : it suffices for my present purpose to point out that either this or some other equally effective form of organization is a necessary preliminary to any considerable improvement in the agriculture of the country—nay, more, it is necessary to prevent the progressive degradation of our greatest industry.’

“These, my Lord, are weighty words.

“ What I have to suggest, therefore, is that Government should tackle the great question of agricultural finance in a much bolder spirit than they have hitherto done. In the Co-operative Credit Societies Act an excellent measure was passed a couple of years ago, but I do not think that Government are backing it up as they ought to do. I am aware that a fair number of Societies have been started in various provinces ; but altogether the money turned over by them, so far as I can learn, amounts to only a few thousand rupees, and at the present rate of progress I am afraid that the end will not be reached this side of the millennium. Cultivators themselves have not the capital required to develop their holdings, and moneyed men are naturally chary of new ventures. But while, as Mr. Moreland says, it might be difficult for Government itself to directly finance the cultivators, can it not do something to encourage the moneyed men of the districts to venture a little in the way of financing the villagers ? I daresay, my Lord, some could be found who would be willing to risk their capital if they had some sort of Government guarantee behind them. With such help, small local banks might be formed which would finance the surrounding villages, or perhaps Government itself might deposit something experimentally in selected villages working under the Co-operative Act, without waiting for the people to first of all put down their money ; or Government might deposit in the village society one rupee for every rupee deposited by non-members. I merely throw out these suggestions for what they are worth. All I want is to impress upon Government the absolute necessity of tackling fearlessly this great problem, which is in reality the pivot on which all other problems turn. If the Imperial Government would give a few lakhs every year out of its surpluses to the Local Governments, to deal with as they may think best in developing a sound system of rural finance, it would be indeed surprising if great good to our Indian Empire did not result.

“ I now turn, my Lord, to the question of the separation of the Executive and Judicial functions. In my Budget Speech last year I ventured, my Lord, to touch upon this matter, which is regarded by a large and influential section in our community as a matter of the highest importance. What I said then I will, with Your Excellency's permission, repeat today. I ventured to remind Your Excellency's predecessor that the Government of India had since 1898 had before it a memorial signed by a number of distinguished Anglo-Indian officials, in which a prayer was made for the initiation of this reform and a number of weighty arguments advanced in its favour. So far as the public is aware, no reply has yet been given to that memorial. The reform is influentially advocated, and with it so acceptable to a large section of Indian public opinion

[28TH MARCH, 1906.] [*The Maharaja of Darbhanga.*]

that I trust I may be allowed to hope that Your Excellency may find the time to give the matter a favourable consideration. In the note of dissent which I appended to the report of the Indian Police Commission I took the liberty of indicating the methods in which, in my humble judgment, the reform can be carried out. It is proposed by no one that it shall be universally introduced throughout India, but we pray that its adoption may be sanctioned in certain carefully selected districts in more settled portions of Bengal, Madras and Bombay.

“Regarding the Calcutta Improvement Scheme, there is very little to be said this year. By next session we may look forward to have the matured proposals of Government before us, and I feel assured that the representatives of the various public bodies and associations will meet with every attention from Your Excellency.

“I have just one other matter to which I wish to refer.

“There was a question asked, my Lord, in the Bengal Council not long ago regarding the bunding of the open space of the Gorai River, which appears to me to open up a question of extreme public importance; and I should like to be allowed to dwell upon it for a moment. The extension of Railway enterprise in Bengal has undoubtedly been of great utility, and eloquent testimony of public appreciation is rendered by the large number of those who take advantage of the facilities afforded; but the fact remains that there is a strong body of opinion that an enormous silent mortality has been the result of rising enterprise in Bengal, beginning with the construction of the East Indian Railway to Burdwan in 1856. It is held that malaria has been intensified in almost every deltaic district traversed by railways by the restriction to drainage caused by the heavy embankments and the neglect from economical resources to provide sufficient waterways for flood water. When Your Excellency's illustrious grandfather was Governor General, Burdwan was a health resort for Calcutta folks. Why has it now gained an unenviable reputation in exactly the opposite direction? There was a time when roads were considered a superfluity in Bengal. It was upon one occasion placed upon record by the Hon'ble Court of Directors that the development of commerce in the province and the convenience of the people were amply provided for by the many waterways to be found in all directions throughout the year. I do not ask Your Excellency to aid us to revert to the primitive conditions of travel which that despatch reveals, nor am I asserting that there is nothing to be said by way of refutation of the popular views that the establishment of every railway in the deltaic districts means an increase of mortality from malaria. But there is no gainsaying the fact

that that is the popular view: and I venture to suggest to Your Excellency the appointment of an expert to investigate the matter and to report if anything can be done. There has been a tendency, which I take leave to deprecate, to reduce expenditure on bridges by narrowing waterways to the utmost limits: and in some cases this had the effect of destroying their efficacy as means of transportation. There is plenty of room in Bengal for raisings and waterways to exist side by side, and there are many districts in Bengal where small rivers are still the best substitute for feeder roads.

"I now turn, my Lord, to a consideration of the Budget Statement which has been placed before us by my Hon'ble friend Mr. Baker. In certain quarters I observe that it has not received a welcome which might be described as altogether friendly. It has been pointed out that Bengal's share in the distribution of the surplus has not been as adequate as the amount of her contributions to the public revenue entitles her to expect. I am free to confess, my Lord, that I should have been glad if the sums allotted to Bengal under the heads of relief to the agricultural tax-payer and of technical education had been larger. But I shall not upon that account forget to be grateful for what we in Bengal have managed to get: and, upon the whole, I think it may be said that the distribution of the surplus is such as to give general satisfaction. Three of the directions in which the surplus has been applied commend themselves to my humble judgment. The remission of the Patwari and Zamindari Dāk cesses is very welcome: and I venture to hold that the disappearance of these imposts will be viewed without regret by the Government no less by the individuals upon whom the burden of payment has fallen. The amount realized has never been large, and the difficulties of realization have been considerable. Again, in the direction of agricultural improvement, I am especially glad to see that it has been found possible to increase last year's grant by four lakhs. Nothing could be better, if I may say so: but I hope I shall not be deemed to be difficult to please if I repeat the note of regret which I sounded a moment ago, with respect to the disproportionate amount which has been allotted to Bengal, both as regards the grant for agricultural development and the grant for technical education. As regards the proposal to devote twenty-five lakhs for the purpose of police reform, I see that a Calcutta newspaper, whose comments are none the less valuable because of their independence of tone, remarks that Bengal asks for knowledge and is offered a policeman. And no doubt the people of the province would have been glad of a larger appropriation on account of education. But I am not myself sorry to see that the police are being given a turn. The reforms which have followed the report of the Police Commission do not run as fully upon the

[18TH MARCH, 1906.] [*The Maharaja of Darbhanga; Major General Scott.*]

lines of the popular demand as I and others desired ; but we are not insensible of the important advance which it is proposed to make, and I for one should strongly deprecate any attempt upon financial grounds to starve these much-needed reforms or to hinder them from attaining complete development.

“With these observations, my Lord, I shall ask leave to bring my remarks to a close. But I cannot conclude without offering my respectful congratulations to Your Excellency upon the handsome surplus with which Your Excellency's term of office is inaugurated. The circumstance is full of happy omen, and I venture to hope that every succeeding Budget will be as pleasing in its indications of prosperity and as gratifying in its disclosures as the present.

The Hon'ble MAJOR GENERAL SCOTT said :— “ My Lord, in reference to the Hon'ble Rai Sri Ram Bahadur's remarks on the non-purchase of socks of local manufacture, I should like to explain that it is the consistent policy of Government in the Military Supply Department to encourage in every possible way the local manufacture and supply of military stores. As an illustration of this I would refer to the recent expansion of our Ordnance Factories, by which last year a saving to the country of about 27 lakhs was effected after defraying all the expenses in connection with their maintenance. As a matter of fact, Government in the Military Supply Department is the largest Swadeshi institution in the country, and rightly so.

“ In regard to this question of socks, I wish to say that their local purchase was only discontinued in consequence of the serious complaints of their quality made by the troops who pay for the same out of their own pockets, and to the refusal of officers commanding regiments to take any more until the quality was improved. This resulted in a comparatively large stock being left on the hands of the Army Clothing Department which had to be disposed of at a loss. I can assure the Hon'ble Member that if Indian mills manufacture socks of a sufficiently good quality to satisfy the troops and at prices not higher than the imported article, the Army Clothing Department will place their orders with them.

“ There is only one other point in the Hon'ble Member's speech I should like to refer to, and it is that portion in which he speaks of the disastrous condition into which the artisan and industrial classes have fallen. I can only say that one of the great difficulties our Government factories have to contend with, and which I understand is shared by private industries, is that of obtaining skilled labour in sufficient quantity. In spite of the high wages prevailing, men are not forthcoming. I understand, however, that Government has appointed a commission to enquire into and report on the matter.”

The Hon'ble MR. HEWETT said :—" My Lord, the general results exhibited in the Financial Statement are very satisfactory from the point of view of the commerce of the country. The value of our trade for 1904-05 exceeded by more than 6 per cent. that of 1903-04, which was in turn 15 per cent. in excess of that of the previous year. In a period during which the seasons have been either bad or indifferent over wide tracts of country, it would not have been surprising had there been a serious decline in the aggregate value of our trade, which depends so much on their character and their effect on the agriculture of the country. It is satisfactory, then, to find that the returns of our trade for 1905-06 are higher than in any previous year except 1904-05. There has been a large falling-off in the imports of the precious and other metals, and a smaller decline in mineral oils, due, in the latter case, to the substitution of a local for an imported article ; but in other articles, especially piece-goods, cotton yarn and machinery, there has been a substantial advance. Although our Customs revenue is £39,100 below the estimate, it is still £358,600 more than it was two years ago. The decline in the export of wheat and seeds has been very great, but there has been a large increase in the amount of raw cotton, hides and raw jute exported, while the increase on the exports of cotton yarn, jute bags and cloth, and, to a lesser extent, of cotton piece-goods is also remarkable. The net result is that the falling-off in the total value of our exports has been insignificant. The enhanced income of our railways, the activity now being shown in the improvement of the different ports, and the increasing outturn of minerals, alike testify to the advance which is being made in the development of the resources of the country. The most satisfactory feature of the trade returns for the year is that the exports of manufactured articles, *i.e.*, cotton yarn, cotton goods and jute goods, are higher than they have ever been. The trade of India consists at present mainly of the exchange of natural products for artificial products of European manufacture. The manufactured goods which India obtains are necessarily, in the main, paid for by unmanufactured raw materials ; and the goods imported have often been worked up from the materials which she had exported in the raw state. These features represent a primitive stage in the system of international exchange which makes up the trade of the world. It is an assured fact that there is available in India the raw material requisite for almost every form of industry, and the idea that the country ought to be able to produce most of the manufactured articles which it requires is not one which its natural resources render utopian. People argue—and argue rightly—that these resources should be utilised for the benefit of India itself, and not for that of other countries. But when they go further, and contend

[28TH MARCH, 1906.]

[*Mr. Hewett.*]

that restrictions should be placed on the export of food-stuffs, they are advocating a policy which must have fatal results in a country that, whatever stage of development in industrial enterprise it may ultimately attain to, must ever remain essentially an agricultural one. The margin of profit on the export of produce such as wheat is close enough to make contraction of export certain whenever there is a serious rise in prices in India; and the fact that the exports fell in the famine year of 1900-01 to 50,000 tons, while they rose in 1904-05 to over 43 million tons, demonstrates both the extent of the fluctuations and the automatic character of the check on exports which the relative level of prices in India, as compared with that on the large wheat markets of the world, affords. In view of the operation of this compensatory and absolutely automatic adjustment, it is, I think, difficult for any one to contend that the payment of 1,760 lakhs of rupees for the wheat exported last year did not benefit the cultivator, the buyer, and the taxpayer in India alike.

“ When the question of the manner in which our resources should be developed comes to be considered, opinion as to the lines on which we should proceed is not unanimous. Some argue that what is required for the industrial development of the country is the revival of the indigenous arts and manufactures of India, and reason that Indians have not the capital nor the requisite knowledge and experience to carry on successfully industries imported from Europe. There will be general sympathy with the advocates of the resuscitation of the ancient arts and industries of India, even though one may feel convinced that by this line of development alone India will never take the place in the commerce of the world to which her natural resources entitle her. But those who take the extreme view, to which I have just referred, seem to attribute to the people on whose behalf they speak a want of the qualities of self-help and self-reliance which I should be sorry to think had real existence. The decline of indigenous industries before the competition of the manufactures of Europe has been mainly due to the conditions under which they are carried on. They are on too small a scale to be commercially successful; little capital is employed, and the methods used are antiquated and unscientific. The revival of indigenous industries to the stage of prosperity which they reached, individually, in their palmiest days, would only aid in a very partial and incomplete manner the industrial development of a country the conditions of which have necessarily undergone a radical change since she was brought into intimate communication with the other nations of the world. The Government of India are, however, in full sympathy with those who are endeavouring to improve the state in which our indigenous industries are at present. Much information bearing on this subject has been collected in the Census Reports, and in Monographs which have been prepared on the different industries; but the material

is scattered, there is no co-ordination of results, the subject is in general treated from the artistic point of view, rather than from a business standpoint, and the information is in many cases neither sufficiently detailed nor sufficiently exact to be of much practical use. The Madras Government have recently taken the lead in establishing what is practically a Government agency for the fostering and improving of Indian industries. The success which has been attained in developing the aluminium industry and the chrome leather industry by Mr. Chatterton is a good augury for further developments in the improvement of industries in the south of India. We hope that other Local Governments will now make a survey of the state of indigenous industries within the areas of their jurisdiction, with a view to ascertaining the exact state of the various industries and handicrafts, the amount of the earnings and the present condition of the artisans respectively employed in them, the precise manner in which the different industries have been affected by competition with imported articles, the practicability of creating new markets, or of developing markets which already exist, and the possibility of giving a new lease of life to these industries either by means of special instruction, or by the improvement of the appliances in use. It is not too much to hope that something tangible may be done to improve their efficiency and increase their scope by reorganizing them on modern lines. But while the Government of India sympathise with those who advocate the revival and improvement of indigenous industries in the country, they feel assured that the welfare and prosperity of India in its present stage of development cannot be secured by this means alone, and that the main line of its industrial progress must be the promotion and development of its industries and manufactures in accordance with the scientific methods and experience of Europe. They find themselves in complete agreement with the view expressed by His Highness the Gaekwar of Baroda at the Industrial Exhibition held at Ahmedabad in 1902, that those who are anxious for the development of the country should devote their attention more to the establishment of the larger industries involving an extensive use of machinery, since it is upon this that the increase of the wealth of the country must mainly depend. Development on these lines is also a matter of the highest importance from the point of view of our increasing population. Although our railways find employment for some 400,000 Indians, our jute and cotton mills for about 330,000, the tea industry for 660,000 and the coal mines for 1100,000, the aggregate number of those employed in the more modern forms of industrial enterprises is as yet but an insignificant fraction of the total population of the country. The Hon'ble Mr. Sri Ram has, however, in my judgment, very seriously overstated the case in describing

[28TH MARCH, 1906.]

[*Mr. Hewett.*]

the labouring classes as being in a chronic state of poverty hardly raised above the point of starvation. The information before the Government is that the demand for labour, and for well paid labour, is much in excess of the numbers ready to resort to it. I can corroborate what the Hon'ble Major General Scott has said about the difficulty of obtaining labour, for everywhere the cry is for more labourers: more are required on railways, irrigation works, docks, mineral enterprises, especially mining for coal and manganese, cotton mills, jute mills, and in fact for practically every form of enterprise in the country. The Hon'ble Member is perhaps aware that during the past year we have had to make special inquiries as to the shortness of labour for industrial concerns in the United Provinces and Bengal. The avenues of employment are not few, but the difficulty of inducing people to enter them is immense. It will appear remarkable that this should be the case when Oudh has a population of nearly 550 to the square mile, while many individual districts in the United Provinces and Bengal are still more seriously congested. The fact is that the Indian labourer is still essentially an agriculturist: his heart is in the village, not in the factory or the mine; and his reluctance to leave his home often proves too inveterate to allow him to go away to seek his fortune elsewhere. The diversion of a substantial proportion of the population from agricultural to industrial pursuits is still an ideal the realisation of which cannot be looked for in the near future; but it is in this process that the salvation of the country must lie. There is this much cause for congratulation, that, small though it be at present, the industrial population of the country has rapidly increased during the past decade, and with increased openings for employment, and a change in the attitude of the labouring population, it may be hoped that it will increase much more rapidly in the next.

“Some contend that the revival of Indian industries, and the establishment of industries worked on European methods but with Indian capital, must necessarily involve some displacement of British industry and British capital. There is no foundation for this contention. India is in need of as much capital as is likely to be furnished for her development, whether it comes from within her own boundaries or is introduced from other countries; but no one who has her welfare at heart can look round with feelings other than of regret and see that the Indian community have hitherto, speaking generally, not shown any alacrity to put their capital into manufacturing enterprises, even when their soundness and productiveness have been practically demonstrated. There is no lack of capital in the country for immediate requirements, and in this connection it may be mentioned, as a striking fact, that in the past five years India has absorbed no

less than 50 million pounds worth of the precious metals. But the capital which exists is frequently not available; it is scattered and disorganized; and it is largely employed in traditional methods and for unproductive purposes. The first requirement necessary for the material advancement of the country is the development of a more liberal spirit among the people themselves, and the inauguration of a system for the active utilisation of any idle capital they may have. The Government of India welcome the awakening of interest in this very important question which was evident in the discussions at the recent Industrial Conference at Benares.

“ It is the fashion sometimes to place the blame for the present state of affairs on the Government for not having provided the necessary opportunities in the way of technical education. The difficulty, however, has been not so much that there has been no opportunity for obtaining education of a technical character, as that students were, in the absence of industries in which they could obtain employment, ready enough to attend technical institutions and to enjoy scholarships there, but preferred careers other than industrial ones so soon as their school days were over. It is to be hoped that this reproach will cease to be deserved. We now have students holding Government scholarships in mining, geology, agriculture and textile industries at institutions in Europe and elsewhere, and we are allotting 2½ lakhs in the coming and successive years to certain Local Governments for expenditure on technical education, in the manner described in the Financial Statement. There is, I venture to think, no question that the provision which the State has made for instruction of a practical character is at least equal to, if it is not in advance of, the demand that exists for it.

“ With reference to what I have previously said upon the desirability of encouraging local industries on European methods, I may mention that the most important matter which the Commerce and Industry Department has recently had to consider is that of the establishment of an iron and steel industry on a scientific basis. The scheme owes its inception to the far-sighted views of the late Mr. J. N. Tata, who was undoubtedly the pioneer among Indians in the scientific organisation of industries, and whose name will be associated for all time with the establishment of the Tata Institute for research. The Government of India have taken the liveliest interest in the late Mr. Tata's project, and they have determined to encourage it by making certain concessions which were asked for by Messrs. Tata and Sons. It is proposed to locate the works at Sini on the Bengal-Nagpur Railway, and to bring the iron ore from a hill situated some fifty miles from the railway in the Mourbhanj State. The Government have agreed to construct a railway from

[28TH MARCH, 1906.]

[Mr. Hewitt.]

the hill to the main line; they have arranged with the Bengal-Nagpur Railway that the freight on raw materials required for the works shall be reduced to one-fifteenth of a pie per maund, and that this rate shall also apply in the case of the manufactured products sent to Calcutta for export. They have also engaged to take, for a term of ten years, 20,000 tons of steel rails each year, provided that they are rolled to the required standard and supplied at a cost not exceeding that which would be incurred in importing rails of the same quality. The Government of India have every hope that this venture will result in success, and though they have limited their custom to a term of ten years in the first instance, this indicates no intention on their part of abandoning the purchase of rails at the conclusion of this period, provided that the conditions as regards quality and price are fulfilled. They have also no doubt that, if steel rails and other articles of good quality are rolled at the works, the demand for them will be great not only among the Departments of Government, but also among the railway companies and the public generally. The establishment of an iron and steel industry on a large scale will not only enable the Government and the public to purchase many steel articles of local manufacture which are now imported, but will also help to develop subsidiary industries, particularly those for the production of coal-tar and sulphate of ammonia, for both of which a ready market can be found in India. I think I may claim that the Government have, in the assistance they have promised to give to this very important project, given a practical proof of their desire to encourage local enterprise; and I may also point to the recent Resolution issued on the appointment of the Stores Committee as evidence of our wish to give every encouragement to products of local manufacture. We have expressed our recognition of the fact that local industries must frequently lean, to some extent, in the first instance, on the support of Government, and it is our intention to insist that whenever an article required by Government can be produced in this country of the same quality and at the same price as the imported article can be laid down in India the preference shall be given to the locally produced article.

“ I have mentioned, my Lord, the activity now being shown in the development of our more important ports. The statistics showing the volume of traffic demonstrate, in a striking manner, the rapid expansion of the trade of the country. The value of the goods passing through the ports of Calcutta, Bombay, Rangoon, and Karachi has increased by 37, 17, 75, and 152 *per cent.* respectively during the past decade (1895-96—1904-05), while the tonnage of the vessels entered at these ports has increased, during this period, by 86, 40, 82, and 128 *per cent.* The

Local Governments, and the port authorities, are fully aware of the importance of anticipating the probable requirements of trade ; at Bombay a comprehensive scheme for the improvement of the port has been prepared, and is now being carried out ; the Port Commissioners of Karachi have also taken up the question of the arrangements to be made in order to enable them to cope with the large and increasing traffic which the success of the Punjab Canal Colonies has brought to that port ; and similar activity has been displayed at Rangoon, where various projects, forming part of a general scheme for the improvement of the port, have already been carried out. Complaints have recently been made as to the inadequacy of the present arrangements at Calcutta ; and doubts have been expressed as to whether the Port Commissioners fully appreciate the necessity for providing facilities adequate to the demands which will certainly be made upon their resources in the near future. These doubts are not indeed shared by the Chamber of Commerce ; and I have no reason to believe that they are in fact well founded. But, in view of the great importance of the subject, we have invited the attention of the Government of Bengal to the matter, and have suggested that the Commissioners should be called upon to prepare a scheme for the improvement of the port, calculated to provide adequately for the probable development of trade over a reasonably long period.

“ Since the Department was constituted in March last, India has entered into, or adhered to, several important commercial Conventions. As a result of repeated representations, the Government of Japan has concluded a Convention with this country, securing reciprocal most-favoured-nation treatment. It was found that, under the general tariff, Indian indigo entering Japan was subject to a rate of duty which still further increased the differential advantage already enjoyed in that country by the synthetic dye ; and it became clear that the Japanese market would soon be entirely lost to India unless some reduction in this excessive tariff rate could be obtained. This was secured under the Convention, but further efforts which were made to obtain for Indian indigo additional advantages, with the object of placing it in a stronger position to meet the ever-increasing competition of the artificial dye, have proved infructuous. In view of the widely varying duties leviable under the Japanese general and convention tariffs, the conclusion of the Convention will, it is anticipated, prove of considerable value in fostering trade between India and Japan. In the case of the Bulgarian treaty also, certain important concessions were obtained in the course of the negotiations. Jute sacks intended for the export of cereals will be admitted into Bulgaria free of duty, the duties on rice and jute fabrics have been reduced to approximately half the rates which were at first suggested, and

[28TH MARCH, 1906.]

[Mr. Hewitt.]

the tariff for cotton yarns has been considerably reduced. The Treaty secures reciprocal most-favoured-nation treatment. India has adhered to the commercial treaty concluded between the United Kingdom and Switzerland, and in that case also substantial concessions were obtained during the course of the discussions. The rate of duty finally adopted for cleaned rice is half that originally proposed; and the tariff on indigo has also been reduced by half, although our request for a fiscal discrimination between the natural and the artificial dye was rejected.

“ Last year, I explained the genesis of the proposal to create an Imperial Customs Service for India, which will be entrusted with the administration of the customs at all the more important ports. Owing to the necessity for a further reference to the Secretary of State regarding certain minor points, the inauguration of the new Service was considerably delayed; but all preliminaries have now been settled, and members of the new Service have already been appointed to the ports of Calcutta, Bombay and Rangoon. Save in the case of a limited number of appointments, the scheme can only be brought into operation as vacancies occur in the existing establishment; but the nucleus of the new Service has now been formed, and we are confident that it will do much to facilitate business, to introduce uniformity of practice at the various ports, and to place the administration of the customs upon a satisfactory and consistent basis.

“ The concessions that have been made since the last Financial Statement was presented, with the object of improving facilities in postal and telegraphic business, have been appreciated by the public. The result of the various reductions made in postal charges has been that the normal annual increase of revenue has been swallowed up by the cost of the concessions made. As I stated last year, the increase of the weight to be carried for half-an-anna from $\frac{1}{2}$ to $\frac{3}{4}$ tola was regarded by the Government of India as a step towards the ultimate raising of the weight to be carried for half-an-anna to 1 tola, and of that to be carried for one anna from $1\frac{1}{2}$ to 2 tolas. I am able to say that, should the revenue from the Post Office increase during the coming year in the same ratio as it has in recent years, and should the financial position remain otherwise satisfactory, we hope to recommend to the Secretary of State that this reform, which will, it is estimated, cost between 13 and 14 lakhs of rupees, may be carried into effect in the financial year 1907-1908. It is not, I am afraid, possible to hold out any hope that the further reduction suggested by the Hon'ble Mr. Sri Ram can be carried out. The present half-anna rate of letter postage is one of the lowest in the world, and its existence has necessitated the adoption of a quarter-anna rate of postage for postcards, which is actually the lowest in the

world. It may be necessary to consider whether in reviewing the net financial results in future we should not combine the results of both the Postal and Telegraph Departments, but this is a matter which has not been so far investigated. Sir Arthur Fanshawe, who has presided over the Postal Department for 17 years, is about to sever his connection with the post of Director-General. There is no branch of the Department on which he will not leave the impress of his zeal and ability, and I gladly take this opportunity of saying that his services are much appreciated by the Government of India, as they are also, the Government believe, by the public generally.

“The reductions in the cost of internal telegraphic messages have resulted in a large increase in the traffic. During the period from 1st July to 31st December the number of four-anna private telegrams increased by 65 per cent., while the percentage of telegrams of this class to the total number of deferred telegrams increased during the same period from 33 to 46 per cent. These figures afford eloquent testimony to the popularity of our cheap telegrams. The reduction effected from 1st August last in the cost of ordinary telegrams between India and Europe from 2s. 6d. to 2 shillings a word has not so far resulted in a material increase in the traffic; but traffic will doubtless respond in time to the reduction. The Press rate, in spite of the efforts of the Government of India to secure its reduction to eight pence, remains at a shilling a word, and I am afraid that no hopes can be held out that the companies will, for the present grant any further reduction.

“The question whether the Postal and Telegraph Departments should be amalgamated has for some time been under the consideration of the Government of India. Amalgamation in some form or another has been carried out in a large number of the States of Europe. We have had the conditions under which these Departments are administered in the more important of these States examined by an officer deputed to Europe for the purpose. He has obtained much useful information, which has received our earnest attention. We are of opinion that amalgamation can only be justified if it can be shown that it will result in a financial saving without loss of efficiency or will secure increased efficiency with a similar standard of expenditure. The enquiries which have been made tend to show that some economy must result if both Departments be brought under one Director General and if an arrangement be made under which the management of traffic would be entrusted to one set of officials, while the management of the scientific and technical work of the Department would be under the control of another set of officials, namely, the engineers. In determining whether the change would tend to increased efficiency there is

[25TH MARCH, 1906.]

[Mr. Hewett.]

more than one aspect of the question which requires the most careful consideration. At the present time the organization of the two Departments is entirely different, and it would be absolutely impossible to amalgamate them without a radical change in the Telegraph Department. Moreover, the conditions in this country differ from those in most countries in Europe in which amalgamation has been effected: the operations of both Departments are conducted over vast areas, a circumstance which in itself furnishes an argument against too great centralization of authority; while the work of the Director General of the Post Office in India is already of a most exhausting character, and tends year by year to increase. I have great doubts as to whether it would be possible to impose upon that officer the duty of supervising the Telegraph Department, even in a general way, in addition to the work of his own special Department. Another obstacle to amalgamation seems to be that, in a country where the rank and file of both the Postal and Telegraph Departments are imperfectly educated, and where the development of both Departments on independent lines has already proceeded for so many years, the dislocation which would at first result from a change would be far greater than that experienced in the majority of European countries. It seems then very doubtful whether the amalgamation of the two Departments would under the circumstances be a measure of practical reform. Since they have been placed under the same Department of the Government of India, considerable progress in the work of co-ordination between them has been effected. This process will, we hope, continue, and, so far as one is able to judge at the present stage, it will be in this direction, and by steadily enforcing the principle that post and telegraph offices should be combined, wherever possible, that the development of the two services will proceed. Our enquiries have, however, led us to the opinion that an internal reorganization of the Telegraph Department may be desirable in order to relieve the Director General of the mass of details with which he is at present burdened, by entrusting greater responsibility to the intermediate officers. The former will, if such a scheme can be devised, be in a position to devote more time to the more serious problems of administration, while the devolution of authority will enable the latter to deal more efficiently and more promptly with the complaints and representations of the public.

“The memorandum by the Railway Board attached to the Financial Statement gives in a small compass the most important facts connected with our programme of railway administration for the coming year. Last year the allotment of 1,250 lakhs for the railway programme marked a material advance in the allotment of funds for the improvement and extension of our railway.

system. The sum allotted during the coming year amounts to 1,500 lakhs. Of this sum 891 lakhs are allotted to open lines, 539 lakhs to lines already under construction, and 70 lakhs to lines which are to be commenced during the year. The table on page 1 of the Railway Board's memorandum is instructive. Our annual expenditure on the Railway programme has risen in five years by over 66 per cent., and the expenditure which we propose on open lines in the coming year is more than the total expenditure on all lines in 1901-02, and about 150 per cent. higher than the expenditure on open lines in that year. With the remarkable development of the internal resources of the country that has taken place in the last few years, the claims of the open lines for improvement, and especially for the addition of rolling stock, have become more and more urgent. I trust that the Hon'ble Mr. Apcar will be satisfied that the Government has not ignored the need for increasing the rolling stock when I assure him that it has in the past five years devoted about 12 crores to this object. The Railway Board have noticed how the equipment of a railway company with rolling-stock adequate to meet all traffic demands at all times is inconsistent with its management on commercial principles. But there is no doubt, on the other hand, that the Board are right in their opinion that the standard of rolling-stock on Indian railways generally is below what the trade of the country demands. The Railway Board and the Government of India will do all they can with the resources at their command to remedy this defect, but it has to be remembered that the amount of capital that can be provided for the improvement of our railway system is not unlimited, and that the process of increasing the rolling stock must necessarily be more gradual than we could wish.

* "The public will read with interest the Railway Board's remarks regarding the conditions under which third class passengers travel. In the last twenty years the number of third class passengers travelling during the year has risen from about 70 millions to over 200 millions. This section of the travelling public is out of all proportion the most profitable to the railways. The Government of India, as stated during the discussion of the last Financial Statement, attach great importance to the improvement of the arrangements made for their comfort on the railways, and it is gratifying to learn that this matter is now receiving the earnest attention of the railway administrations. It must, however, be apparent to any traveller that the arrangements for the comfort and convenience of the third class passenger are still very often far from what they should be, and the need for further improvement will continue to be pressed by the Railway Board and the Government.

[28TH MARCH, 1906.]

[*Mr. Hewett.*]

"I should like, my Lord, to say a few words on one or two matters connected with railway administration which are of special interest to the mercantile community. They are:—the uniform classification of goods and the simplification of railway tariffs; the question of minima rates; that of a more simple procedure than is provided by the Indian Railways Act for the settlement of disputes between the public and the administrations; and the terms of the risk note to be used on our railways.

"The existing system, under which each railway has its separate classification of goods, often of too elaborate a character, and a separate scale of rates on the portion of its journey for which a consignment has to proceed over its own line, leads to uncertainty on the part of the public and great waste of time, and tends to hamper trade. The Indian Railway Conference Association have appointed a Committee to consider the lines on which change should proceed, and it is to be hoped that they will be able to devise a workable scheme for the simplification of the goods tariff, a reform which is, in the opinion alike of the public and the Government, a crying need. The matter is one requiring a considerable examination of details, and will of necessity occupy some time before completion.

"Where powers have been reserved to the State under the contracts with the different Railway Companies, certain maxima and minima rates have been fixed, each railway being free to vary its rates within these limits. The imposition of minima rates was necessary to prevent guaranteed companies from arranging their freights without regard to the interests of the State which guarantees them interest, and which has the largest stake in the undertakings, and the abolition of a minimum would unquestionably lead to internecine competition such as led to disastrous results in America and caused serious complications in Great Britain. Permission has recently been sought by the East Indian Railway to reduce the rates in force on its system below the fixed minima on the ground that its natural advantages enable it to carry long distance traffic at rates which are below the minima and below those which would pay other companies. This representation has received the support of the Bengal Chamber of Commerce and other mercantile opinion in Calcutta. It has been urged in favour of the proposal that freight charges should bear some relation to the cost of working of each railway system. It has also been contended that the present system leads to the deflection to the Western ports of both import and export trade from the port of Calcutta, the natural advantages of which entitle it, it is urged, to cheap inland transport. It is stated that the maintenance or reduction of the present rates of freight on wheat and seeds might be the factor

to determine whether India or some other country should supply the markets in which she has to compete with foreign countries. On the other hand, the mercantile community of Western India contend that while the reduction of minima rates generally is a measure which should be supported, it would not be fair to allow one railway to have lower minima rates than another.

- 4 It will be understood that the proposal before Government does not provide for any general lowering of rates on the East Indian system. Reductions are contemplated only at the competitive points, and with the avowed object of taking traffic away from other lines, and it cannot be presumed that the result of these operations would have any stimulating effect on the total production of the competitive zone inasmuch as no proof has been afforded that the diversion of trade to Calcutta would cheapen the total cost of transport to the markets of the world. The proposition that each railway system should be allowed to carry traffic at rates consistent with a fair return on its capital, and no more, is, at first sight, reasonable; but the principle on which it is based could not be carried out in practice. The receipts of individual railway systems vary much from year to year according to the character of the seasons and the briskness of particular branches of trade. It would therefore be quite impracticable to fix, except
- 5 for the very shortest periods, rates of freight based on the principle that freights must be adjusted so as to secure an approximately even return on capital, and any attempt in this direction must result in an infraction of the generally accepted proposition that rates should be kept as steady as possible. Moreover, the State is responsible that the railway systems, in which the Indian taxpayer is either immediately or prospectively interested to the extent of some 250 million pounds, are worked so as to secure a reasonable return on the total capital invested in them. The reduction of the minima rates on the East Indian Railway alone would involve the transfer to that line, at the expense of other lines, of traffic which would be conveyed at a lower cost, and a consequent reduction of the general income of our railway systems without a demonstrable increase of the general volume of our internal trade. Nor can the argument, that the reduction of railway freights would lead to Indian produce being landed cheaper in markets in which India has to meet foreign countries in competition, be legitimately advanced in favour of the reduction of rates on the East Indian Railway alone in order to benefit only one of our ports. These reasons are, in the opinion of the Government of India, convincing against the proposal of the East Indian Railway Company that it should be allowed to reduce its minima rates below those to be enforced on other railway systems.

“ It will be remembered that in September last the minima rates at which coal can be carried over distances beyond a certain length were reduced.

[28TH MARCH, 1906.]

[*Mr. Hewett.*]

The East Indian Railway has not as yet availed itself of the opportunity of reducing its rates for the carriage of coal to the minima rates then brought into force and is, it is understood, unwilling to do so until the grand chord line is opened; nor is its traffic generally carried at the lowest rates already permitted. One may fairly infer from these facts that that Company agrees with the Bengal Chamber of Commerce in holding that a general reduction of minima rates is undesirable, although a good deal of support might be found for this measure on the ground that it may be expected to lead to the expansion of trade and also to the reduction of the price of Indian produce in the markets of the world. This question is, however, a large one which cannot be determined without detailed enquiry as to the manner in which the present minima rates operate and the effect that a reduction would be likely to produce upon the returns from our railway systems. That inquiry the Government of India will now direct the Railway Board to undertake.

“Our present Railway Act contains provision for the determination of differences regarding through rates and traffic facilities generally by the appointment of Railway Commissions. Complaints have been made that the process prescribed by the Act is an expensive one, and that it does not give authority to all persons interested to make applications for the appointment of a Railway Commission. Support is given to these complaints by the fact that no such Commission has been appointed during the fifteen years for which the law has been in force. The matter has recently been under the consideration of the Government of India, who now propose to recommend to the Secretary of State that the law should be amended so as to give to the Railway Board powers corresponding to those exercised by the Board of Trade under the Railway and Canal Traffic Acts in force in Great Britain, and to confer on individuals and public and commercial bodies the right to seek the assistance of the Railway Board and Railway Commissions in questions relating to traffic. The results of the proceedings of the Railway Board will be recorded for the information of the Government of India, but, like the Board of Trade, they will have power to act as a Board of Conciliation only. The only final and binding award will still be, as in England, that of a Railway Commission, to which, however, no one will be entitled to apply for a through rate until he has first made a complaint to the Board and the Board have disposed of it. The Government of India trust that the exercise of these powers of conciliation by the Railway Board will result in a great portion of the disputes as regards through rates and unfair treatment being amicably settled.

“In his Report on Indian Railways Mr. Robertson observed that the conditions hitherto attached to the risk notes in use on Indian railways are of a

[*Mr. Hewett; Sir Denzil Ibbetson.*]

very onerous nature. In the first place, railways are exempted from all liability as regards loss or damage to the property while in transit which they could not have prevented with due care; and, in the second, they are not held responsible for the wilful acts of their servants. Now there can be no question that the present form of risk note is irksome, not only to the mercantile community, but also to all classes of the public; and the question of amending it has been for some time before the Railway Board and the Government. Under the Railway Act the risk note in use on a railway administration has to be in a form approved by the Government of India, but we are advised by our legal advisers that the law does not empower us to prescribe a form of risk note which the railway companies would be bound to accept. The Railway Board do not consider that it is possible to obtain acceptance by the railways of a form of risk note of a more liberal character than that adopted by the Railway Conference of 1904 which, though an improvement on the present form, still gives special protection to the railways, except for the loss of a complete consignment, or of one or more complete packages of a consignment, due to the wilful neglect of the railway administration. To my mind this is an unsatisfactory conclusion, but in the present state of the law it is impossible to arrive at any other. I can only hope that further consideration of the matter by the railway companies will lead to a proposal to assimilate their risk notes more closely to those in force in England. I am led to believe that this hope may not be vain by the facts that at the Railway Conference of 1904 there was a strong minority of representatives of the various Railway Companies in favour of a more liberal form of risk note, and that when a Resolution to this effect was proposed at the Conference of the Indian and Ceylon Chambers of Commerce held in Calcutta last year it was not opposed by the Agents of the three lines which centre in Calcutta, all of whom were present at the meeting.

“The Hon'ble Sir Denzil Ibbetson will, I believe, make some remarks upon inland navigation, to which the Hon'ble the Maharaja of Darbhanga has referred, and all that I need say upon this subject is that the Railway Board recognize no antagonism between railways and our splendid inland waterways, and that the Commerce and Industry Department, like the mercantile community, regards the improvement and development of the latter as of very material importance to the interests of commerce.”

The Hon'ble SIR DENZIL IBBETSON said:—“My Lord, in placing the Financial Statement before the Council last Wednesday, my Hon'ble Colleague in charge of the Finance Department alluded very briefly to the climatic conditions which have led to a reduction of over 50 lakhs in

[28TH MARCH, 1905.] [*Sir Denzil Ibbetson.*]

the Land Revenue entries in the Budget of the current year, to an allowance for suspensions and remissions of land revenue during that and the coming year amounting, in two provinces alone, to nearly $2\frac{1}{2}$ crores, and to the provision, during the same two years, of over a crore for expenditure upon famine relief. The distress from which parts of India are now suffering is, I am glad to say, not comparable, either in dimensions or in intensity, with that which prevailed in 1896-97 or in 1899-1900; and it has not been thought necessary, as on those occasions, to make a separate Famine Statement in Council; but I propose to preface my remarks today by a brief account of the position as it now stands, and of the prospects for the approaching season.

“ The shortage of crops in certain parts of India has led to a general rise of prices which, even where the harvests have been fairly good, has caused some hardship to the poorer classes. But the areas in which serious distress exists are at present confined to two tracts; the first lying immediately to the south-west of a line drawn from Amballa to Allahabad, and embracing the south-eastern districts of the Punjab, the south-western districts of the United Provinces, and the northern States of Rajputana and Central India; and the second comprising the Deccan and Karnatak districts of Bombay.

“ Although five of the Punjab districts have suffered from a failure of the rainfall of last monsoon and from the delay in the arrival of the usual cold weather rains, the ample rain that fell in February has so relieved the situation that famine relief is required in one district only, where an area of 930 square miles with a population of 320,000 is affected, and there are now some 10,000 persons on relief. It is not expected that relief works will be required in any other district of the Punjab, but in all the five south-eastern districts liberal suspensions of revenue amounting to 14 lakhs of rupees have already been granted, and it is anticipated that further suspensions of some 10 lakhs will be required. Arrangements are also being made to grant advances aggregating about 4 lakhs of rupees.

“ The United Provinces had already suffered severely from the unprecedented frosts of last February, which destroyed the hopes of a bumper harvest throughout a great portion of the Province. This led to a serious rise in prices, but the distress was sufficiently met by very liberal remissions of the rabi land revenue, amounting to $37\frac{1}{2}$ lakhs of rupees. The frost, however, was followed by a serious deficiency in the monsoon rainfall in Bundelkhand and parts of the Agra Division, where the kharif crop on unirrigated land was a virtual

failure. In these areas the cold weather rains have also been unfavourable and the unirrigated rabi crop very poor. It has therefore become necessary to declare that famine conditions exist in the whole of four districts and in portions of three others, comprising in all an area of nearly 10,000 square miles with a population of over 3 millions. In the affected districts 10 lakhs of rupees of the kharif demand have been suspended or remitted, and advances to the amount of nearly 7 lakhs have been made. Relief operations have been started, and there are now 160,000 persons on relief in the United Provinces. Notwithstanding the favourable rains of February, which have materially relieved the situation throughout the greater part of the province and have already led to a fall in prices, it will be necessary to grant liberal suspensions of land revenue in the rabi instalment, and preparations are being made for large advances on the approach of the monsoon.

“In the northern and eastern states of Rajputana and the British districts of Ajmer-Merwara that lie within them, the drought has been more severe. The whole area of Ajmer-Merwara, with a population of nearly half a million, has been suffering from famine for some months past. The outturn of the kharif harvest was exceedingly poor, while the cold weather rainfall has been much less favourable than in the Punjab and the United Provinces. Preparations to meet the distress were made in good time. Liberal suspensions were granted of the demand of last rabi, which also was a poor harvest in these districts, and two-thirds of the land revenue demand for the kharif has been suspended or remitted. Takavi advances to the amount of nearly a lakh and a half have been made and relief works have been opened on a liberal scale. According to the latest returns there were 56,000 persons on relief of all kinds, amounting to about an eighth of the population. In ten of the neighbouring States of Rajputana, famine conditions prevail in greater or less intensity over an area aggregating 34,000 square miles with a population of 5 millions; and although, in accordance with Rajputana custom, large numbers of the people have temporarily left their homes, and taken their cattle to Sind and Malwa and other districts where water and fodder are to be found, it has been necessary to undertake relief measures in most of these States and there are now 48,000 persons on relief. Much assistance has been derived from the construction of the Nagda-Muttra Railway, which passes through several of the distressed states, and where necessary loans of money and the services of officers have been granted by the Government of India to the Durbars. In the northern States of Central India also famine conditions prevail, the area affected being estimated at 18,000 square miles with a population of 2½ millions. Here, too, the rainfall of the monsoon was very deficient and the winter rains have been poor, so that the loss

[28TH MARCH, 1906.] [Sir Denzil Ibbetson.]

in both the kharif and rabi harvests is very serious. The Chiefs of the affected States have granted liberal suspensions and remissions amounting to some 32 lakhs of rupees ; where necessary famine works have been opened ; and 80,000 persons are now on relief.

“ The affected area in Bombay comprises, either in whole or in part, eight districts in the Deccan and Karnatak which aggregate 25,000 square miles with a population of 4 millions. In the tracts which are most affected the rainfall of last monsoon was very deficient and badly distributed, and the outturn both of the kharif and of the rabi crops much below the normal. Prices have therefore risen to double the ordinary rates ; but fortunately the occurrence of fair harvests in parts of the territories of His Highness the Nizam, in the Berars, and in Khandesh where the cotton crop was particularly good, has afforded employment to large numbers who have left their homes in search of work, while the prosperity of the textile industry in Bombay has further provided an unusual amount of employment in the mills ; and it is roughly estimated that from 150,000 to 200,000 people have left the distressed districts and found employment elsewhere, so that notwithstanding the failure of the crops and the rise in prices, there has been little demand for relief work at famine wages and only some 40,000 people are at present on relief. The Bombay Government have met the scarcity by very liberal suspensions and remissions of land revenue amounting to 65 lakhs of rupees, or half the total demand. They have also suspended about 30 lakhs of arrears of land revenue and 26 lakhs of takavi, and have made liberal advances amounting to over 20 lakhs of rupees to enable the people to deepen their existing wells, to dig new ones, to make other small improvements, and to purchase fodder for their cattle.

“ A small area in the extreme west of the Kathiawar Peninsula belonging to the Baroda State with a population of 70,000 is also suffering, and here too liberal suspensions of land revenue and advances of takavi have been made and some 3,000 persons are on relief. Some portions of the Hyderabad State also are in a distressed condition and adequate measures have been taken, but the distress is not acute and the number of persons on relief is only 3,500.

“ To sum up, 18 British districts and 35 Native States are more or less affected by famine, the distressed area aggregating for the whole of India nearly 100,000 square miles, with a population of 16 millions, of whom half are in British and half in Native territory ; and the number at present on famine relief in all parts of India amounts to 400,000. One marked feature of the

[*Sir Denzil Ibbetson.*] [28TH MARCH, 1906.]

administration of the present famine is the liberality with which, both in British districts and Native States, land revenue has been suspended and remitted and advances made to help the people to meet the distress. The Famine Commission of 1900 laid great stress upon the importance of help of this description in the early stages of famine, as tending to put heart into the people; and the action thus taken has gone far to render the distress less acute and to postpone the appearance of famine conditions.

“ In one respect we are better prepared to meet famine than on any previous occasion, in that the Famine Codes of all Provinces have recently been revised in accordance with the experience of the last two famines, and that the Native States have accepted the same general lines for their guidance. The revised Codes embody two new principles of great importance, namely, the abolition of the minimum wage, and selection for admission to village works; and, if famine was to come, it is fortunate that it should be possible to test the operation of these changes on a small scale, before they are acted on in presence of widespread calamity. Everywhere the arrangements made are adequate. Very little aimless wandering or emaciation is reported, the people even in the distressed tracts are physically in good condition, and there is nowhere any serious increase of mortality or crime. There is, however, in almost all parts of the affected area, a very serious dearth of fodder, and great difficulty is experienced in keeping the cattle alive. Such measures as are possible to save them have been undertaken. Reserved forests have been thrown open for grazing, arrangements have been made to supply grass and fodder on a large scale, and the chief railway administrations have reduced their charges for its transport by rail. It is to be feared, however, that there will still be considerable mortality among the cattle before the next rains replenish the local supply of fodder, and it will be necessary to make liberal advances to cultivators to enable them to replace their plough cattle.

“ It is anticipated that when the rabi harvest has been reaped there will be a considerable increase in the number of persons seeking for relief, which will be maintained until the advent of the monsoon renders preparations for the autumn harvest possible, and arrangements have been made to meet the probable requirements of the situation.

“ In January, 1900, when speaking upon the Famine Statement which I had just made to the Council, Lord Curzon said:—

‘ I should like to recognise the generosity with which Native States—and I am alluding more particularly to some of the States of Rajputana and Central India—have accepted

[28TH MARCH, 1906.] [Sir Denzil Ibbetson.]

from the Government of India an interpretation of their obligation in respect of scarcity and famine, more liberal and more exacting than has ever before, at any rate in those States, been applied. We have done our best to help them by the loan of officers, and by the offer of expert advice. But the Chiefs and Durbars have also helped themselves, and have worthily proved their right to the affection of their people.'

"These words, true as they were then, are even still more true on the present occasion; and I am sure, my Lord, that you will desire to associate yourself and the Government of India with me, when I cordially recognise the admirable spirit in which the Chiefs in whose territories distress is now present have realised their obligations, and have prepared to discharge them.

"The Hon'ble Mr. Gokhale has pressed upon us a liberal policy in the matter of Government loans for the relief of agricultural indebtedness. There are two distinct aspects of the question which must be considered separately; namely, the general relief of the indebtedness of agriculturists, great and small, throughout the country, and the relief of those special cases to meet which Encumbered Estates Acts are framed, where the object is to save from expropriation families of influence whom it is desirable on public grounds to maintain in the possession of the estates to which they owe that influence.

"I take the wider issue first. In the first place, the task is beyond our powers. It is true that the Hon'ble Member suggests an experiment only; and no doubt, if action were eventually to be taken on a large scale, it would be wise to begin experimentally. But the experiment would be made with the avowed intention of extending it, if successful, to the whole of India. Now, as the Hon'ble Member himself recognises, it would be out of the question to advance public money to satisfy the book claims of creditors without examination and equitable reduction of those claims; and such an examination of the agricultural indebtedness of India would be a stupendous work, for which we do not possess the necessary agency. Moreover, it would be of but small avail to relieve the agriculturist of his existing burdens, if we left him to accumulate new ones by a repetition of the old process; and the alternative is, either that we should forbid alienation—and I welcome my Hon'ble friend with open arms, as a distinguished, if tardy, convert to a course which I have advocated for so long, although I understand that he demands a price for his acquiescence,—or that we should undertake, to a very large extent, the financing of the agriculture of India—an operation to which any resources at our disposal, whether from revenue or from loans, would be wholly inadequate.

[Sir Denzil Ibbetson.] [28TH MARCH, 1906.]

“ But if we cannot interfere with complete efficiency, then any interference on a considerable scale would do more harm than good. I find that the analogy which I am about to employ was used by Sir James Westland in the debate of 1896 to which the Hon'ble Mr. Gokhale referred us the other day; but I may say that it occurred to me quite independently when thinking over his remarks. In times of famine, the Government of India have always steadfastly declined to attempt to supplement the food supplies of the country by Government importation of grain. It is true that Government could do more than any individual importer; but it is equally true that it could do far less than the collective private enterprise of the country. And if Government were to step into the market as an importer on a large scale, its interference would paralyse individual, and thereby destroy collective, enterprise, the place of which it could never hope to supply efficiently. Exactly the same considerations hold good in the matter of agricultural finance; and it was for this reason—it was out of consideration for the ultimate interests of the agriculturists, and not, as the Hon'ble Mr. Gokhale so incorrectly suggested the other day, out of 'tender solicitude for the interests of the money-lender'—that Sir James Westland refused to hold out hopes of Government intervention on a large scale.

“ But if the cure of existing evils is beyond the power of Government, it is doing its best to prevent their repetition or aggravation. By making takavi advances on a scale which, though insignificant by comparison with the total needs of agriculture, is considerable in itself, it steadies the money-market, and tends to keep the interest demanded by private lenders within reasonable limits; and only last November a resolution was published which impressed upon Local Governments the importance of greater liberality, elasticity, and simplicity in their takavi systems, while I hope shortly to ask the Council to assent to legislation designed to give them a freer hand in the matter than they now possess. Just two years ago an Act was passed which provided very exceptional facilities for the establishment by the people of co-operative societies; since then the larger provinces have appointed whole-time officers whose duty it is to encourage and assist them in availing themselves of these facilities; and I shall presently show that the results already obtained are encouraging. Finally we have under consideration at the present moment a scheme for the institution of an experimental agricultural bank, financed indeed by private capital, but based upon a Government guarantee, which, if it should prove successful, will doubtless find imitators in other parts of India; and if Indians will, as the Hon'ble Maharaja of Durbhanga seems to think they will, consent to employ a

[28TH MARCH, 1906.]

[*Denzil Ibbetson.*]

portion of the crores of capital which at present lie idle in this country, in the promotion of such ventures, a great step will have been taken towards the solution of the problem of agricultural finance.

“As for the case of estates which are of sufficient individual importance to render their preservation a matter of public interest, Government has never been backward, when special circumstances affecting whole classes of landholders have existed, in coming to their assistance; and large sums have been advanced to the Oudh taluqdars under the Act of 1870, to the Sindh zamindars under the Act of 1881, and to the landholders of Bundelkhand under the Acts of 1882 and 1903, to mention only instances which occur to my memory. But in the particular case with which we were dealing the other day, no difficulty is experienced in raising loans at the moderate interest of 6 per cent. from private sources on the security of official management, and there was clearly no case for the intervention of Government. In individual cases the Government of India have not always been able to comply with the proposals of Local Governments for advances. But in the very nature of things, they are generally cases where the liabilities are so heavy in comparison with the assets that no private lender will look at the security, and it is our duty to be careful of public money. If in regard to any particular estate I should be able to make out a good case for assistance, I do not anticipate that I should find my Hon'ble Finance Colleague obdurate in the matter.

“I referred just now to the subject of Co-operative Societies which so largely occupied the Council's attention some two years ago. They may like to know what progress has been made since then in the matter. It has been much more rapid than the Hon'ble Maharaja of Darbhanga seems to think; and, in my opinion, quite as rapid as is either wise or safe in the initial stage of what is admittedly an experiment. Up to date 465 societies have been actually registered, of which 439 are rural and 26 urban; and the total capital already accumulated is about 3 lakhs of rupees, of which more than one-half has been subscribed or deposited by members themselves. Our latest reports show that over half a lakh of rupees had at that time been actually advanced by Government to these societies; while the revised estimates contemplate an expenditure, during the expiring year, of Rs. 1,28,000 under this head. It is satisfactory to find that the principle of unlimited liability for rural societies, of which the Hon'ble Mr. Gokhale is, I think, unnecessarily afraid, has been adopted everywhere except in one province, and that even in that province hopes are entertained that it will ultimately be accepted by the people. There is not much inform-

ation in the reports regarding the purposes for which the societies already established have granted loans, nor are any general statistics available as to the average amount of each loan. But it appears that the people are on the whole in favour of loans for unproductive as well as for reproductive expenditure, and the information tends to show that the societies are fulfilling their purpose of providing small folk with small loans at cheap rates. The subject of grain banks has attracted some attention in Bengal and Bombay, but no societies working entirely on a grain basis have as yet been registered.

“Last year I sketched with some fulness the general lines which were proposed to follow in the expansion of our Agricultural and Veterinary Departments. It will now be sufficient to say that those lines have been generally accepted by Local Governments who have based detailed proposals upon them, and that the Secretary of State, for whose sanction the general scheme was submitted, has approved of it with certain reservations as to the desirability of caution in our advance, and as to the difficulty of obtaining at once the large number of experts for which we had indented. I may remark, in passing, that both the Secretary of State and the Government of India are entirely in accord with the Hon'ble Mr. Gokhale as to the desirability of training an indigenous agency, so far as this may be found possible. Meanwhile progress is being made with the purchase of land and the construction of the necessary buildings, and the expert staff is being gradually selected and appointed. Hon'ble Members will have seen that the recurring grant under this head which I announced last year, has this year been raised from 20 to 24 lakhs, and will, I hope, accept the fact as an assurance of our good intentions in a matter of such vital importance to the prosperity of the country. The demand for protective sera for the inoculation of animals has increased so greatly that we are proposing to establish a second laboratory for their preparation in Southern India. And those who are interested in such matters will have noticed the publication of the first Annual Report of our Agricultural Department, and the appearance of the first numbers of two new publications, *The Agricultural Journal of India* and *The Journal of Tropical Veterinary Science*, which will be edited by our scientific experts.

“At Pusa good progress has been made. The whole of the arable land has been brought under cultivation, and has now been prepared sufficiently to enable us to start tests preparatory to laying out permanent experimental plots. The pasture lands also have been permanently improved by eradicating poor grass and substituting good feeding grasses. The buildings are progressing rapidly, several being already completed, and it is hoped that the main Phipps' Labo-

[28TH MARCH, 1906.] [Sir Denzil Ibbetson.]

ratory will be ready early in 1907, when it will be possible to open the College. Meanwhile good temporary laboratories have been constructed, and Indian candidates are being trained in each special branch for employment under the Provincial Departments of Agriculture. The whole of the expert staff have been appointed, and all are now resident at Pusa except the Agri-Bacteriologist, whose services have been temporarily lent to the Government of Bengal for employment on Indigo Research Work.

“The preliminary survey of the varieties of Indian cotton, to which I alluded last year as the necessary ground-work for any improvement on scientific lines, has been completed by the publication of Professor Gammie's *Indian Cottons*. Some progress has already been made in the ascertainment of the varieties best suited to particular tracts; and irrigation has been found to render possible the cultivation in the Deccan of the finer herbaceous cottons of Guzerat and the early sowing of improved varieties in the United Provinces. The trial of exotics has given excellent preliminary results in Sindh, where Egyptian cotton seems to grow well, and the area under it will this year reach 6,000 acres. It has yet to be seen whether continuous cultivation in Sindh will result in deterioration of the staple, but there are already grounds for hope that this will not be the case. I am told that careful selection of seed from plant to plant on Government farms has already resulted in improvement, which should shortly give some practical results: meanwhile the rougher and more general method of selection which I described last year is being continued, and promising reports have been received, particularly from the Punjab, Bombay, and the Central Provinces. The raising of new varieties by hybridization has been retarded in most provinces by want of expert staff, but Bombay has advanced considerably, and some selected hybrids are now being tested in the field with good promise of success. The tree cotton experiments have not yet yielded any definite result. The Syndicate to whose operations I referred last year has been unfortunate in the seasons; and the question of supplementing the grant of Rs. 45,000 which we have already made for its experimental work is under consideration. The British Cotton Growing Association have placed the sum of £10,000 at our disposal, to be spent as we think best during the next five years upon the extension and improvement of cotton-growing in India; and the Secretary of State has sanctioned the employment of a cotton expert on the Imperial staff, while Provincial Departments have opened several new farms in cotton tracts.

“In connection with jute, interest has mainly centered upon two questions; the deterioration of the quality of the fibre, and the shortage of supply. All

[*Sir Denzil Ibbetson.*] [28TH MARCH, 1906.]

enquiry tends to show that the deterioration is mainly due to fraudulent watering, and the simplest and most effectual cure for both evils probably lies in the extension of cultivation. This is now being seriously taken up by the Department of Agriculture of Eastern Bengal and Assam, and in Behar, while experimental trial of the crop is in progress in Madras, the Central Provinces and Bombay. A jute specialist has recently been appointed; and the co-operation of the commercial community in his inquiries will be cordially welcomed.

“As this is the sixth and will be the last time that I shall have the privilege of addressing the Council in connection with the Financial Statements, ~~1906~~ like to say a word upon a subject to which I have not hitherto had occasion to refer but which is very closely connected with the agricultural interests of the country—I mean the Forest Department of India, for which my Hon'ble friend Mr. Sim has pleaded so eloquently—and the occasion is the more appropriate, since it was exactly fifty years ago last January that Dietrich Brandis, the father of scientific forestry in India, entered the service of Government. I doubt whether the general public realise the enormous actual and potential value of our forest property, the degree in which it already contributes to our revenues, and the success with which it is managed by the admirable service which is in charge of it.

“Twenty years ago the surplus revenue contributed by our forests to the public purse was a little over half-a-crore. The revised estimates of the year which is just expiring put it at a crore and-a-quarter. And this, in spite of the fact that all those measures for the ascertainment, development, and protection of our forests, which really represent capital expenditure upon the property, and which are not yet by any means complete, have been and still are paid for from revenue. The selection of forests for reservation or protection, their demarcation, the settlement of private rights in them, their protection from fire, the improvement of communications upon which the profitable extraction of timber depends, and the provision of accommodation for the officers in charge—all these represent non-recurring expenditure which has been met from current revenue ever since we first seriously undertook the management and protection of Indian forests, and which still absorbs a considerable portion of the gross income; and when these processes are complete, we may look for a still more marked expansion of the net surplus.

“But the question of forestry in India has aspects far more momentous than the mere money value of the timber which is produced. Upon the

[28TH MARCH, 1906.]

[Sir Denzil Ibbetson.]

maintenance of our mountain forests depends the steady flow of the rivers from which our great irrigation canals draw their supplies, while the protection of our hill forests is often (as lamentable experience has taught us) the only safeguard against the devastation of the cultivated plains below them. With the increase of population and the bringing of hitherto unoccupied areas under cultivation, the demand for fuel and small timber is daily increasing; while if the Indian cultivator is ever persuaded to restore to his fields in the shape of manure a fair portion of what he takes from them in the form of fodder, that demand must expand enormously. Our forests, moreover, annually afford grazing to great numbers of the cattle upon which agriculture is dependent, while in time of drought, such as the present, they constitute invaluable reserves of grass. During the year which is just over, the Secretary of State has sanctioned proposals for the expansion and improved remuneration of the higher grades of the Forest Service, and we have under consideration similar proposals in connection with the executive grades, and with the reorganisation of the Provincial Service, and of the school at which it is trained. We are also considering proposals for the establishment in connection with that school (which we propose to raise to the status of a college) of an Institute of Forest Research, which will place Forestry upon an equal footing, in respect of scientific enquiry and instruction, with Agriculture and Veterinary Science.

“During the year Indian standard time has been introduced on all Indian railways and telegraphs, thus bringing for the first time our local standards into simple and intelligible relationship with those of the rest of the civilised world. The new time has been accepted by the whole of India with the single exception of Calcutta; and I cannot believe that the capital of the empire will long continue to hold aloof from a reform of such obvious convenience.

“Before closing these remarks, I must mention two Resolutions which have been published within the last few months on the subjects of Remissions and Suspensions of Revenue in seasons of drought, and of takavi advances to agriculturists in need of loans. To the latter I have already alluded. The liberal principles laid down in the former have been readily accepted by Local Governments, who are revising their rules in order to give effect to them. We have recently addressed the Secretary of State on the subject of the exemption of improvements from assessment to land revenue, and as soon as his orders are received instructions will issue on the subject. These three Resolutions will complete the general review of our Land Revenue System which was undertaken during Lord Curzon's term of office, and I think that even the

sternest critics of that system will admit that much has been done during the past few years to define and make public the principles upon which it is based, to ensure leniency and liberality in their application, and to introduce elasticity into their operation.

“Turning now to the Department of Public Works, the most important event of the year has been the acceptance by the Government of India and the Secretary of State of the rough programme which was formulated by the Irrigation Commission as an approximate forecast of operations, and as the basis of our financial arrangements. The papers have been published; and Hon'ble Members will be aware that an expenditure of some 44 crores, or nearly thirty millions sterling, is contemplated within a period of twenty years, of which four-ninths may roughly speaking be said to be allotted to protective works, and will be provided from the moiety of the Famine Grant which is available for works of this character. This decision has a two-fold importance and significance. In the first place the principle is now for the first time definitely formulated and accepted, that it is not only legitimate but also our duty to spend very considerable sums from the general revenues upon works which will in all probability never be remunerative either directly or indirectly, but which will protect local areas and their inhabitants from the horrors of famine. And in the second place we now have, for the first time since the first Famine Commission reported in 1880, a programme, provisional no doubt, and liable to alteration as the examination of individual projects proceeds—but still a programme, however rough, based upon an examination by competent persons of the irrigational needs and possibilities of India as a whole, and upon the relative necessities of the several provinces. In each of these respects a great advance has been made, and the policy of the Government of India in respect of protective irrigation has now been definitely laid down for a generation at any rate.

“Meanwhile, as papers which were recently published will have shown the Council, good progress has been made in the examination of individual projects. Already, since the report of the Commission appeared, forty-three projects commanding over seven million, and designed to irrigate over three million acres, have received final sanction. But this is only part of the work which has been done. In those provinces in which it was needed, a hydraulic reconnaissance or stock-taking of irrigational possibilities is in progress; while numerous projects of greater or less importance are in an advanced stage of preparation. Among them is a protective work—the Tungabhadra scheme—which is the most costly irrigation project that has yet been framed in India, being

[28TH MARCH, 1906.]

[*Sir Denzil Ibbetson.*]

estimated to cost some 12 crores of rupees, to irrigate annually nearly a million acres, and to afford protection in years of drought to another million. To enable us to deal promptly and effectively with these schemes, we have recently appointed a whole-time Inspector-General of Irrigation whose duty it will be to advise us in carrying into effect the enlarged programme which we have adopted.

“But the duties of the new Inspector-General will not be confined strictly to irrigation matters. In January 1905 the Secretary of State and the Associated Chambers of Commerce of India almost simultaneously invited our attention to the potentialities of the natural waterways of the country, and especially of Bengal, and to the desirability of maintaining and improving this means of communication. Our attention was naturally first directed to the channels of the great Ganges-Brahmaputra delta, which traverse one of the richest portions of India, and which, while virtually forbidding transit by rail or road, afford unexampled facilities for transit by water. The subject had already been under the consideration of His Honour Sir Andrew Fraser, who is fully alive to its importance; it has been decided to examine it as a whole; and, especially since two separate Local Governments will now be intimately concerned in its development, the Inspector-General of Irrigation will advise us upon the general aspects of the matter. Three branches of it are at present receiving special attention. It is proposed to spend some 28 lakhs of rupees upon the improvement of the Madaripur Bhil route, upon which 11 lakhs had already been spent up to the end of 1903-04. And the Tolly's Nallah scheme and the improvement of the Bhagirathi route are now under detailed examination. These are large schemes, which naturally have the first claim upon our consideration. But I quite agree with the Hon'ble Maharaja of Darbhanga that the smaller channels also have their value as feeders; and I hope that they, in their turn, will receive the consideration that they deserve.

“The improvement of the port of Chittagong has also occupied our attention, and the Government of India have contributed ten lakhs to the cost, and have thus fulfilled the promise of help from Imperial revenues which was made by Lord Curzon in February 1904. An expenditure of $8\frac{1}{2}$ lakhs upon dredging plant and revetment has already been sanctioned, which will meet the more immediate requirements; and a complete estimate of the cost of the whole work to be done is now under preparation.

“The Hon'ble Rai Bahadur Sri Ram will find the answer to his question about the admission of Indians to the Public Works Department as recruited in

[*Sir Denzil Ibbetson; Sir Arundel Arundel.*] [28TH MARCH, 1906.]

England, in the Supplement to the *Gazette of India* of the 15th July 1905. They are admissible up to a limit of ten per cent. of the total number recruited each year; and as the recruitment for 1907 has been fixed at 39, this means a substantial advance upon existing rules."

The Hon'ble SIR ARUNDEL ARUNDEL said:—"My Lord, there is one drawback to the liberal grants which the Hon'ble the Finance Member has fortunately been able to make to the different Local Governments for such special objects as police, agriculture, education, etc. It is that some Hon'ble Members are disposed to look reproachfully at the Government of India for not having given a great deal more to these and other objects, and to forget that it is to their own Local Government they should appeal which is in possession of large funds under the decentralized system of finance out of which all administrative expenditure should ordinarily be met. The Hon'ble Mr. Sri Ram frankly says that the subsidies in aid of the Government of India are 'doled out,' and laments that much more has not been given, though he cordially approves of the abolition of the patwari or village service cess which has absorbed so much of the available surplus, and which must obviously prevent the Finance Member from making further subsidies.

"The Hon'ble Mr. Porter strongly advocates grants from the Financial Department for the housing of police-officers. But from the outset of the discussions on the report of the Police Commission it has been recognised that the expenditure on police buildings is a purely provincial liability. I fully recognise that there is much to be done; but most Local Governments have now a *quasi*-permanent financial settlement, and it rests with them to apply their growing revenues to purposes of this kind. In the era of reform inaugurated by the Police Commission the Government of India have taken upon themselves much heavy recurring expenditure that is involved, and the initial charges remain for the Provincial Governments.

"With regard to plague I think the Hon'ble Mr. Porter somewhat overstates his case. It is not all kinds of sanitary reforms that affect the spread of plague, and the connection between plague and large drainage schemes is, I venture to think, remote. What does help against plague is paving and making minor drains, etc., of masonry, because these improvements help to exclude rats and prevent the soil from becoming infected. Building improvements that let in light and air are also admittedly beneficial by tending to destroy the bacillus. But it cannot be admitted that the Government of India should finance large schemes of municipal drainage because plague exists and may continue to

[28TH MARCH, 1906.] [Sir Arundel Arundel.]

spread. I of course do not wish it to be supposed that there may not be other reasons which might justify the Local Government in seeking help when necessary from the Government of India for large schemes of municipal improvement.

“The Hon'ble Mr. Porter and the Hon'ble Mr. Sri Ram lament the absence of special grants for hostels or for other objects connected with secondary education. The desirability of hostels for the youth of schools and colleges now universally recognised has assumed prominence only within the last few years. It was, I think, due to Dr. Miller of Madras, who took time by the forelock and erected a hostel for his college out of his private purse. The advantages of hostels are so great that Local Governments are recognising an obligation to endeavour to provide them. But the obligation is essentially Provincial. The matter is also one in which private liberality may fairly be expected to aid. A District Board or Municipality numbering among its members most of the local magnates is exactly the sort of body that might be expected to stimulate local munificence, and to persuade well-to-do neighbours that the founders of educational institutions build for themselves the most enduring of all monuments.

“I cordially sympathize with the Hon'ble Nawab Bahadur Khwaja Salimulla of Dacca in his advocacy of improved educational facilities for the Mahomedan population of Eastern Bengal and Assam which he represents. I am confident that their needs will receive the fullest consideration from the Lieutenant-Governor, Sir Bamfylde Fuller.

“I understand the Hon'ble Mr. Gokhale to advocate universal free primary education throughout India. That would be a large order. The average monthly cost of a primary school is estimated to be Rs. 10. To increase this to Rs. 20 would cost over a crore of rupees even if not a single additional school were started.

“The first and greatest difficulty is money. The next is the reluctance of parents of the poorer classes to send their boys to a school and thus forego the value of their labour. In England it was found that the only way to surmount this difficulty was to make the education compulsory. In India we are many years distant from that consummation. But the hope and aspiration of the Hon'ble Member for universal free primary education is one that must meet with wide sympathy, and will be kept in view as the distant peak to be one day attained while the work of the present must be slow progress along the plain.

" I am glad to see that the Hon'ble Sri Ram, though he takes a gloomy view of the agricultural labourers' condition, does not repeat the pessimistic statement that India is steadily growing poorer—a statement that no budget, however prosperous, and no increase of trade however great, avails to abate. If the yield of the taxes increases, it is urged that money is needlessly wrung from the poor; if the yield falls off, it can only be due to increasing poverty. Such pessimists will doubtless remain pessimists to the end.

" This is the last occasion on which I shall have the honour of addressing this Council, and I will take this opportunity of saying that an Indian experience of over forty years has compelled me to realize the great improvement that has been brought about in the condition of the raiyat and the agricultural labourer in the course of that time. Roads and railways have benefited them no less and indeed more than the rest of the community, for food can now be brought to them if crops fail, while high prices are realized by the export of abundant harvests. Formerly a single failure of the monsoon meant widespread famine: now it is usually but local scarcity which can be successfully combated by the administrative officers. And here I must emphatically dissent from the Hon'ble Mr. Gokhale's statement that 'the exhaustion of the soil is fast proceeding, the cropping is becoming more and more inferior, &c.' My experience as a Settlement Officer and as a Collector in no way bears this out. I heard privately a few weeks ago on the best authority that the crops of the district which I left nearly fourteen years ago were never more splendid than they are this year.

" The Hon'ble Mr. Sri Ram says 'the labouring classes are in a chronic state of poverty hardly raised above the point of starvation.' If poverty means the absence of a credit balance with the village money-lender, the statement may be correct. But avoiding statistics and speaking from actual experience, I may say that I was for five years Collector and Magistrate of a district, Kistna, 8,000 miles in extent and yielding 60 lakhs of land-revenue per annum, which I knew well, and to allege that the labouring classes there were hardly raised above the point of starvation is entirely incorrect. Very many of the raiyats had saved the money and were money-lenders themselves to their poorer neighbours. The labourers had work and food sufficient for themselves and their families at all ordinary times. Signs of prosperity among the raiyats appeared in the widespread substitution of tiled roofs for thatched; in the importation of large quantities of gold coins—largely French—for use as ornaments; and not least in the number of graduate pleaders who settled in various towns of the district and drew comfortable incomes derived from litigants who were chiefly agricultural. One infallible test could always be applied, namely, that the little children in the

[28TH MARCH, 1906.] [*Sir Arundel Arundel; the Commander-in-Chief.*]

poorer hamlets were ordinarily well fed and were neither pinched nor emaciated. I do not recollect to have heard of any cases of death from actual starvation during my tenure of office in that district, though it is possible there may have been, and the poor-law guardians of many a large town in England, to say nothing of a whole county, would be glad if they could say the same."

His Excellency THE COMMANDER-IN-CHIEF said:—"My Lord, my Hon'ble Colleagues, the Maharaja of Darbhanga and Mr. Gokhale, have both raised the question of army expenditure, and the latter has reiterated many of the arguments and assertions which we have heard at each Budget debate during the three years I have had the honour of sitting at this table.

"The Maharaja of Darbhanga has asked:—"What is the use of alliances if we are not to take advantage of them?" But surely he must recognise that there are higher and more world-wide interests underlying our alliance with Japan than the mere pecuniary advantage to this country that he puts forward. It is, of course, evident that, owing to recent events, we have a breathing space in which to complete the precautionary measures which have been recognised to be indispensable. But that is no reason why we should abandon our efforts to remove obvious and acknowledged defects and deficiencies, or reduce our army below the standard that was considered necessary before any of these events occurred.

"I am glad, however, that this discussion has been raised; as it gives me an opportunity of trying to place the matter of army expenditure before my Colleagues in a light in which it may not have been put to them before.

"I think it will be allowed that military expenditure must be considered from three broad standpoints:—

firstly, efficiency and sound organisation;

secondly, economy in the expenditure of the funds voted for the army;
and

thirdly, the strength of our forces, and the remuneration our men receive for their services.

"The time at our disposal is limited and I have no desire to encroach on your patience unnecessarily. But I should like to make a few remarks under these main heads which I trust will show my Hon'ble Colleagues that I unite with them in their desire to secure efficiency and economy in all matters—

[*The Commander-in-Chief.*] [28TH MARCH, 1906]

particularly military—and that I consider it would, of course, be unjustifiable to maintain any forces which can be proved to be superfluous for the necessities of this country.

“The Hon'ble Mr. Gokhale would prefer to rely entirely on what he terms 'citizen-soldiership,' framed on Japanese lines. From my short experience of this country and its inhabitants, I am not convinced that the people of India would welcome, with all his enthusiasm, the introduction of conscription, with rates of pay that would necessarily be very much lower than the soldier receives at present; and, if Mr. Gokhale does not mean this, I cannot follow his argument that 'the present military burden will be largely reduced.' I cannot help thinking, also, that it is possible that the martial spirit which he wishes to develop might have drawbacks to the class he most closely represents which my Hon'ble Colleague has not fully contemplated.

“Although both of my Colleagues object generally to military expenditure, I hardly think either of them would be satisfied unless the army of this country were maintained in as efficient a manner as possible. I feel sure also that they will agree with me that in all great industries it is the unquestionable duty of employers of labour to do all in their power to remove any deficiency or defect in their arrangements which might be productive of needless risk or danger to their dependents. It is a simple, rudimentary obligation in the relations between master and servant, which I feel sure no member of the community would attempt to challenge, and I think those who represent the mercantile communities of this country will admit that it is only a wise policy to prevent their workpeople being hampered by antiquated machinery or insufficient materials.

“Now there is a class of public servant which I think should not be excluded from equal consideration in this respect. It is a class of men of whom we are justly proud, who have brought much credit to the Empire and on whom we have to rely for the maintenance of peace and security in this country. I refer to the Army in India. It must be remembered that these men are prepared to give their lives freely for the integrity and honour of this country and have proved the fact in innumerable instances. If, then, the owner of a mine only does his duty in securing his employés from the obvious risks which surround them in the exercise of their calling—if he would rightly be convicted of a grave dereliction of such duty if he were not to protect them from the dangers of fire-damp, or were to send them down into the shafts in worn-out cages—surely a Government only fulfils an equally essential obliga-

[28TH MARCH, 1906.] [*The Commander-in-Chief.*]

tion in endeavouring to protect its soldiers, who devote their lives to the State, from needless destruction, by giving them the means which are essential for the performance of their dangerous duties.

“ There is also another aspect of the case which I think will appeal to my Hon'ble Colleague.

“ We have recently had an example of how efficient organisation and preparation produce remarkable results in war. The Japanese prepared for possible eventualities, with the result that, when the time of trial came, they passed triumphantly through what everyone recognised was a critical turning point in their national history, instead of being crushed as some expected they would be in their recent struggle against a great Military Power. Do those who represent the best opinions in this country desire that it may be said that the Indian soldiers are inferior in fighting quality to our gallant allies, not because of any want of bravery or patriotism on the part of the men themselves, but because of their not being given the necessary organisation and equipments? I think not; and I feel sure that my Hon'ble Colleagues the Maharaja of Darbhanga and Mr. Gokhale would be the first to resent any disparaging remarks of this sort against their countrymen, and that they would wish to prevent the possibility of any such comments being even hinted at or suggested.

“ In addition, therefore, to the paramount obligation of securing the peace and safety of the State, it seems to me to be incumbent on Government, both on the score of humanity and also for the honour and fair name of the people of this country, to see that our soldiers are not sent into the field imperfectly organised, with inferior weapons, and without the necessary ammunition and other essential warlike stores.

“ That is what we are trying to do. We should, of course, prefer to have our measures even more highly perfected, so as to have a margin of safety which would give our troops the advantage over an enemy. But that is at present beyond us. We are merely trying to bring our equipments up to a standard equal to that of possible opponents, and remove defects which have too long remained unrectified. However we may desire to study economy, we are compelled to pay some measure of regard to the re-armaments and military progress in other countries, and are often forced against our wishes into expenditure which we should prefer to devote to other objects. It is also an unfortunate fact that, ever since the days of bows and arrows, the cost of lethal weapons and munitions of war has steadily increased. That,

[*The Commander-in-Chief.*] [28TH MARCH, 1906.]

however, is a factor beyond our control. But we have been and are still doing the best we can to reduce the expenditure thus caused as much as possible. By the extension of Indian factories we hope to be able to turn out guns and other equipments more cheaply than we have hitherto been able to obtain them from England; and this course will have the further advantage to India that the money spent on labour will go to Indian workpeople.

“Under the arrangements which have recently been introduced, Army expenditure will, in future, be under the direct control of the Finance Department. I should, therefore, be trespassing on my Hon'ble friend Mr. Baker's preserves if I were to enlarge on the subject of economical expenditure of money. But I am conscious that he relies on my full and cordial co-operation, to prevent waste of all sorts, so that the funds voted for the army may be expended with strict regard to economy and due regard to military efficiency.

“At the last debate on the Budget, my Hon'ble Colleague, Mr. Gokhale, took exception to a remark that his knowledge of military matters was not extensive. I have not the temerity to repeat a proposition which he said was superfluous. But I do say that the correct appreciation of our military position necessitates long and careful examination, by the best experts we can get with full knowledge of the numerous factors which affect the problem. When such investigations have been completed and laid before the Government, it is for them to decide what means should be provided, that is, what the strength of the army should be. But I think everyone will agree with me that before even discussing any addition to our forces, it is our duty to try, by improvements in our arrangements, to make the best of those already at our disposal. This is what we are trying to do. This is mainly what the Reorganisation Scheme means, regarding which there seems to be considerable misapprehension. Some appear to have misgivings that a large increase to the forces is projected; others that the bulk of the expenditure is to be spent on buildings. Both assumptions are widely incorrect. As the result of a long and elaborate examination, it has been found that, by improved methods, we should be able, out of our existing forces, to place in the field an army of practically double the strength that was previously considered possible. The expenditure now being incurred, which is only a fraction of what would be required if we had to add an equal number of new units—is partly for the equipment of these additional troops. But it also includes the cost of new rifles; the introduction of quick-firing guns for the artillery, which, in turn, involves larger reserves of ammunition and ammunition columns; improvements to our

[28TH MARCH, 1906.] [*The Commander-in-Chief.*]

transport, the coast defences, and many other measures which have long been recognised as indispensable. The bulk of the expenditure is for these services, and only a small proportion is being incurred on the necessary accommodation required for the better distribution and consequent better organisation and training of the army. As I have shown, we are spending money in reorganising our existing materials, and not on any material addition to the forces; though, as a consequence of the experiences in South Africa and Manchuria, we are also trying to reduce the large deficiency in officers, and are building up a larger reserve for the Native army which is a move in the direction which the Hon'ble Mr. Gokhale advocates. In taking these precautionary measures, we are spreading the cost over a considerable period, so as to reduce inconvenience as far as possible; and when they have been completed, we may hope that military expenditure will be largely reduced.

“When we come to the question of the remuneration which men in the army receive, I feel sure that my Hon'ble Colleagues do not consider the sepoy overpaid. Indeed, having regard to the increased cost of living, I should be somewhat surprised if they did not think the converse to be more correct.

“I trust that I may have been able—even if it only be in some slight degree—to reassure my Hon'ble Colleagues that we are not indulging in military extravagances; but on the contrary, are endeavouring, by overhauling our existing machinery, to obviate increases which might otherwise have been forced upon us. It must be remembered that if we are to secure peace and tranquillity to this country, which are essential conditions of its material progress and advancement, we must be watchful; and, whilst resisting any tendency to be influenced by extreme views on either side, it is necessary that we should methodically and systematically organise the available means at our disposal. Capitalists will not place their money in India, or assist in the development of its resources, on which this country's prosperity so much depends, unless they are convinced that there is assured security. Therefore, if we desire to attract capital and act up to the motto ‘Advance India,’ we must be careful that no idea gets abroad that our position is insecure or that we are neglecting necessary precautions.

“My Lord, in the gracious message which His Royal Highness the Prince of Wales sent to Your Excellency as he was leaving India, he referred to the grand traditions of the army in this country, and to the keen spirit and general striving towards efficiency and preparedness for war which appeared to His Royal Highness to animate all ranks. I can assure Your Excellency that the Army of India deeply appreciates the high commendation thus bestowed upon them by our King Emperor's son. The loyalty, bravery and devotion of

[*The Commander-in-Chief; the Lieutenant-Governor.; Mr. Baker.*]
[28TH MARCH, 1906.]

this army are all factors upon which confident reliance can be placed ; but its preparedness to take the field must depend largely upon the action of Government, for even an army of heroes can only be sacrificed if it be not provided with the necessary organisation and equipments which are essential for success in modern war."

His Honour THE LIEUTENANT-GOVERNOR said :—" My Lord, I shall not detain the Council many minutes. I desire, in a word, to congratulate Your Excellency's Government on the Budget and my Hon'ble friend Mr. Baker on the manner in which it has been presented and the manner in which it has been received. It is not necessary for me to say anything in regard to the discussion that has taken place, except perhaps in regard to a remark or two which have fallen from my Hon'ble friend the Maharaja of Darbhanga. One matter which he discussed has been disposed of by my Hon'ble friend Sir Denzil Ibbetson, namely, the question of the waterways of Bengal. The other was the popular view—which I observe the Maharaja Bahadur did not venture himself to accept—of the connection between the development of railways and the development of malaria. I think he will find, when we come to discuss that question in another place, that the coincidence to which that view of the connection between railways and malaria owes its origin has not escaped the attention of the Government of Bengal, and I trust he will consider that we are dealing as adequately as we can with it.

" Only one word remains, namely, that I desire to express the gratitude of the Government of Bengal for the terms of our new contract. I shall not enter into details. They have been thoroughly threshed out between the Government of Bengal and the Government of India, and I am glad to find that my Hon'ble friend the Maharaja of Darbhanga has only a half-hearted wish to express that perhaps we might have got more. I need not say that I thoroughly re-echo that wish. We feel very much our want of money. It is a terrible thing to be surrounded by open mouths and claimant demands, and we have far too often to meet such requests for substantial help with the cold water of sympathetic words. At the same time we have received from the Government of India very generous treatment, and have now, I trust, some money with which to do some work, and we are not ungrateful to them."

The Hon'ble MR. BAKER said :—" My Lord, I think Your Excellency's Government has reason to be satisfied with the reception which the Budget has met with at the hands of Council. From the observations which have fallen from various speakers today, I gather that our specific proposals have met with general approval, especially those for the remission of the patwari cesses: but

[28TH MARCH, 1906.]

[*Mr. Baker.*]

some disappointment seems to be felt that we have not made larger provision for expenditure on a variety of new objects. My Lord, I venture to think that that disappointment, if it is really felt, is not altogether reasonable. As Lord Curzon once said, we have been forcing the pace a good deal during the last few years, and we are already committed to very heavy recurring expenditure on police reform, the improvement of agriculture, primary education, and many other things. I am far from taking a pessimistic view of the situation, but having regard to the present unfavourable character of the seasons in several of the provinces, I really think it would have been rash for us to launch out upon any great new schemes at the present time. And there is another consideration of a more general character, which, I think, some gentlemen are apt to lose sight of, but which is really of great importance. The Hon'ble Home Member has already drawn attention to it in his speech today. It is this. Almost all the matters for which we are invited to provide additional grants are within the sphere of the Provincial Governments. We have conferred upon these Governments definite powers and responsibilities which extend to most branches of the civil administration and we have provided them with growing revenues, on what may fairly be described as a very liberal scale, to enable them to discharge their duties adequately in all branches. The Local Governments have not merely ample funds, but also full discretion in the expenditure of them. It would be wholly inconsistent with the first principles of the system of Provincial Settlements, if we were to dictate to any Local Government what it should spend on each individual head; and it is also an entire mistake to suppose that the money for improvement in the Provincialized branches of the administration ought to be or can only be provided in normal circumstances by special additional assignments from Imperial revenues. If any particular measure is outside the terms of the settlement, or is of such magnitude as to be beyond the powers of the Local Governments, then Imperial revenues may fairly contribute, as they have done on several occasions in the past. Police reform is a conspicuous instance of this. If we were to embark on a policy of making primary education free of charge to the public, as Mr. Gokhale suggests, that also would justify some special assistance from Imperial funds. But most of the objects for which we are pressed to find money are not of this class. Thus, the Hon'ble Mr. Sri Ram complains of the inadequate provision for technical education and for sanitation, and the Hon'ble Mr. Porter asks us to give additional grants to the United Provinces for police buildings, for hostels in secondary schools, and for subventions to Local Municipalities. He says that the United Provinces ask for no doles, but with all due deference it seems to me that is exactly

[Mr. Baker.]

[28TH MARCH, 1906.]

what the Hon'ble Member does ask for. These are all ordinary items of Provincial expenditure, for which due allowance was made, though in general terms and not specifically, in the Provincial Settlement; and it is for the Local Government to provide the necessary funds. Any other course would make these particular items an Imperial charge, and would be destructive of Provincial responsibility.

"But I will admit that I have much sympathy with the Government of the United Provinces. The Hon'ble Mr. Sri Ram's detailed comparison of the Provincial Settlement with those of other provinces is inaccurate in certain respects; but it is quite true that, as a whole, though much more favourable than its predecessors, it is still distinctly less favourable than that of any other Local Government, conspicuously so as compared with those of Bombay, the Punjab, or the Central Provinces. Again it is undeniably true that the United Provinces have been very hard hit by the failure of the harvests and by the heavy expenditure they have had to incur on famine relief, by which its estimated balance at the end of 1906 will have been reduced to 5½ lakhs of rupees. If we are able to devise a more equitable method of allocating famine expenditure, I hope that we shall be able to apply it in such a way as to make up a part of the losses which the Local Government has already incurred. As regards the terms of the settlement, it is perhaps too soon to revise it altogether, but I shall be ready to bear the matter in mind when a suitable opportunity occurs. The same remarks apply in the case of the settlement with Madras to which Mr. Sim has referred, and the terms of which are generally similar to those of the United Provinces settlement.

"Next year, we shall undertake the revision of the Provincial Settlement of Burma, and I think I may promise that we shall bear in mind the appeal which Mr. Hall has made to us on behalf of this Province. I quite agree with him that liberal expenditure in Burma is likely to prove productive, and it shall be our object to accord it both just and generous treatment.

"Both the Nawab Bahadur of Dacca and the Maharaja of Darbhanga have commented on the small share which Bengal has received in the remission of taxation. The explanation of this may be summed up in the three words—'the permanent settlement.' In Bengal the land already pays far less in proportion than in any other part of India; and so far as strict justice is concerned, it has no claim even to the 4 lakhs a year which has fallen to its share. The justification for the remission of the zamindari dāk cess lies wholly in the fact that the district post is an administrative anachronism, and it could not be

[28TH MARCH, 1906.]

[*Mr. Baker.*]

defended by any references to the equity of relieving the landed interest of that province.

“The Nawab Bahadur has expressed the hope that the balance may be redressed by a readjustment of the road cess in Bengal. I hope my Hon'ble friend does not ask for a reduction of the road cess—of which I can hold out no expectation. But it is true that in my judgment Bengal has a real grievance in regard to its local taxation. In Bengal, as in Madras and Bombay and most other provinces, the land pays one anna in the rupee of its annual value under the head of Provincial rates. But whereas in other provinces the whole of this cess belongs to the Local Boards for local purposes, in Bengal one-half of it has from the first been appropriated as an asset of general revenues. I am well aware of the historical reasons for this appropriation, and they have always appealed to me as being singularly devoid of force. I shall be very happy if within my term of office it should be in my power to redress this injustice to the province to which I have the honour to belong.

“The Hon'ble Mr. Logan has pointed out how seriously the finances of some of the Local Governments, and Bombay in particular, are affected by expenditure on famine relief, and he has urged that all such charges should be borne by Imperial Revenues instead of by the Provincial Governments. Mr. Sim has raised the same point in regard to the province which he represents. Mr. Logan is under a misapprehension in thinking that the grants in the present budget for relief works and remission of land revenue are Imperial grants. They are, of course, Provincial, in accordance with the terms of the Provincial Settlement. It is, however, unnecessary to dwell on this point.

“I do not regard the difficulties which undoubtedly attach to the present system in quite the same light as the Hon'ble Member, and I could not assent to the solution he has suggested. The management and conduct of wars, expeditions, and political missions rest with the Imperial Government, and it is therefore right that the latter should pay for them. But the actual administration of famine relief must necessarily rest with the Local Government, and famine is the last matter in which financial responsibility should be divorced from administrative control. Even as it is, it is difficult enough to hold the scales evenly between the claims of economy on the one hand, and those of humane treatment of suffering people on the other. If there were a big famine in any province, and the Local Government were at liberty to pass on the entire bill to us, I shudder to think of the consequences to the finances of the Government of India.

“But having said this much, I will frankly admit that in my judgment the present system is really open to serious objection. No allowance is made for famine in the Provincial Settlements, and the established principle is that the entire resources of a Local Government must be exhausted before any assistance can be claimed from Imperial Revenues. The result is that the system is unfair as between one province and another. A province which is liable to relatively frequent famines, such as the United Provinces, Bombay, or the Central Provinces, is worse off than one which is comparatively immune, such as Burma or Eastern Bengal. Moreover, a province which is afflicted by famine shortly after it has obtained a *quasi*-permanent settlement, as has been the case with Bombay and the United Provinces, loses the advantage, to a greater or less extent, of the initial lump grants which were intended to give it a good start on its new career, for these are absorbed in meeting famine charges, instead of being available for Public Works, or improvements in the Civil Administration. The consequences are more serious under the present system of *quasi*-permanent settlements than they were formerly, for the quinquennial revision of the settlements no longer affords an opportunity of setting a crippled province on its legs again. Lastly, in the case of a small famine, one effect is actually to improve the financial position of the Imperial Government at the cost of the provinces, for expenditure is transferred from ‘Reduction and Avoidance of Debt,’ which is an Imperial head, to ‘Famine Relief,’ which is Provincial. This has actually occurred on the present occasion, and it is an undoubted anomaly.

“The question is one of considerable difficulty, and various remedies have suggested themselves. I admit that a material change is required, and it is our intention, as soon as we get to Simla, to examine the matter thoroughly and endeavour to devise a sound solution. It will probably be necessary to consult the Local Governments, and the sanction of the Secretary of State will certainly be required if any radical alteration of principle is made. For the present I will merely say that we are fully alive to the objections to the present system, and that it shall receive our prompt and careful attention.

“The Hon'ble Mr. Apcar has urged us to ‘think imperially’ in fixing the amount of our contribution towards the cost of the improvement of Calcutta. I can assure him that the Government of India are now and have always been ready to take a generous view of the claims of the capital to assistance from the State in carrying out this long delayed and greatly needed measure. The amount of our contribution was fixed at 50 lakhs in consultation with and with the sanction of the Secretary of State, and it is not open to me to undertake to increase it. But if sufficient grounds can be shown for reconsidering the amount,

[28TH MARCH, 1906.]

[Mr. Baker.]

we shall no doubt be ready to do so. On the other hand, it is only just that those who benefit most by the scheme should bear the brunt of the burden. Some of the comments which I have seen in the Press on this subject might lead one to fear that this principle is not always borne sufficiently in mind.

“ I regret that I cannot assent to the Hon'ble Mr. Apar's suggestion that the continuance of the income tax is suspiciously like a breach of faith. This suggestion has been made before, in the Press and elsewhere ; but, so far as I know, it has never been supported by any evidence whatsoever, and I can assure the Hon'ble Member that as a matter of plain historical fact it rests on no foundation. When the tax was imposed in 1886, Raja Piari Mohan Mukherji moved an amendment to limit the duration of it to one year. With reference to this, the Hon'ble Mr. Steel, representing the Bengal Chamber of Commerce, said that—

‘ The payers of income tax will now fairly claim that under the present Bill they will contribute at least their full share : and when any remission of taxation is possible, they will expect that their case shall be considered on its merits along with all other claims for relief which may be put forward.’

“ Referring to these remarks of Mr. Steel, Sir Auckland Colvin, in opposing the amendment, said—

‘ With regard to the duration of the tax, the Hon'ble Mr. Steel has put the case in an extremely fair way, *viz.*, that if the Government finds itself in a position to make remissions of revenue hereafter, the question of the income tax should be put on the same footing and receive the same consideration as any other question of remission of revenue.’

“ Again in 1890, in replying to a representation from the Bengal Chamber of Commerce, the Government of India wrote as follows :—

‘ It is unnecessary to remind the Chamber that no tax can be considered to be final either as regards form or rate, but I am to say that the Government of India has never given any sanction to the belief that the present income tax would be abolished or reduced in preference to any other tax which is now levied or which was levied in 1886.’

“ Since the tax was imposed in 1886, the Government has never given any sort of pledge or promise, direct or indirect, to repeal the tax or treat it in any way differently from any other tax. Only two years ago, Sir Edward Law in this Council emphatically affirmed the absolute freedom which Government claimed to itself in this respect, and I can do no more than repeat what he then said. I can hold out no sort of expectation that the tax will be either repealed or reduced. It is almost the only contribution of importance which is made to the public revenues by the monied classes in this country whose

[Mr. Baker.] ; [28TH MARCH, 1906.]

incomes are derived from trade or other non-agricultural sources. These classes are universally admitted to derive great benefits from British rule; and in my judgment, they at present contribute not too much, but too little.

“Nor am I disposed to think that the limit of exemption should be raised. It seems to me that a man in this country with an income of ₹1,000 a year is better off and ranks higher in the social scale, than a person at home with an income of £160 a year. The latter figure represents only about four and-a-half times the average income of a resident of the United Kingdom, whereas ₹1,000 represents no less than thirty times the average income of a resident of India. As regards the suggestion for a rebate on, or deduction from, incomes below a certain amount, it is perhaps possible that a case might be made out, but *prima facie* it does not seem to be a matter of great or general importance.

“With reference to the point raised by the Hon'ble Mr. Sri Ram, I will have it enquired into; but *prima facie* I am not sure that the rate of increase in the yield of the tax has been in any way abnormal.

“The Hon'ble Mr. Gokhale has raised a number of more or less important questions, with which it would be quite impossible to deal adequately in the time at my disposal.

“In the first place, he has suggested that in our accounts the receipts from Railways and from Productive Irrigation Works should be shown *net*, instead of showing the gross receipts on one side and the various charges on the other. This suggestion has been before Government more than once. Personally, I think that there is a great deal to be said in favour of it, but the view that has hitherto prevailed is that it would be misleading to omit from our main accounts items aggregating 25 millions sterling; nor would such a change be justifiable in accounts which profess to state the total revenue and the total expenditure chargeable thereon. A further practical difficulty has arisen in connection with the allocation of the figures between England and India, as it would apparently be necessary to exhibit very large *minus* figures, which would not be readily intelligible. I will have the matter further enquired into, but no change of this description can be introduced without the sanction of the Secretary of State, and I can therefore give no undertaking in the matter one way or the other.

“The Hon'ble Member has also suggested that the figures which relate to 'local' revenue and expenditure should be excluded from our main accounts, which should be confined to those relating to Imperial and Provincial Finance.

[28TH MARCH, 1906.]

[*Mr. Baker.*]

It so happens that a very similar proposal has been under our consideration during the past year, and I am myself of opinion that the balance of advantage is in favour of making the change, provided that steps are taken to exhibit the aggregate local transactions in a convenient and accessible form. Here also no change can be made without the approval of the Home authorities whose decision cannot be anticipated.

“ Then the Hon'ble Member has put in a plea on behalf of the District Boards in Bombay. The principal source of income of these Boards is the local cess on land, which is a function of the land revenue : and when for any reason, such as famine, the land revenue is suspended or remitted, the Boards lose a large part of their revenue. In the Punjab, he says that in such circumstances the Local Government make up to the Boards the amount of the cesses which is lost.

“ Mr. Gokhale was good enough to mention this matter to me a few days ago, and I have made such enquiries as were possible in the interval. I am informed, however, that the Hon'ble Member's information in regard to the practice in the Punjab is not correct. In that province the District Boards have to stand the loss when cesses are remitted, and the amount is not made up to them by the Local Government. If that is the case it cuts away the ground from under the Hon'ble Member's feet. We could not reasonably make a special rule for Bombay more favourable than that which obtains elsewhere. Apart from that, moreover, I do not think that the present practice is inequitable in itself. The fact that Bombay has not shared in the present remission of taxation is easily explained. Bombay has never—at least for so long as I am aware—had to pay the village officer's cess or the famine cess. It has all along enjoyed the very exemptions which we are only now extending to other parts of India. So far from Bombay having a grievance, it is rather the other provinces that have cause to complain that they have been left behind Bombay for so long.

“ Then, again, Mr. Gokhale has taken exception to the practice by which District Boards are required, in times of famine, to devote a great part of their resources to expenditure on relief works. I find that there are very numerous orders on this subject, some of them dating many years back ; and it is not possible for me without much more time for consideration to make any complete or authoritative pronouncement on the subject. One order which I have found is to the effect that all municipal, local and district resources must be first exhausted before any call is made on Provincial or Imperial funds. I have

[*Mr. Baker.*]

[28TH MARCH, 1906.]

no hesitation in saying that if that principle is to be interpreted literally, I entirely dissent from it. I doubt whether it has ever been really acted upon, and it is certainly not in accord with the policy which has governed the action of the Government of India in these matters for years past. Speaking with all due reserve, I think the utmost we can rightly require of a District Board in time of scarcity is that it shall economise in its ordinary expenditure in all reasonable ways; that it shall set apart as much of its funds as possible for expenditure on works; and that it shall adapt its programme of works as far as it can to subserve the purposes of famine relief. Beyond that I do not think any local body should be required to go. But I do not think we should go still further and relieve District Boards of all responsibility whatever in regard to famine. Apart altogether from legal obligations, the broad fact remains that District Boards form an integral part of the administrative machine, discharging functions in their own sphere which are comparable with those of Provincial Governments and the Government of India in their larger fields of duty. All three parts of the governmental machine should share the common responsibility, and should co-operate with each other in combating a famine not merely in the actual work, but also in the provision of funds, each in its own degree. In replying to Mr. Logan, I have already intimated that we are not satisfied that the Imperial Government at present bears its full share of the burden; but none of the three partners can fairly claim to be wholly exempted.

“Then the Hon'ble Member points out that the Gold Reserve Fund now exceeds the sum of 10 millions which was named by Lord Curzon two years ago as being sufficient for our purpose, and he asks me to say what we propose to do with the profits of coinage in future. I may remind the Hon'ble Member that last year Sir Edward Law expressed the opinion that we ought to have some 20 millions in the Gold Reserve Fund, and we are still a long way short of that figure. But personally I regard the matter in a somewhat different way. So long as India has a gold standard combined with a currency which consists mainly of rupees, I consider that we are bound to set apart the whole of the profit on additions to the coinage. Every penny of these profits is linked with an equivalent liability, which is none the less real because it may not have to be discharged for a long time to come. Sooner or later, gold will come into circulation in India, as it has done in nearly all countries in the world, and will tend to take the place of rupees. It may be many years before this comes about, and the process will probably be very gradual; but that it will come in the long run, I have no manner of doubt. When it does come, we shall have to reverse the process by which we have been adding to our silver

[28TH MARCH, 1906.]

[Mr. Baker.]

currency in accordance with the requirements of trade; we shall have to dispose of the surplus stock of rupees, and replace them by gold. In this view, there can be no limit to the Gold Reserve Fund. Broadly speaking, every rupee that we coin from bullion may eventually have to be converted back into bullion, and the profit which we made from the first operation must be religiously reserved to meet the cost of the second." We must therefore resist all temptation to use these profits for ordinary current expenditure.

"But I agree that there is a limit beyond which it is not expedient in practice to store the accumulated profits in the form of ordinary sterling investments. My reason is that it will not be possible to throw more than a certain amount of such investments on to the market at once. If we hold more than can be readily liquidated, the investments will actually not be available when we require to draw upon them to meet the cost of conversion. We have certainly not reached such a limit yet, so that it is rather premature to discuss the question: but when it is reached, my view is that further accumulations should be applied to the reduction or avoidance of debt, preferably of sterling debt. The practical effect of employing them in this way would be that we should either expand our programme of productive railways and canals or that we should finance the latter with a smaller amount of borrowing.

"The question of military expenditure has been dealt with by His Excellency the Commander-in-Chief and all that I need say is that I resolutely adhere to the view which I expressed last year that it would not be sound or expedient to have recourse to borrowing for the purpose of carrying out the scheme of army reorganization unless we should find it impossible to finance it without undue difficulty out of revenue. Expenditure on public defence is not productive in the commercial sense, and is not a suitable object to be financed from borrowed funds. The only justification for such a course would be imperative and urgent necessity: and no such necessity has so far arisen.

"Mr. Gokhale returns to the charge once more in regard to the employment of our surpluses on the construction of productive public works, and urges the relative claims of sanitation, the provision of school houses, and mass education. Is not the Hon'ble Member rather forcing an open door? We are all entirely agreed with him that we ought not to maintain taxation on a higher level than we should otherwise require, merely in order that the revenue so collected may be spent on constructing railways. That would undoubtedly be wasteful, and unfair to the present generation of tax-payers. But when a surplus has actually accrued from any cause, such as a fortunate windfall, or from our

revenues exceeding our expectations, or in any other way, then I remain of the opinion that we can ordinarily find no more beneficial way of utilizing the money than by investing it in productive works, whether Railways or Canals.

"I readily admit that there is nothing wrong in principle in using such money for other non-recurring expenditure, and as a fact we have often done so. Instances of recent date which occur to me are the 50 lakhs assigned for the improvement of Calcutta, the 20 lakhs for the extension of Simla, the various initial grants given from time to time to Local Governments in connection with their new Provincial settlements: and the 22 lakhs given two years ago by Lord Curzon's Government for what were called secondary requirements, such as museums, public parks and gardens, the Calcutta Zoo and the like.

"But the objection is that this practice does not make for economy. Once we begin to allot sums of money for expenditure on particular objects, not with any ordered design or because the latter are deliberately held to be necessary, but merely because money happens to be available at the moment, we set foot on an inclined plane which leads to the deepest morass of extravagance. Occasions may arise when such a course may be legitimate or expedient, but all such proposals must be most jealously scrutinized and kept under the closest restrictions. The Hon'ble Member expressly intimated that the objects on which the money should be spent must be non-recurring. Surely it was by an oversight that he included among them such essentially recurring charges as mass education and sanitary improvement!

"Most of the items included in Mr. Gokhale's somewhat overwhelming programme of economic and administrative reform do not fall within my province to deal with. But I must offer a few observations on his suggestions for financing his schemes. He suggests (1) that the funds set free by suspending Army re-organization or by carrying it out from borrowed money should be applied to the extension of Primary education; (2) that the profits on coinage should be reserved for the relief of rural indebtedness; (3) that the famine grant should be spent on industrial and technical education; (4) that co-operative credit societies should be allowed to make use of the deposits in the Post Office Savings Banks; and (5) that whatever surpluses accrue should be devoted to assisting Local Bodies in the construction of works of sanitary improvement.

"Now I have the keenest sympathy with every one of the objects on which the Hon'ble Member desires to see public money expended. In particular, I am greatly interested in his proposal for making primary education

[28TH MARCH, 1906.]

[Mr. Baker.]

free, with the intention of ultimately making it compulsory. I hope and believe that some great scheme of this nature will eventually be carried into execution, though I am wholly unconvinced by the Hon'ble Member's figures that the cost of it will be anywhere in the neighbourhood of 30 lakhs of rupees. In the United Kingdom in 1904 over 13 millions sterling were spent on primary education from Parliamentary grants. We may make any allowances the Hon'ble Member likes to ask for an account of the different conditions of the two countries; but when every possible deduction has been made, is it conceivable that we can hope to give free primary education to a population six times as numerous, for $\frac{1}{30}$ th part of the cost? If we get off with $1\frac{1}{2}$ crores a year I shall be surprised: though I believe it would be money well spent.

"But the suggestions for financing the various projects are calculated to alienate my sympathies, and I cannot help thinking that if the Hon'ble Member had had more time for consideration, he would have omitted or modified them. The extension of primary education, and the making of it free, are objects worthy of a foremost place in our policy; but the funds ought emphatically not to be found by casting on to a future generation the present cost of national defence. The relief of rural indebtedness is a matter deserving of serious consideration: but, as I have already shown, the profits on coinage are not available for any such purpose. They must be reserved to meet the corresponding liability which attaches to them, and which will assuredly have to be discharged in the long run. So as regards the Famine Insurance Grant, we have often been told that it was an immoral act to absorb this grant in former years to defray the cost of the Afghan War. I express no opinion as to that; but I do affirm that it would be no less immoral to divert it for expenditure on technical or industrial education, with which it has nothing whatever to do. I will not go through the rest of the list. I will merely assure the Hon'ble Member that while we welcome his co-operation and advice, and while I for one shall be ready to do everything in my power to further the causes which he and the Government alike have at heart, it is not by devices such as these that a solution is to be found.

"Turning from these matters, I think it may be of some interest if I lay before the Council a brief retrospect of the changes that have been effected in our fiscal system during the last 24 years, by the reduction, modification or abolition of old taxes, and the imposition of new ones. I propose to take as my starting point the year 1882-83, for the reason that that was the year in which the Government of Lord Ripon carried into effect certain important measures of fiscal reform to which reference is often made in this connection. Such a

review as I contemplate may, I think, enable the observer not merely to take a bird's eye view of the course of Indian taxation in the past, but also to form a fairly correct estimate of the net improvement—for there has been an improvement—that has been effected in our fiscal system up to the present time. I shall make it as brief and free from technicality as possible, avoiding all details of little general interest, and though I shall present a few figures, they shall be very few, partly to avoid wearying the Council, and also because the actual yield of taxation is obviously affected by other causes than abolition or imposition.

“Viewed from the standpoint which I have indicated, the period from 1882-83 to the present time divides itself naturally into four groups of years, each of which presents strongly marked fiscal characteristics of its own.

“The first group extends from 1882-83 to 1885-86. By the time this period began the country had recovered from the effects of the famine of 1876-78, and from the financial burden imposed by the Afghan War, while the fall in sterling exchange, though beginning to be felt, was not yet acute. It was characterized by three important measures in relief of taxation. These were:—

firstly, the abolition of the import duties on cotton goods, and of the general import duties, or so much of them as still survived. The cost of this measure in the first year of its introduction was 106½ lakhs;

secondly, the reduction of the salt duty from ₹2-8-0 per maund (or ₹2-14-0 in Bengal and Assam) to ₹2. The cost of this, also in the first year of the change, was 119¾ lakhs; and

thirdly, the abolition of the patwari cess in the United Provinces, at a cost of 24 lakhs. The aggregate cost of these three measures was rather over 230 lakhs of rupees per annum.

“The second group of years extends from 1886-87 to 1895-96. Its leading features were the increase of expenditure forced upon us by the approach of Russia towards our frontiers, and the annexation of Upper Burma; and the unprecedented depression of sterling exchange which severely augmented the burden of the home charges. These causes led to the rescission, one after the other, of the three measures of relief which had been carried out during the previous period, and to the imposition of three new taxes in addition. The measures actually adopted were as follows:—

Firstly, in 1885, the income-tax was substituted for the former license-tax: the gain in the first year of the change being 86¾ lakhs.

[28TH MARCH, 1906.]

[Mr. Baker.]

Secondly, in 1888, the salt duty was raised again to R2-8-0 per maund, the increased yield being 101 $\frac{3}{4}$ lakhs in the first year, with a further advance of 51 lakhs the year after.

Thirdly, in the same year, an import duty of half an anna per gallon was imposed on petroleum, yielding 11 $\frac{3}{4}$ lakhs. This rate of duty was doubled in 1894, the increased yield being 5 $\frac{1}{2}$ lakhs.

Fourthly, in 1889, the patwari cess in the United Provinces was re-imposed, yielding 22 $\frac{3}{4}$ lakhs.

Fifthly, between 1894 and 1896, the general import duties were re-imposed on a 5 per cent basis. There were some intermediate alterations in regard to cotton piece goods and yarns, on which it is unnecessary to dwell; but the ultimate result was that, as an exception to the general rule, piece goods were taxed at 3 $\frac{1}{2}$ per cent instead of at 5 per cent, while yarns were free. An excise duty of corresponding amount was simultaneously imposed on piece goods woven in Indian mills. The increase of revenue from the general import duties and from cotton piece goods including the excise duty was 154 lakhs and 103 lakhs respectively.

“The aggregate increase of taxation imposed during these ten years may be taken at about 536 lakhs of rupees per annum.

“I now come to the third group of years, which extends from 1897-98 to 1902-03. This was a period of stationary taxation, the gain due to the gradual establishment of a stable exchange being counterbalanced by two great famines and the cost of military operations on the North-West Frontier. The only fiscal measure carried out during this period was the remission of the pandhr; tax in the Central Provinces, but this had brought in only the trifling sum of R70,000 a year. During this period, there were large remissions of land revenue; and a good deal was done in the direction of improving the financial position of Local Governments; but these are not measures of the class now under consideration.

“The countervailing sugar duties of 1899 and 1902 belong to this group of years; but as these were not imposed for revenue purposes, and were very soon abolished, I do not refer to them further.

“The fourth and last group consists of the period from 1903-04 to the present time. Speaking broadly, this has been a time of plentiful harvests,

steady exchange, expanding trade, of growing general prosperity, and of external peace.

“ The expansion of the revenues has been such that we have been enabled not only to embark on many large schemes of administrative reform, but also to undertake the reduction of taxation on a scale surpassing that of twenty years previously—

In the *first* place the salt tax was reduced in 1903 to R2, and again in 1905 to R1-8-0, a maund, at a cost of 141 and 164 lakhs a year respectively ;

secondly, incomes between R500 and R1,000 per annum were exempted from income-tax with effect from 1903-04, at a cost of over 29 lakhs a year ;

thirdly, the famine cesses in Northern India were abolished last year at a cost of 22½ lakhs a year ; and

fourthly, we have decided, with effect from the ensuing year, to abolish local taxation on the land to the amount of more than 82 lakhs per annum.

“ The sum of these five measures which have been carried out within the space of three years, reaches the respectable total of 438 lakhs a year. This no doubt falls short of the aggregate new taxation imposed or re-imposed during the second group of years by about a crore of rupees ; but with regard to this it may fairly be observed, (1) that it represents the progress achieved in a relatively short space of time ; (2) that the remissions might easily have been greatly enhanced had not Government decided, with, I believe, very general public approval, to apply a large part of its surplus resources to useful and productive expenditure on police, education, agriculture, and public works, to increasing the resources of the Provincial Governments, to improving the efficiency of the army, and to strengthening the finances of District Boards ; and (3) that we are not necessarily at the end of our programme, and if our revenues continue to expand as they have latterly done, it may hereafter be within our power to take further steps for the relief of the tax-payer.

“ A merely statistical comparison, however, is of little value. A more fruitful and instructive method is to compare the fiscal position as it stands now with that which obtained in 1882-83, the year which I took as the starting

[28TH MARCH, 1906.]

[Mr. Baker.]

point of my review. Proceeding in this way, I think that the results so far obtained may fairly be summarised as follows:—

Firstly, we have reduced the salt tax from R2-8-0 or R2-14-0 per maund to R1-8-0 throughout India, except Burma, where it is R1. I do not wish to dwell on the effect of this measure in cheapening the cost of a necessary of life, because I have never believed that the tax pressed with undue severity even on the poor. But the importance of the reduction in creating a fiscal reserve is obvious and immense. If we allow for increase in consumption, not less than $3\frac{1}{2}$ crores of rupees per annum could be obtained from this source by a stroke of the pen if necessity should arise, and this sum may be relied on to expand with the progressive increase of the population.

Secondly, we have broadened the basis of taxation by re-establishing the general customs duties on imports by sea. I freely admit that, in view of the chaotic condition to which the import tariff had been reduced in the late seventies, the Government of Lord Ripon had probably little option but to sweep the whole mass of anomalies away. But in my judgment, in the conditions prevailing in India, there are few more appropriate and less onerous forms of taxation than a light duty on imports from over sea. Our duties are pitched on so moderate a scale that, to the best of my belief, there is not a consumer who feels them, and not an indigenous industry which is injured by them. The revenue they yield, unfelt and unresented, has placed it in our power to effect the successive reductions of direct taxation to which I have already alluded; and although it fell to the lot of Sir Evelyn Baring in 1882 to abolish them in this country, it is significant to observe that Egypt, which has benefited so greatly from the wise and vigorous guidance of Lord Cromer for more than twenty years, now derives one-tenth of her entire gross revenue from this source, a proportion not far short of double that which obtains in India today.

Thirdly, we have effected a valuable reform in our system of direct taxation by substituting the income-tax for the old license-tax. It is unnecessary on the present occasion to enter upon the well-worn theme of the unpopularity of these taxes. Whatever views may be

entertained on that point, all reasonable persons will agree that the income-tax is greatly superior to that which it superseded. The license-tax exempted the whole official and professional classes, and fell almost exclusively upon trade. Its incidence and the range of incomes included within its net varied widely in different provinces: and in some places it extended to incomes so low as ₹200 a year. From all these defects, the present tax is free: and the raising of the limit of exemption to ₹1,000, releasing over 60 per cent of the assesseees, has removed the chief remaining element that was vulnerable to criticism.

Fourthly, a high place in our list of results should be assigned to the reform and reduction of local taxation. It is not merely that we have relieved the landed interest and the agricultural tax-payer from a variety of supplements to his regular assessment, always irritating and often considerable in amount. That alone would have been an advance of no small value. But I attach much greater importance to the fact that we have for the greater part got rid, I trust for ever, of the practice of making appropriations from the proceeds of local taxation for the benefit of Provincial or Imperial revenues, and have gone a very long way towards establishing the principle that no local taxation shall be levied save that which is devoted exclusively to local, as distinguished from general, purposes, and, so far as possible, is administered by local bodies.

Lastly, there is one more feature in regard to which the fiscal system, as it now stands, is conspicuously stronger than in 1882-83, and it is worth while to refer to it, though it is not directly concerned with questions of taxation. I allude to the greatly diminished reliance which is now placed on the revenue from opium, as compared with twenty years ago. In 1882-83, the net receipts from opium were 721 lakhs of rupees, and formed 14·1 per cent of the total receipts classed as Principal Heads of Revenue. In 1905-06, they amounted only to 546 lakhs, or to 7·8 per cent of the aggregate of the Principal Heads of Revenue. When it is remembered how uncertain the opium revenue is, and how liable to violent fluctuations from causes over which we can exercise no control, the dwindling away of its relative importance in our fiscal system must be regarded as a matter for lively satisfaction.

[28TH MARCH, 1906.] [*Mr. Baker ; the President.*]

"In the foregoing summary, I have made no allusion to the numerous changes introduced from time to time in the stamp and excise duties; I have not referred to the greater leniency of our assessment of the land revenue, or to the smaller proportion which it now bears to the sum total of our resources; nor would it have been relevant to refer to the signal change that has come over the position in regard to the net yield of our railways, our canals, and, to a lesser extent, the postal and telegraph services. Putting all these on one side, I venture to think that the results which I have now laid before the Council constitute an advance of which the Government of India have no cause to feel ashamed. Opinions may differ as to whether our predecessors and ourselves have accomplished as much as we might with the means at our disposal. I for one shall not quarrel with our critics if they urge us on to further developments on similar lines. There is no such thing as finality in finance. Though not a little has been done, it would be easy to compile a lengthy list of further reforms which still await the hour and the means. I shall resist the temptation to essay that fascinating but dangerous and not very profitable task; and I shall be content to assure the Council that it will be our aim to persevere steadfastly with the task that lies before us, to remove every avoidable impediment to the development of trade, to improve communications, to facilitate the free movement of labour, to stimulate all indigenous industries, to encourage the profitable employment of capital, Indian capital first, and foreign capital afterwards, and while providing as generously as we can for the administrative needs of the country, in education, agriculture, public health, and public safety, to take as our watchword, first, and last, and all the time, Lord Cromer's well-known dictum, to keep taxation low."

His Excellency THE PRESIDENT said:—"I must in the first place congratulate my friend the Hon'ble Mr. Baker for the very lucid statement he has placed before us—a statement which I think we may all agree in accepting as distinctly satisfactory—all the more so that we are fairly entitled to recognise that the expenditure proposed for 1906-1907 represents no spasmodic effort on the part of the Government of India but that it is the continuation of a well-considered policy which the growing revenues of the country has enabled the Hon'ble Member to carry out. We appear to have no reason to imagine that we are under the influence of that intoxication known as a 'boom' in the New World, followed too often by the depressing effects of financial dissipation. The speeches which we have heard from Hon'ble Members today all hold out hopes of a solid and assured financial future, the chief problem of which will, I hope, be not as to how and when we are to secure our revenue, but as to how and when we can best spend it.

" I am very far from saying that we are free from trouble. We have famine and sickness with us still; a partial failure of the monsoon and a further delay in the winter rainfall have told the inevitable tale in parts of Northern and Central India; but still there has been no such misery as that of 1899 and 1900, and we may fairly hope that the money spent on irrigation in recent years and on the development of famine relief organisation may surely and steadily reduce our famine areas; whilst, as the Hon'ble Sir Denzil Ibbetson has told us, the Government of India owe a debt of gratitude to the noble liberality with which the Chiefs have realised their obligations in their own afflicted territories. The plague, however, stares us gruesomely in the face and is ever reminding us of the efforts we are urgently called upon to make for the sanitary welfare of the people.

" Yet on every side there is indication of progress and of development, of which there is no better evidence than the increase in railway earnings, and the number of railways under construction, and with certain exceptions there is a general increase of revenue.

" The net result is a surplus of 253 lakhs of rupees, 122 lakhs of which we propose to devote to the remission of taxation, the relief of local bodies and the assistance of administrative improvement. In a country of great undeveloped resources it must often be a question whether a revenue surplus should be in the main devoted to the further development of the country or to the reduction of taxation of its population. For my own part I believe that the future prosperity of India depends so largely upon the welfare of its agricultural population that relief in the direction we propose will have a widespreading effect and will as a consequence further that development in other directions which we are so anxious to encourage. Sir Denzil Ibbetson has given us an insight into the valuable work of the Department he so ably administers, and if, after so short a residence in India, I may venture to give an opinion, I cannot say how fully I agree with him as to what I take to be his views in respect to agricultural indebtedness and agricultural expansion. We all know the cruel burden the former entails on the agricultural population; but I doubt the possibility of the Government of India ever being able to pay off this debt, and, like the Hon'ble Member, I doubt the policy of their doing so if they could. I believe that co-operative societies, agricultural banks and carefully arranged systems of Government loans, coupled with the encouragement given to individual energy, will do much more to spoil the money-lenders' market and do it in a much more healthy way than any entire acceptance by Government of the debts of the agricultural community could ever do. Expert instruction in

[28TH MARCH, 1906.] [The President.]

agriculture will, too, as years go on, undoubtedly conduce to the same success as has attended the scientific care which has done so much to realise for India the wealth of revenue contained in her magnificent forests.

“But though I am inclined to recognise agriculture as the staple industry of the country, I am far from losing sight of the great commercial development and the rapid expansion of trade, of which the Hon’ble Mr. Hewett has spoken. The records of the Department of Commerce and Industry tell us not only of over-sea trade, the improvement of our harbours, and the establishment of commercial relations with other countries, but also of the interior industrial development of India, much of which is only as yet beginning and the possibilities of which are so enormous; and nothing in the speech of the Hon’ble Member is to my mind more important than that sentence in which he conveyed the assurance that the Government of India earnestly desire to encourage local enterprise and that they mean to insist that in the case of articles required by Government which can be produced in this country at the same price and of the same quality as imported articles, the preference shall be given to local productions.

“I am in thorough sympathy with all the Hon’ble Rai Sri Ram Bahadur has said in this direction. His contribution to the debate on education generally has been most valuable, but in an industrial sense the attention he has drawn to technical education deserves our most careful consideration. Technical instruction in other countries is growing apace, though it is not so very long since the necessity for it was so generally admitted as it is now. Competition has forced it upon us. We must not lag behind. The wealth, the welfare, the strength of a country that would hold its own in the world must depend largely upon the employment of its manhood in the development of its own resources. But now-a-days, in these days of rapid and easy sea transport, and in the face of our system of open markets, the home producer and home manufacturer must be prepared to face foreign competition or to fail. I am afraid he cannot expect his fellow-countrymen for the sake of patriotism to buy his goods if they are inferior and more expensive than goods from other lands, and I say to the supporters of Swadeshi,—that much abused word—that if ‘Swadeshi’ means an earnest endeavour to develop home industries in an open market for the employment and for the supply of the people of India, no one will be more heartily with them than myself. But if by Swadeshi is meant an inability to recognise the signs of the times, a mistaken desire to maintain industrial systems long out of date, to create false markets by prohibiting the people of India from the purchase of better and cheaper goods, it will have no sympathy from me.

“The ancient hand-loom cannot compete with modern machinery. There are indigenous arts in India which I hope may be for ever preserved—the

ingenuity, the characteristic skill of a people, should always be dear to them ; but the success of modern industries and the preservation of indigenous industries is becoming every day more and more dependent upon scientific and technical knowledge, and if the resources of India are to be developed by the people of India, such development must depend largely upon local enterprise, upon the investment of Indian money and upon a recognition of the absolute necessity of expert training. There is no lack of opportunity for such native enterprise, which will well merit the assistance and encouragement the Hon'ble Rai Sri Ram Bahadur has so justly claimed for it.

"I have ventured to deal only very superficially with the chief points raised in this Debate and with which the Heads of Departments have so ably dealt—points which chiefly concern the resources of India, its revenue, and the welfare of its population. But there is, on the other hand, the heavy expenditure we have to face in many branches of the administration, and chiefly in respect to the Army, to which the Hon'ble Mr. Gokhale has taken such strong exception. I have listened to all he has said with the respect due to one who very eloquently represents the advanced views of a section of the Indian people—views which, though we may perhaps often disagree with, are the result of a study of the Indian political life of today and of a patriotic desire to share in the administration of public affairs—views which I shall always be ready to listen to and discuss. Recent events may at first sight appear to justify much of what the Hon'ble Mr. Gokhale has said. Russia's reverses in the Far East and our alliance with Japan undoubtedly at the present moment minimise the dangers of our Indian frontier, but I am afraid I cannot follow the Hon'ble Mr. Gokhale in his conclusion that these dangers have disappeared for ever. He has told us that the tide of European aggression in China has been rolled back for good, that the power of Russia has been broken and that her prestige in Asia has gone. I am afraid these are mere assumptions which I can hardly accept. I am afraid I feel much more impelled to consider, what effect Russian reverses may have on the pride of a high-spirited military race, and I wonder in how long or in how short a time she may feel confident of recovering her lost prestige.

"Mr. Gokhale advises us to hang up our military reorganisation till a more disquieting situation arises ; that is to say, wait till the moment of danger arises before we put our house in order—and to trust to a military scramble towards efficiency. I hope that the danger of such military scrambles has at last impressed their risks upon us.

"He has also referred to the position of the people of India in respect to the military services. The position is a difficult one, and in some points it is not

FINANCIAL STATEMENT,

[28TH MARCH, 1906.] [The President.]

satisfactory ; but I do assert this, and I know my colleagues will agree with me, that the position is in no way due to a want of appreciation of the loyal services of the magnificent officers and soldiers of the Indian Army.

“His Excellency the Commander-in-Chief has so clearly placed before us the view he takes of military requirements and military reorganisation that I need say very little. He has devoted a brilliant ability to the task of placing the Army of India on a footing of sound efficiency—an efficiency which can guarantee security, whilst he has reminded us that in the midst of a rising prosperity and increasing cost of living we cannot ignore the daily comfort of the Indian troops who serve us.

“Military expenditure is necessarily heavy in respect to the up-keep of all great armies. The criticism of such expenditure is often short-sighted. The price paid for an army is the premium paid for the insurance of the country. The huge armies of modern nations are not due either to any tendency to over-insure or to the promptings of mere military ambition. They exist in the first place for the maintenance of peace, because nations know that on their armed strength depends their immunity from attack. No nation can hope to be great and prosperous without being strong amongst its fellows. Its wealth, the welfare of its people, its commerce, its investments, its interior development, depend upon its security from hostile pressure—a security guaranteed only by the efficiency of its military forces—by the power of the strong arm. As long as the whole world continues armed to the teeth we must be prepared to pay for the safety of our existence. I hope we shall never be deceived into a false security.

“It is pleasant to remember that their Royal Highnesses the Prince and Princess of Wales, though they deeply realised the wants of the loyal population who so enthusiastically received them, visited India when its future seemed full of promise. I trust that promise may be fulfilled and that ever-increasing revenues will help to solve the administrative problems which surround us, and will ensure the progress and happiness of the people.”

The Council adjourned *sine die*.

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

CALCUTTA; }
The 30th March, 1906. }