

*Wednesday,
29th March, 1905*

ABSTRACT OF THE PROCEEDINGS

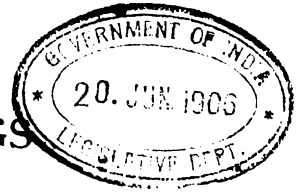
OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

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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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FROM 1905 TO MARCH 1906.

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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 29th March, 1905.

PRESENT :

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

His Honour Sir 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 Major-General Sir E. R. Elles, K.C.B., K.C.I.B.

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.

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 Mr. Gopal Krishna Gokhale, C.I.E.

The Hon'ble Mr. F. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. H. Adamson, C.S.I.

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

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

The Hon'ble Rai Sri Ram Bahadur.

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

The Hon'ble Mr. A. D. Younghusband.

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

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

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

QUESTIONS AND ANSWER.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR asked the following questions:—

“Will the Government, in view of the growing and appalling mortality from plague (the deaths in the week ending the 11th of the present month being

[*Nawab Saiyid Muhammad; Sir Arundel Arundel; [29TH MARCH, 1905.]
Nawab Fateh Ali Khan.*]

45,541), be pleased to state whether it is in contemplation to engage the services of a bacteriologist or scientist of European reputation, besides other experts who might be appointed by the Secretary of State, for establishing the pathology of the disease and devising a system of preventive and curative treatment on a scientific basis?

"If not, will the Government be pleased now to consider the matter?"

The Hon'ble SIR ARUNDEL ARUNDEL replied as follows:—

"The Government of India have already taken action in the direction suggested by the Hon'ble Member. From the correspondence now laid on the table it will be seen that it has been decided to appoint a plague research party consisting of two experts from England selected by an Advisory Committee at home and two Indian Medical Service officers. The composition of the party has not been finally settled, but a member of the Advisory Committee is now on his way to India in order to arrange the details of the investigation in communication with the Sanitary Advisers of the Government of India."

DISCUSSION OF THE FINANCIAL STATEMENT FOR 1905-1906.

The Hon'ble NAWAB FATEH ALI KHAN said:—"My Lord, I deem myself very fortunate in enjoying the privilege of being in a position to offer the first congratulations to Your Excellency's Government for the highly satisfactory Budget which has been laid on the table by the Hon'ble Finance Member. From what I have read, I feel bound to express my sincere pleasure in observing that the Budget has been most carefully prepared, and shows the increasing prosperity of the Indian Empire.

"My Lord, India has had the good fortune of having increasing surpluses in the Budget ever since the beginning of Your Excellency's administration, but this year's Budget is far more satisfactory than those of past years.

"As expressed by the Hon'ble Finance Member, the improvement in surplus has been 385 lakhs over and above the estimate formed in March 1904. It is pleasing to see that the great increase in the surplus is not due to any increase of taxation. On the contrary, the Government has been graciously pleased to make remissions of revenue in certain portions of the country from time to time during the past year. The unusually great increase is due to several causes, as stated by the Hon'ble Member in his Budget Report: the magnificent returns from the railways, and the raising of the price of opium in Bengal, are two of the chief reasons for the increased surplus of this year.

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"After providing for the Army reorganisation, military, and other ordinary expenditure on a sufficiently liberal scale, I gather that we should have a surplus of 510 lakhs next year if taxation remained at its present level. It has, however, been determined, as I learn from the Budget Report, to apply the sum of 374 lakhs out of this estimated surplus to various useful measures to be adopted by the Government for the good of the country. The greatest and the most beneficial measure is the abolition of famine-cesses in the Punjab, United Provinces, and Central Provinces. This measure was greatly called for, and I hope will tend to raise the condition of the people of those provinces.

"The other useful scheme for the advantage of the country is the making of additional assignments of 35 lakhs per annum to the Provincial Governments for the purposes of primary education. I would only here remark that the money, if not properly taken care of, may possibly be spent for some other purposes and thus the real object we are aiming at may be defeated.

"The other beneficial purposes are the reduction of salt-duty, the assignment of money to District and Local Boards, as well as reduction in postal charges, all of which will, I hope, tend to the increase of prosperity and welfare of the country.

"Finally, I offer my thanks to Your Excellency for the adoption of the above administrative measures, which tend to secure lasting good for India, as well as for the whole-hearted devotion which Your Excellency has always shown to the cause of the Indian people."

The Hon'ble Mr. SIM said :—"My Lord, Madras would wish to be associated with the rest of India in congratulating Your Excellency's Government on its continuing financial success—on the full purse, which has attended Your Excellency during the last six years, and is still so conspicuously present : most of the sources that have filled it presuppose full pockets in India, while others, such as the sale of opium, and the carriage of grain for export, will have been paid by the consumer, outside India altogether.

"Madras would wish also, my Lord, to express its appreciation of the purposes to which Your Excellency's Government has devoted this surplus ; a salt-tax lower than it has been at any time since 1878 ; liberal grants for Police reform, Primary Education and Agricultural research ; assistance to local bodies ; these are benefits which will nowhere be more widely felt or more heartily appreciated than in Madras ; they are branches of administration to which Madras has always devoted special attention, and lines on which it has always contemplated advance.

[Mr. Sim.]

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"Of *Salt* the Madras is the largest consumer in India; of *agriculture* we possess the oldest college; we were first in the field of *Local Self-Government*, and have always been prominent in that domain: while, in the face of recent military changes, we, more than other provinces, require an efficient *Police*. Every body, my Lord, who knows the importance to the Madras raiyat of the services which *Local Boards* perform, and the insufficient resources with which they are furnished, will read with the greatest pleasure of the assistance which Your Excellency's Government is now allotting to these bodies; and will note with pleasure, also, the Hon'ble the Finance Member's assurance that there is no intention to burden this assistance with any charges which are at present provincial.

"Very specially, too, my Lord, will Madras welcome the announcement of the adoption of an energetic and continuing policy 'for the development of *agricultural experiment, research, demonstration and instruction*.' We are both agricultural and raiyatwari in Madras, so that not only is the prosperity of our Presidency greatly dependent on the success of its agriculture, but our officials are brought very close to the daily life of the raiyat and see, at first hand, some of his greatest needs. One of these is this Education, Research, and Demonstration, which Your Excellency's Government is now about to give him; and Madras, which has experienced, I may remark, some of the practical difficulties which beset this apparently simple subject, will wish Your Excellency's Government every success in it.

"Other obvious needs are those of Irrigation, Railways, Credit, and Forestry. In *Irrigation*, while we join with the Hon'ble the Finance Member in the enthusiasm with which he writes of the great *productive* works of the Punjab, we hope Your Excellency's Government will not forget the necessity for pushing on with *protective* works elsewhere; works, which, though not ordinarily remunerative to the Treasury, will be invaluable both to Government and to the raiyat in time of Famine. We would also beg Your Excellency to remember kindly those *minor* works, on which the greater portion of our Presidency has, after all, to depend: the important scheme of Tank Restoration in Madras is progressing less rapidly than we would wish, owing to want of funds; we trust, therefore, that a considerable portion of the additional grant, now announced for Minor Irrigation Works, will be devoted to the Presidency, in which they are of the most importance. I believe, my Lord, that provision for the expansion of work in this direction was not made in the current Provincial Settlement.

"In *Railways*, Your Excellency is giving us some useful extensions, and is lending money to our District Boards to further the more rapid expansion of light railways: both will be welcomed in Madras.

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"The subject of *Agricultural Credit* is also being seriously taken up in our Presidency on the lines laid down by Your Excellency's Government and the 'search for Raiffeisen' has begun: we in Madras shall watch it with special care, since we have long recognised its great importance, and possess the greatest Indian authority on the subject in a Madras Civilian. Having a Nicholson, we shall hope that we may be as fortunate as Bengal has been, in also finding a Hamilton.

"Under *Forests*, we notice with satisfaction that the coming year's Budget provides for increased expenditure in Madras. I would put in a plea for its continuance in future years; whether one accepts only the more obvious uses of forests, or believes also in their climatic effects, the creation and working of a forest area, sufficient for local requirements, would appear to be one of the most pressing needs of an agricultural and pastoral country, of uncertain rainfall, and increasing population, such as ours is; the task will necessarily be long and difficult, but time and difficulty can be reduced to a minimum, by a continuous and liberal outlay of money during the earlier years; it is such outlay that I now plead for: there may, it is true, be other provinces in which it would bring in a more immediate money return; but I would urge that, in the case of forests, as in the case of other administrative essentials, it is, up to a certain point, not the highest revenue, but the greatest necessity, that should carry the day.

"Madras would thank Your Excellency for grants to the *Madras Harbour* in the current and coming years; and also, *in advance*, for favours to come, in the provision from Imperial revenues, of the cost of reorganizing the *District Administration*, in accordance with the promise given to us in our Provincial Settlement of last year. In connection with this Settlement, I may add that it is unfortunate for the Provincial Treasury and a matter of extreme regret to the Madras Government that its first year should be marred by drought and scarcity, and all the loss and distress to the agricultural population that are their necessary accompaniments.

"In regard to *Receipts*, my Lord, I would only notice one item, that of *Excise*; so far as Madras is concerned, I would venture to support the view of the Hon'ble the Finance Member that the increased receipts under this heading are due to higher taxation and not to increased drinking; I would claim, indeed, that Madras has been the pioneer in excise reform, based on this cardinal principle of obtaining a maximum of revenue from a minimum of consumption; and I am glad to believe that, of late years, its pre-eminence in this direction

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has been recognized in other parts of India, and that Madras is now the Mecca of Temperance to which official pilgrims from less forward provinces periodically wend their way.

"It only remains for me, my Lord, in the name of Madras, to thank Your Excellency and Your Excellency's Government, for the kindly consideration, shown throughout the Budget, to an absent and distant Presidency."

The Hon'ble MR. HARE said :—"I congratulate the Hon'ble Finance Member and the Government upon the prosperous state of the finances, and desire to express my approval of the manner in which the surplus has been dealt with.

"While something has been given to the reduction of taxation, there has been a large appropriation to the improvement of the administration, and this was very urgently required.

"The increased expenditure on the police is absolutely necessary, and the large grant to education cannot fail to be beneficial. The grant to District Boards is, I consider, a most excellent measure. The new railway lines require to be supplemented in many cases by feeder roads, and the road systems of many districts require to be to some extent remodelled and in all cases require to be linked up with the railway. The growing wants of the District Boards in other respects are well known, and there seemed to be no hope of meeting their requirements from any other source.

"The grant for agricultural research, experiment, and instruction is very welcome, and I can only express a wish that it could have been larger.

"I observe that nothing has been given for Veterinary purposes, either for the creation or development of colleges or for the establishment of a Veterinary Department. This I much regret. I think that an enormous increase of wealth is to be won for this country in saving the life of cattle and increasing their efficiency by improving the stock. In this matter as in Agricultural development Government will have to lead the way, and if any adequate result is to be achieved considerable expenditure will be required.

"As a matter also directly bearing on the prosperity of Bengal, I would venture to mention the importance of pressing on more rapidly with the record-of-rights. As a means of securing to agriculturalists the fruits of their labour and of improved methods of agriculture this is a matter of some urgency. There are at present three parties at work in the Province of Bengal, and I should like to see a fourth party. But this work can only be entrusted to the

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permanent staff and so can only be taken up as the necessary staffs, both for survey and record work, can be permanently sanctioned and trained. Hitherto it has not seemed to be within the bounds of practical politics to ask for more than the staff necessary for three parties. Applications are continually being made here by landlords, and there, by raiyats for records-of-rights to be undertaken. It is expensive and unsatisfactory to take up isolated cases, and the necessity of pressing on with the general provincial scheme is clearly indicated. I would express a hope that the improved financial position may make it possible to sanction a further increased staff, and that the requirements of Bengal in this respect may be sympathetically considered."

The Hon'ble MR. PORTER said :—" My Lord, I have to congratulate the Hon'ble the Finance Member on the fact that in this—his first—Budget he has at his disposal a large surplus. I hope that the good fortune which attended his predecessor may continue throughout his term of office.

"I do not propose to attempt to criticise in detail the objects to which the Government have decided to devote this surplus, or to offer any opinion on the estimates of the coming year. I desire only to make a few remarks on certain matters which affect the United Provinces,

"It is unfortunately only too true that the cold weather crops in the United Provinces, which promised to be magnificent, have been seriously damaged by frost. In the north of the Provinces, including the Meerut and Rohilkhand Divisions, where the crops were less advanced, the loss except in two districts is small. Again, in the Benares and Gorakhpur Divisions, and in part of the Fyzabad Division, the frost was less severe and comparatively little harm was done. But in the Allahabad Division not a single district, and in the Lucknow Division only one district, escaped serious injury ; while in the Agra Division, and in two districts in the Fyzabad Division, the loss, though less severe, has been very great. Roughly it may be said that the proportion of the produce lost varies from three-fourths to one-fourth throughout the injured tract, and this loss will be very severely felt, especially in Bundelkhand and Cawnpore, where the preceding kharif harvest was indifferent. A sudden calamity of this extent and severity calls for liberal, and above all for prompt, relief. That relief has, I am glad to say, been granted in full measure. The estimate of land-revenue collections in the United Provinces has been reduced by 50 lakhs, and of this sum no less than 42½ lakhs are to be treated as remissions. In preferring remissions to suspensions the Government have, I venture to think, acted wisely. In cases of widespread and serious loss of

crops, suspensions afford little real relief. Suspensions tend, moreover, to demoralize the people by keeping a load of debt hanging over them; they injuriously affect the credit of the cultivator with the village-banker; and they encourage the revenue-payers to withhold what they can pay in the hope that the suspensions will ultimately be converted into remissions.

"The abolition of the famine-cess will afford some welcome relief to those classes on whom the burden of local rates bears somewhat heavily. But apart from this the remission will be popular. The somewhat bitter feelings which were aroused when the cess was first imposed, by the way in which the proceeds of the cess were at the outset utilized, have long ago subsided, and the controversy is now ancient history: but every one will be glad that Government are at last in a position to remit an impost regarding which at one time so much misunderstanding took place.

"The liberal grant of 6½ lakhs for increasing the strength and pay of the rank and file of the Police and of Sub-Inspectors will do much towards improving the position and prospects of a very hardworked and on the whole deserving body of men. That some increase of pay was necessary has long been obvious to those who have studied the subject. To quote merely one instance,—it is, I believe, an established fact that a Sub-Inspector of the third grade, the rank in which trained officers begin their career, and in which grade they remain for several years, cannot live on his present pay. Almost equally important, however, with the grant of adequate pay and horse allowance is the provision of decent and sanitary quarters. Self-respecting men will not join or remain in a service which requires them to live in unhealthy or squalid surroundings. It has been laid down, and Provincial Governments have accepted the ruling, that the cost of providing suitable police buildings must be met from provincial revenues. This principle is fair enough; and for the last few years the Government of the United Provinces has been expending large sums annually on the improvement of police lines and buildings generally. Before that, however, owing to the late famine, and to other causes which need not now be referred to, expenditure on police buildings had been very restricted; and a great deal of lee-way has now to be made up. In these circumstances it is unfortunate that during the coming year the provincial expenditure on buildings will have to be curtailed. The provincial finances will be crippled by (1) the loss of land-revenue in consequence of the injury to the crops by frost, (2) by the drop in irrigation receipts (which under the new financial settlement is practically an entirely provincial head) due to the continued winter rains, and (3) by a probable drop in excise receipts in sympathy with agricultural depression. These

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losses have necessitated strict economy in framing the provincial budget of the coming year, and have involved retrenchment of expenditure not only on building projects, but even on desirable minor irrigation works.

"A further burden on provincial finances is plague expenditure. When the present financial settlement was being arranged, the Government of India stated distinctly that no allowance for plague charges could be made, as those charges were temporary. But the terrible epidemic of plague which is now raging in the United Provinces holds out no hope of the early disappearance of the disease. It is true that in the coming year the allotment for direct plague expenditure will be reduced from three to two lakhs, but there is the likelihood of even larger expenditure in the future if the result of expert investigation is to indicate any practical measures of prevention. Again, the cost of relieving Municipal Boards of Police charges comes to Rs. 3,89,000, or Rs. 1,39,000 more than the amount allowed by the Government of India at the recent settlement. Nearly all this is being spent on plague. The result is that the Provincial Government is spending directly or indirectly on plague charges some $3\frac{1}{4}$ lakhs, for which no provision was made when the provincial share in the revenues accruing in the Provinces was determined.

"In connection with the subject of police reform I would remind those Indian gentlemen who denounce the present civil police so strongly that the force is almost entirely composed of their own countrymen. If the personnel is unsatisfactory, the only remedy is to obtain a better class of recruit. The unpopularity of service in the police is unfortunately notorious; and I attribute much of this unpopularity to what I consider the unfair manner in which the police are written of and spoken of by certain sections of their fellow-countrymen. Misdemeanours where they occur must be exposed; and the people who expose them are discharging a public duty. But indiscriminate abuse only does harm. It disgusts and disheartens the good men, and makes the bad men worse. Government may offer better pay and better prospects, but self-respecting men will not willingly enter a service if they continue to see and hear it denounced in the Press and in the Courts as oppressive and corrupt.

"The special permanent grant of six lakhs for primary education should go far towards placing primary schools on a satisfactory footing. As the Government of India are aware, a large portion of the previous five lakh grant was devoted to primary education. The present grant will enable the Provincial Government to extend its policy of (1) opening new primary schools and improving buildings and apparatus; (2) increasing the number of normal schools, and introducing a simple supplementary system of training teachers

for primary schools: and (3) further strengthening, and improving the prospects of, the district inspecting staff. It is also hoped to give some stimulus to primary female education.

“The liberal grant of 8 lakhs to District Boards will meet with universal approval. These Boards, unlike Municipal Boards, have in the United Provinces no powers of taxation, and apart from their share in the rates and the receipts from transferred services, they are entirely dependent for their income on such assignments as the Provincial Government may be able to make. Much has been done in recent years to improve the financial position of these Boards; and the Local Government has prepared and is about to introduce a Bill for conferring on these Boards a larger measure of financial independence and responsibility. But there can be no doubt, as mentioned in the Statement, that the resources of the Boards are incommensurate with the duties imposed on them. There are at the present moment several urgent projects for railway feeder roads in the United Provinces which are in abeyance for want of funds. Another urgent want is that of decent boarding houses for town schools. At many town schools there is no accommodation at all for boarders; and, where such accommodation exists, it is as a rule insufficient and unsuitable. It is now recognized that a proper system of hostels under adequate supervision is essential to any sound system of higher education; and in the case of the various colleges the want is being supplied either by Government or by private benefactors. But hitherto the needs of town schools, in this respect, have almost entirely been overlooked. The age at which a boy emerges from the primary school, and joins the higher classes in a town school, is the time when he stands most in need of supervision and of good surroundings. It is admitted that no student, who has not been thoroughly grounded at school, can derive full benefit from the teaching he receives at college. So it seems to me that much of the moral good which should result from residence in a well conducted University hostel, will be lost to the boy who has been accustomed for several years to a lower standard of life.

“From the above remarks I do not wish it to be inferred that the Government of the United Provinces has any complaint to bring against the terms of the financial settlement made twelve months ago. Compared with previous contracts that settlement was liberal, and it was supplemented with a large initial grant. It is to be regretted that a great agricultural disaster has seriously affected the Provincial income in the second year of the settlement, and has compelled the Provincial Government to curtail its expenditure on works of the highest public utility. I trust, therefore, that if—as we all hope—the coming year proves to be

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one of peace abroad and prosperity at home, and if the Government of India find themselves in possession of a large surplus, the case of the United Provinces, which contribute so largely to the Imperial Exchequer, will again be favourably considered."

The Hon'ble RAI SRI RAM BAHADUR said:—"My Lord, it is a matter of great gratification to us non-official Members that the Financial Statement made this year has given us once more the opportunity to congratulate Your Excellency's Government on the satisfactory condition of the finances of the Empire. The Hon'ble the Finance Member is specially to be congratulated on commencing his term of office by presenting to the Council a Budget possessing many interesting and pleasant features.

"My Lord, the excellence of a Budget does not, in my humble opinion, consist in showing large surpluses, but in the manner in which they are utilized; and I am glad to say that the Budget before us possesses that characteristic.

"*Surpluses.*"

"My Lord, six successive years of large surpluses is an event of unique occurrence in the financial history of British India; this being the sixth year in Your Lordship's rule, in which a Budget showing a large surplus has again been laid before this Council. This is the more remarkable, as at the commencement of Your Excellency's administration the country was passing through a famine characterized as 'the greatest famine of the century.' Under Your Excellency's *régime*, not only have the finances of India been brought to a satisfactory condition, without the imposition of any fresh taxes, but a policy of giving financial relief to the people, by the remission of taxation, has been inaugurated—a state of things which has been quite unknown to the Indian tax-payer during the two decades preceding the year 1902-1903. The abolition of the *pandhari*-tax in the Central Provinces, in that year, was followed, in the subsequent year, by the reduction of half a rupee per maund in the rate of duty on salt, and the raising of the minimum of taxable incomes. The coming year's Financial Statement contains the gratifying announcement of other measures calculated to afford further relief to the Indian tax-payer, by taking off another half a rupee from the rate of salt-duty, and by repealing the so-called famine-cess in the United Provinces, the Punjab and the Central Provinces. The further reduction of duty, on such a necessary of life as salt, will give a much-needed relief to a class of people who most urgently required it. The repeal of the

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famine-cess is an act of bare justice, as its proceeds were often applied to purposes other than those for which it was professedly levied. Moreover, this cess was peculiar to the three provinces named above. Its continuance, my Lord, was no longer justified.

"For all these measures of relief the country is beholden to Your Excellency's Government. In order to show with what feelings of gratefulness the announcement of the remission of taxation has been received in the United Provinces, I beg with Your Excellency's permission to read the telegrams received by me from the leading associations in those Provinces, asking me to tender on their behalf respectful thanks to Your Excellency for these measures.

"These telegrams are from the Talukdars' Association in Oudh, from the Zamindar Association, Muzaffarnagar, and from the Rifahiam Association, Lucknow.

Dated 28th March, 1905.

From—The Maharaja of Ajodhya, President, B. I. Association, Oudh.

The talukdars of Oudh tender their most respectful and heartfelt thanks to His Excellency the Governor General in Council and earnestly hope that the liberal policy thus inaugurated by His Excellency will be pursued further by the remission of other cesses on land.

Dated 25th March, 1905.

From—Hotobre Nihalchand of Musaffarnagar.

Kindly convey deep-felt gratitude of Zamindar Association, Muzaffarnagar, to His Excellency the Governor General for granting their memorial and remitting famine-cess.

Dated 28th March, 1905.

From—Hon'ble Raja Ali Mohamed Khan, President.

Rifahiam Association, which counts among its members many of the educated citizens of this city and province, most of whom are malguzars, or tax-payers, desires me to convey through you to His Excellency the Viceroy in Council its respectful thanks for recent abolition of famine-tax and reduction in salt-tax; new postal regulations and increased allotments for police and education have also been received with satisfaction. In conclusion the Association desires me to ask you to convey to His Excellency in Council their respectful acknowledgments of the generous treatment of these Provinces as evidenced by recognition of widespread damage to crops by recent frost.

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"Cesses on Land.

"My Lord, while welcoming most gratefully the repeal of the famine-cess in the provinces in which it was levied, I beg to submit the following for Your Lordship's favourable consideration. The relief afforded is confined to three provinces only; other provinces do not participate in it. The aggregate amount of the repealed cess comes to about Rs. 22½ lakhs only out of the total annual sum of more than 423 lakhs levied, in the whole of India, as cesses and rates. The remission just made will not benefit the cultivating classes whose claims upon the Government, for a substantial relief, by reduction of the taxation, are many. They form the bulk of the Indian nation: they pay to Government more than 33 crores of rupees as land-revenue and cesses, in addition to other direct and indirect taxes paid by other sections of the community: they have been the greatest losers by the depreciation in the value of silver, and by the artificial value given to the rupee by the currency legislation: and they have already suffered most, and are liable, in future, to suffer again, by drought, inundation, frost, and other calamities of the season.

"The reduction in the duty on salt has no doubt afforded them some relief, but the quantity of that article consumed annually by the family of an agriculturist is so small that the relief thus given to him is not very appreciable. Moreover, this is a kind of relief which is shared in common both by the agricultural and other classes of His Majesty's Indian subjects. But considering that the agriculturists labour under peculiar disadvantages, considering that they have to bear the brunt of direct taxation and its ever-increasing weight, and suffer more terribly from the devastations and ravages of famines than any other section of the community, they are, my Lord, entitled to some special relief at the hands of the Government, at a time when, by reason of an overflowing treasury, it is in a position to afford such relief.

"Cesses in the United Provinces.

"In this connection, I beg to refer specially to the case of my own provinces. They pay the largest amount of land-revenue and cesses, more than a quarter of the total sum paid by the whole of British India. In 1903-1904, the revenue paid by them came, in round numbers, to 639 lakhs, and the cesses to 104½ lakhs; whilst all the other provinces put together contributed 2,095 lakhs and 319 lakhs under both those heads, respectively.

"In no other Indian province have the land-revenue and cesses gone up by such leaps and bounds as in the United Provinces. In the last decade alone, i.e., from 1893-1894 to 1903-1904, the revenue has increased by about 45½ lakhs, and the cesses by about 10½ lakhs.

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"In the concluding years of the East India Company's rule, Lord Dalhousie laid down, for Northern India, the salutary rule of fixing the Government demand at one-half the actual rental. Some small cesses for local purposes, *viz.*, for roads, schools, and district post, were also levied, but their aggregate rate did not exceed $2\frac{1}{2}$ per cent. on the revenue. In Oudh these cesses were levied under certain circular orders issued by the Chief Commissioner. In Lord Mayo's time that rule was for the first time transgressed, and new rates were imposed, in the province of Agra under Act XVIII of 1871, and in Oudh under Act XVII of 1871. In 1878, when Sir John Strachey, the then Finance Member, created the so-called Famine Insurance Fund, a further rate at Rs. 2 per cent. on revenue was imposed, in the province of Agra under Act III of 1878, and in Oudh under Act IV of the same year. We are grateful to Your Excellency's Government for repealing the last-named cess this year.

"There are two other cesses levied on land in these Provinces which require special mention; these are the *chaukidari*-cess and the *patwari*-rate.

"My Lord, the watchman and the accountant had, from time immemorial, occupied the positions of village-servants in the rural economy of these Provinces. It was for the services rendered by them to the village-communities that they used to be remunerated by the tenants and landlords. But by degrees they have now been brought to the status of Government servants. The *chaukidar* has now become part of the Police and the *patwari* has practically become an adjunct of the Government Department of Land Records. They do not stand in the same relation to the landholders and tenants in which they stood before. The Government ought, therefore, to bear the whole cost of their maintenance and the landlords and tenants should be relieved of this burden.

"My Lord, there is another peculiar feature, about all these cesses, to which I would draw Your Lordship's attention. They are always imposed at the *maxima* rates provided by law, and in case there are savings, after expenditure, in the annual proceeds from them, then also the full rates, without any abatement, are always levied.

"My Lord, to take the case of the province of Oudh. By the late revision of assessment, there has been a very great rise in the revenue assessed on land, in all the districts throughout; the incidence of the increase over the last demand in each district is not uniform, but it ranges from 21 to 41·1 per cent. No satisfactory reason is given why the cesses, and specially the *patwari* and *chaukidari* rates, should have also gone on increasing,

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and why the expenditure, under the heads to which these cesses are employed, should have taken so immense a leap upwards as to absorb the very considerable increase in the amounts of these rates caused by the enhancement of the revenue proper.

"My Lord, the aggregate rate of the cesses levied on land, besides the land-revenue, came to 16 per cent. on the revenue. Your Lordship's Government has put the landed classes of these provinces under great obligation by the repeal of the famine-cess. After taking this remission into account, the amount of the cesses now left is 14 per cent.; they being the local rates, the *chaukidari*-cess and the *patwari*-rate. Some of these are levied from the tenants as well as from the land-holders. As remarked by the Hon'ble Mr. Baker, in paragraph 22 of the Financial Statement, the actual cultivator will get no benefit from the remission of the famine-cess. The generous and liberal policy inaugurated by Your Excellency's Government in this direction strengthens the hope entertained by the people of my provinces that the cesses which press so heavily on all the landed classes alike will soon be repealed or be reduced in the rate at which they are levied.

Military Expenditure.

"Before I take up other points, I wish to say a few words on the inordinate and alarming growth of Military Expenditure, a factor which exercises such a disturbing influence on the Indian finances. The expenditure under this head has, of late, increased by such leaps and bounds as to have almost doubled in the brief period of one decade. In 1903-1904 it was 19½ millions sterling. In 1904-1905 it came to more than 22 millions, an increase of 2½ millions in one year. For the next year, the increase in army expenditure is estimated at 31½ lakhs, *i.e.*, £210,000, but actual experience has shown that these estimates cannot serve as a correct guide of what will be the actual outlay, as in the year which is about to close the excess over the budgeted amount has grown to £1,200,000 or 180 lakhs of rupees. A very considerable portion of the large surpluses is thus swallowed up by the ever-recurring increase in expenditure under the head of Army Services, &c., and the result is that the sums left in the hands of the Government for employment in measures calculated to effect administrative and material advancement of the country are diminished to a very considerable extent. And this is the state of things at a time, when the proved and unswerving loyalty of the Indian people should banish completely all ideas of any internal commotion, and the recent occurrences in other quarters of the globe should allay, at least for half a

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century, all apprehensions from any foreign Power. My Lord, the Secretary of State for India has recently made the statement that the Tibetan question is not a question of purely Indian interest. Justice and equity require, therefore, that the entire expenses incurred in connection with the Tibet Mission, or at least the major portion of them, should be borne by the Home Government, and not by India.

" Railways.

" My Lord, last week I had the honour to make the remark that the unprecedented increase in the income from the railway traffic is a noteworthy feature in this year's finances. More efforts should, therefore, be directed towards the improvement of comfort of, and facilities for, the third class passengers, and the example set in this direction, by a State line, *viz.*, the Oudh and Rohilkhand Railway, is worthy of being followed by the other lines. I hope that this question will receive the due consideration of the newly formed Railway Board.

" There is one matter in connection with the railway construction to which I beg to draw the attention of Your Excellency's Government. It is the providing of a short and more direct means of railway communication between two such important centres as Lucknow and Allahabad. At present there are two routes available, one *via* Cawnpur and the other *via* Partabgarh, but both of them are circuitous, though the last-mentioned one has shortened the distance to some extent. By constructing a chord line between Allahabad and Rai Bareilly the distance will be much diminished, and the time taken in transit will be reduced by some hours. The line will be a short one, and will not cost much.

" Indigenous Industries.

" My Lord, now that Your Excellency's Government has established a new Bureau whose special care will be devoted to industry and commerce, it is hoped that the encouragement and revival of the decaying indigenous industries will receive particular attention of the Government. The industrial and the artisan classes, in the rural areas, have largely abandoned or are abandoning their hereditary professions and taking to agriculture as the means for earning their livelihood. The situation is assuming a serious aspect day by day, by creating so much pressure on one industry only, *viz.*, agriculture, which is liable to so many vicissitudes. I admit, my Lord, that it is a question which is beset with very serious difficulties. A Budget debate is not the occasion during the course of which any detailed scheme can be proposed or discussed regarding

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a subject of such importance. My Lord, by way of example, I may refer to the industry of weaving. The introduction of the hand-loom, if effected by proper means, may bring about beneficial results. The Hon'ble Member in charge of the newly created Department who is in a far better position to grapple with this question will, it is hoped, devise some suitable measures for reviving the indigenous industries.

" Agricultural Improvement.

" My Lord, another important announcement contained in the Financial Statement is the allotment of Rs. 20 lakhs per annum for the development of agricultural experiment, research, demonstration, and instruction. What amounts will be allotted to the different provinces have not been mentioned, nor have any details been given as to how this money will be spent. But one of the objects to which a portion of this allotment is to be devoted is the creation of an agricultural college in each of the larger provinces. My Lord, this will be a move in the right direction; the agricultural conditions of the different provinces not being homogeneous, the establishment of separate demonstration farms and separate colleges in each of the larger tracts of the country are the best means by which agricultural education on a practical and useful basis can be imparted.

" The great impetus which the subject of agricultural development has received during the last three years, and the care which is now being bestowed upon this subject by the Government engender the hope that the improvement of this industry in India has a very great future before it. The importance of this subject is such that it should constitute by itself a separate Department divorced from that of Land Records and Statistics, and be placed under officers who should devote their whole time and undivided attention to matters relating to the advancement of agriculture. But this should be done without incurring any additional cost, as there are more superior officers than one in each province in the Department as at present constituted, and the clerical staff of the Agricultural Section is separate from those of the Land Records and Statistics. It is only a proper distribution of the work among them that will be required.

" Police Reform.

" My Lord, another object to which a large portion of the surplus is going to be applied is the reform of Police, regarding which the intentions of Your Lordship's Government have been made public a few days ago. But as many details relating to the scheme are still to be worked out by the Local Governments, I refrain from offering any remarks on this subject at present.

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"Employment of Indians in the Public Services."

"My Lord, no question is of more vital importance both to the people and the Government than that of the recruitment of the public services in India. In the opinion of many people the cost of the administration in this country is very high. An infusion into the machinery of Government of a large, and growing yearly larger, element of the indigenous talent will go by far to solve this problem. The history of the employment of the Indians in the public services of their country is a history of pledges unredeemed and hopes unrealised.

"So early as 1833 the British Parliament had the magnanimity to pass Statute 3 & 4 Will. IV, cap. 85. Section 87 of that Statute runs as follows:—

'That no Native of the said territories (India), nor any natural-born subject of His Majesty resident therein, shall, by reason only of religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office, or employment under the said Government.'

"It was in the same spirit that the Court of Directors, with reference to the above enactment, sent their Despatch No. 44, dated 10th December 1834, in which, among others, the following passage finds place:—

'But the meaning of the enactment we take to be that there shall be no governing caste in British India; that, whatever other tests of qualification may be adopted, distinctions of race or religion shall not be of the number; that no subject of the King, whether of Indian, or British, or mixed descent, shall be excluded either from the posts usually conferred on our uncovenanted servants in India, or from the covenanted service itself, provided he be otherwise eligible consistently with the rules and agreeably to the conditions observed and enacted in the one case and in the other.

'Certain offices are appropriated to them (Indians), from certain others they are debarred; not because these latter belong to the covenanted service and the former do not belong to it, but professedly on the ground that the average amount of native qualifications can be presumed only to arise to a certain limit. It is this line of demarcation which the present enactment obliterates, or rather for which it substitutes another wholly irrespective of the distinction of races. Fitness is henceforth to be the criterion of eligibility.'

"Next we come to the ever memorable Royal Proclamation of 1858, issued by the late august and illustrious Queen-Empress, wherein occurs the following passage breathing most noble sentiments of justice and humanity:—

'We hold ourselves bound to the natives of our Indian territories by the same obligations of duty which bind us to all our other subjects; and these obligations, by the blessing

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of Almighty God, we shall faithfully and conscientiously fulfil. And it is our further will, that, so far as may be, our subjects, of whatever race or creed, be freely and impartially admitted to offices in our service, the duties of which they may be qualified by their education, ability and integrity, duly to discharge.'

"In their solicitude to do justice to the Indians, Her Majesty's Government took still further action in that direction. At the time of the issue of the Proclamation above referred to, there existed section 57 of Statute 33 Geo. III, cap. 52, which laid down that 'All vacancies happening in any of the offices, places, or employments, in the Civil line of the Company's service in India shall be from time to time filled up and supplied from amongst the Civil Servants of the said Company belonging to the Presidency wherein such vacancies shall happen.'

"As this enactment stood in the way of giving effect to the wishes expressed in Her Majesty's Proclamation, the Statute 24 & 25 Vict., cap. 54, was passed in 1861, which not only defined, in the schedule attached thereto, the appointments reserved for the Civil Service, but empowered the authorities in India, in special circumstances, to appoint to these offices also persons other than Covenanted Civil Servants, subject to certain restrictions. But the authorities in India did not exercise the powers given to them in 1861 in favour of the Indians, for long nine years with the exception of two cases, and Her Majesty's Government passed in 1870 the Statute 33 Vict., cap. 3, providing in section 6 'additional facilities for the employment of the Natives of India of proved merit and ability in the Civil Service of Her Majesty in India.' Nine more years elapsed before the rules for giving effect to the above enactment were framed. These rules were not as good as they ought to have been, but they made it incumbent upon the Government to give about one-fifth of the appointments in the Civil Service to the children of the soil. They further reserved posts carrying a salary of Rs. 200 a month and upwards for the Indians exclusively, in all the special departments, except half a dozen. These rules were regarded with high appreciation, as they went to meet the just and legitimate claims of the Indians to superior appointments in all the civil departments of the Government.

"The Public Service Commission was appointed in 1882 to give effect to the generous intentions of the Home Government as embodied in the Statutes and Despatches above referred to. Unfortunately the recommendations of that Commission were not favourable to the interests of the people of this country. The Commission recommended to abolish the Statutory Civil Service and to reserve for the Indians only 108 appointments in the higher Services. Had the Statutory Civil Service been retained,

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Indians might have looked forward to securing for themselves 156 appointments in due course. Moreover, there is no guarantee that all the 108 appointments recommended by the Public Service Commission would be conferred upon the Indians only.

"I would draw Your Excellency's attention to the Circular of 1879 reserving posts of Rs. 200 per month and upwards, in certain special departments, exclusively for the natives of India. Clause (d) of paragraph 3 of the said circular excludes only half a dozen departments from its operation; that is to say, it doesn't go so far as to provide that the posts in them should be held as exclusively by the natives of India as in those special departments. The six excepted departments are (1) the Opium, (2) the Salt and Customs, (3) the Survey, (4) the Mint, (5) the Public Works, and (6) the Police. But though the last-named six departments were not exclusively reserved for the natives of India, yet the following instructions were issued in regard to them in that circular:—

'Though the six departments under clause (d) of paragraph 3 above are excluded from the operation of the present orders, the Governor General in Council does not wish that offices in these departments should be in any way reserved for Europeans,'

and very good reasons were given by Government for those instructions. It said—

'The duties of the Opium and Customs Department are not more technical or arduous than those of the land-revenue and settlement branches of the service, wherein natives of India do excellent work.'

"As regards the Survey Department, the Government said that—

'men of the same race as Colonel Montgomery's Native Trans-Himalayan explorers can surely be trusted with responsible offices in the survey of the plains of India.'

"As to the fitness of the Indians to discharge the duties of the Public Works Department, the Government said as follows in the same circular:—

'The Governor General in Council has been glad to see that in one most important branch of the Public Works Department, Bengal, the Lieutenant-Governor has decided that Native Engineers should be employed much more largely than hitherto.'

"And lastly, we have the following remarks about the Police Department in the same circular—

'the annual Police reports for the various Provinces show that the Native Police-officers when advanced to positions of trust do their work zealously and honestly.'

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“The circular concludes in these words :—

‘and the Governor General in Council hopes that it may be possible to appoint natives of India more and more freely in these departments.’

“Thus the Government of India have not only acknowledged the thorough fitness of the Indians to fill the higher offices in the six departments noted above, but expressed a desire that they might ‘more and more freely’ be appointed in them.

“Though a quarter of a century has passed away since the Government issued those instructions, the following table will show how far they have been carried out in practice with regard to the higher posts in those Departments having salaries of Rs. 200 or upwards attached to them (the figures in this and all other tables being taken from the Home Department Resolution of 24th May, 1904) :—

Name of Department.	Number of Europeans and Eurasians.	Number of Indians.
(1) Opium	69	12
(2) { Salt	128	47
{ and Customs	169	16
(3) Survey	99	9
(4) Mint	38	3
(5) Public Works	696	381
(6) Police	668	179
Total	<u>1,867</u>	<u>647</u>

Thus we find that in the grades carrying a salary of Rs. 200 or upwards the proportion in which the Europeans and Eurasians stand to the Indians is as 3 to 1.

“Then, my Lord, the mere number of appointments does not, however, represent the real situation, for it is only in the lower grades of the higher posts that the Indians have a place. In the higher grades they are conspicuous by their absence.

“For the sake of illustration I shall take the Opium Department :—

Grades.	Europeans and Eurasians.	Indians.
Rs. 200—300	7	3
Rs. 300—400	9	2
Rs. 400—500	11	5
Rs. 500—600	8	2

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"There are 34 other higher posts in this department carrying salaries ranging from Rs. 600 to Rs. 3,500, and all these are held exclusively by the Europeans. The same state of things exists in the five other departments named above. But to avoid burdening my remarks with dry figures I have given them in a tabular statement which is marked Appendix A.

"With regard to other departments, which were 'reserved mainly to Indians,' such as Post Office, Telegraph, Railway, etc., and which are not subjected to the reservations applicable to the six excepted departments, the same remarks do apply. The tabular statement given in Appendix B will show that the Indians hold none of the higher appointments in these departments also.

"My Lord, one of Your Excellency's most noble utterances contained in the memorable speech delivered at Jeypur gave rise to great hopes in the minds of the people of this country. They look with eagerness to the doors of the higher grades in the Public Services being opened wider and wider for their entrance. I do not for a moment contend that the Europeans should not guide and control the affairs of the country, which, in my opinion, is essentially necessary for its good government. I can also fully understand the policy of the Government in excluding the Indians from such services as the higher military services, the Foreign Department and the like. But the claims of the children of the soil should also receive due attention. If competent men from among them be available why should they not have more extended admission to the higher posts in such departments as Opium, Salt, etc.? My countrymen earnestly hope from Your Excellency's Government that extended action will be given to the rules and orders in this respect by bestowing on them posts to which they may be found to have qualified themselves.

"Separation of the Judicial and Executive functions.

"My Lord, there is one other matter of administrative reform, of the most important nature, to which I beg to make a very brief allusion. It is the separation of the executive and judicial functions—a crying want urgently needed in the interests of justice. At one of the former debates Your Excellency was pleased to remark that this subject will receive Your Excellency's early attention. The public are anxious to know if any, and what steps, have already been or are going to be taken by Your Excellency's Government towards the solution of this problem which is of such vital importance to the governed.

"Loss of Spring Crops in the United Provinces.

"My Lord, I shall now address the Council on matters of purely provincial importance and of immediate concern to the United Provinces.

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The subject which at present engrosses the attention of the people of my provinces is the gloomy prospect before them, brought about by the total loss in many, and the partial one in almost all the districts, of the spring harvests, brought about by the severe cold and unprecedented frosts of the latter part of January and the beginning of February last. The full extent of the damage cannot be correctly estimated until the crops are gathered, but from the accounts received it appears to be very considerable. I am glad to notice that the seriousness of the situation has been recognized by the Government, as has been stated by the Hon'ble Mr. Baker in his Financial Statement, and provision has been made in the Budget for remissions of revenue to the extent of 42½ lakhs. Whether this amount will suffice to afford adequate relief to the landed classes in the tracts of the country affected by this misfortune, is a question on which no definite opinion can be pronounced just now, but there can be no doubt that our sympathetic Provincial Government will make the best use of the means placed at its disposal by Your Excellency's Government, and make liberal remissions of revenue in the affected districts. My Lord, the landed classes of the United Provinces deserve a lenient and liberal treatment at the hands of the Government, because in the years of prosperity they have been very regular in the discharge of the revenue demand. In 1903-1904, out of a total demand of 627 lakhs, they paid more than 624 lakhs, or 99·5 per cent. The Local Government in its last Administration Report has noticed this fact and has said that the balance left unrealized consisted mostly of suspensions and remissions, 'and in the whole of Oudh there is no balance at all.' The people who pay the Government demand in good years so regularly ought to get adequate relief by remissions of revenue, when adverse circumstances, beyond human control, have placed them in sore need of asking for such relief.

"Education.

"My Lord, the next subject of provincial importance on which I wish to make a few remarks is the condition of education in my provinces. That they have not kept pace, in educational advancement, in almost all the branches, and more particularly in Primary Education, with the other Indian provinces such as Bengal, Bombay, Madras or even the Punjab, and that they occupy a position in educational matters inferior to these provinces, are facts which cannot admit of any controversy. The Quinquennial Report of the Progress of Education in India published last year furnishes abundant proof of these facts. But it is not to any apathetic feeling in the people towards education, but to the want of facilities to obtain it, that these results

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are due. Want of funds has hitherto kept back the Local Government from establishing a sufficient number of primary schools to impart instruction to the masses. Lately Your Lordship's Government made an allotment of money to be spent on education, but that was not sufficient to remove even the immediate wants. The Local Government, in its review of the Departmental Report of Education for the last year, said as follows :—

'The rural population is showing signs of a desire for more extended system of lower primary education: of a very simple character. The Government has not the funds fully to meet that growing desire.'

"In the Budget the Government have made provision for an annual permanent grant of 35 lakhs for expenditure on Primary Education, the share of the United Provinces being 6 lakhs. This is a very welcome and timely help, but it will not suffice to fully meet the wants. The United Provinces are again unfortunate in not getting an allotment bearing an adequate proportion to the revenues contributed by them or sufficient to supply their immediate educational requirements, a treatment against which they have a just cause to demur.

"As the grant will be ear-marked for exclusive employment to purposes relating to Primary Education, there will be no funds available for the removal of equally pressing necessities in other branches. Some of the most urgently needed reforms are :—

- (1) The employment of better qualified teachers in Secondary Schools. At present boys have to commence their study of English under teachers getting Rs. 20 or Rs. 15 per mensem, with the result that they acquire a very imperfect and erroneous knowledge of English pronunciation and idioms.
- (2) The school-masters lost their privilege to pensions in the year 1886. With their meagre salaries they can scarcely save anything for their old age. In these circumstances honest and whole-hearted devotion to duty can hardly be expected of them. The Local Government has just given this privilege to the headmasters, but the concession should be extended to other tuitional staff also.
- (3) The town schools are in urgent need of decent buildings for boarding houses. In many places they are such that the Magistrate-Chairman of one of the District Boards says about them that 'they are not fit for cattle to live in, much less boys.'

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- (4) The Training College for teachers at Allahabad requires improvement in its staff.
- (5) Appointment of one or two European Inspectresses with European education and experience to direct female education; other provinces have got them.
- (6) Opening of more Normal Schools; the supply of trained teachers being very unsatisfactory and far below the demand.

"My Lord, these are some of the most pressing needs which can only be removed by more money being allotted to the United Provinces for expenditure on education.

"Oudh Judicial Commissioner's Court."

"My Lord, there is one matter relating to the administration of justice in the province of Oudh which deserves consideration. The highest Appellate Court of the province is at present constituted of three Judges, but only two of them are permanent. The appointment of the third Judge is of a temporary character, and sanction of the Government is required for its continuance every year. This is a state of things which, considered from every point of view, is, to say the least, very unsatisfactory. The importance and the number of the cases which come for decision before the Judicial Commissioner's Court, the great value of the property involved in many of them, and the income derived from the court-fees, render it incumbent on the Government to make the appointment of the third Judge permanent.

"District Boards."

"My Lord, one of the purposes to which a portion of the surplus is going to be devoted is the improvement of the financial condition of the District Boards. It is a move in the right direction. The help thus given to these bodies will place their finances on a more independent and sounder basis, and give them more extended means of effecting material improvements in all the branches of their administration. The share of the United Provinces in this allotment comes to 8 lakhs of rupees. This financial help will place the Local Government in a better position to give the District Boards more independence in financial matters, which I think that Government desire to give to them by legislation about to be introduced into the local Council

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" Municipalities.

" My Lord, the last point which I beg to urge for the consideration of Your Excellency's Government is one relating to the Municipalities of the United Provinces. Substantial help has been given to the larger Municipalities by relieving them of the full amount of the Police charges, but the smaller ones have been relieved to the extent of half only of those charges. The funds at the disposal of the latter class of municipalities are not sufficient to meet the expenses required for proper sanitation and educational purposes. It is prayed that all the Municipalities in the United Provinces may altogether be relieved from this burden, a privilege which is enjoyed by these bodies in Bengal."

The Hon'ble MAHARAJA OF DARBHANGA said :—" My Lord, the happy recurrence of a surplus year by year cannot fail to lend a cheerful touch to the comments of Members of the Council, like myself, who have no share in the work of administration and whose task upon occasions such as the present is necessarily confined to the offering of respectful congratulations and equally respectful suggestions. The former, I need hardly assure Your Excellency, are uppermost in my mind and in the minds of those whom I have the privilege to represent. But it is inevitable that the people of the country, who contribute the surplus, should feel the strongest possible interest in the manner in which it is proposed to utilize the excess of revenue over expenditure: and I have the less hesitation in venturing to submit my views upon the subject, as I have fresh and clear in my memory the assurance conveyed by Your Excellency in a previous Budget Debate that the Government of India was content to test the efficiency of its administration by the contentment of those it governed. I fully recognise the impossibility of pleasing every one, and the necessity in a country such as ours of holding an impartial and even balance between the conflicting claims of race and religion and a variety of complex considerations which it would be difficult to find elsewhere. But when we have a surplus admittedly large and to all appearances stable and an example afforded by last year's Budget that remission of taxation can be safely granted without endangering that surplus, I would submit for consideration whether it cannot be ascertained with some degree of precision what are the exact sources from whence the excess is derived, and whether the principle cannot be adopted of affording in the first instance corresponding relief in those directions. And in this connection I am encouraged by Your Excellency's frequent declarations to ask further whether it cannot

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be found practicable to consult the various public bodies and associations and obtain from them an expression of their views as to the quarters in which the incidence of taxation is most heavily felt. I am conscious here also that every one who wears the shoe is apt to cry out that it pinches. But it would of course be for the Government to sift and appraise at their proper value the recommendations and proposals that reached them. They would not in any way be committed to adopt any course of action that might be suggested: but at the same time they would enjoy the advantage of becoming acquainted with the trend and condition of public opinion. And, if I may be permitted to say so, there is a certain amount of intelligent public opinion in India which is anxious to be of loyal assistance and service to the Government and which a concession of this nature would go far to conciliate.

“ Having said so much, I am bound to freely confess that the point of my criticism is completely met, as far as the present Budget is concerned, by the manner in which a large portion of the surplus has been distributed. We in Bengal have received with very great pleasure the appointment of my Hon'ble friend Mr. Baker to the Financial Membership of Your Excellency's Council: and our long personal knowledge of him and our appreciation of his many merits and good qualities have led us to anticipate the happiest results from his tenure of office. Few of us, however, expected the surprise that was in store for us. The Hon'ble Member, if I may say so, has not only made his Budget exposition as interesting as it is lucid, but he has given remissions of taxation in exactly the directions in which they were needed. His proposals have met with universal approbation, and I dare venture to say that if a plebiscite had been invited (or the nearest approach to it which India could afford) no more popular subjects could have been selected than those which have received the sanction of Your Excellency. The further reduction in the salt-tax is a boon for which thousands of the poorer classes will be sincerely grateful to Your Excellency. The raising of the half-anna limit of postage to three-quarters of a tola will appeal to a different section of the community: but it is equally appreciated. Coming as it does so soon after the reduction in telegraphic rates, it evidences practical sympathy and a wise foresight; the exhibition of which has surprised no one but has gratified all. Had these two remissions stood alone, I think we should most of us have been satisfied. But Your Excellency has gone still further. What with grants for agricultural development and primary education, the grants to local boards, the abolition of the famine cesses in Upper India and the welcome appropriation for carrying out a portion of the reforms advocated by the Police Commission, the catalogue

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becomes quite bewildering. Those who believe that the people of India are heavily taxed in comparison with the people of other countries, may, and no doubt will, continue to hold those views: but they will at least have to admit that in the Budget before us today, there is sensible relief afforded and an equitable distribution of the surplus attempted.

"In reading through the Budget Statement, I was especially pleased, my Lord, to notice the enormous increase in the net profit in cash Indian revenues from Railways. The subject is one in which my interest has always been great. And on the present occasion I am the more tempted to dwell upon it, because of the latest addition to Your Excellency's Council which has been brought about by the formation of the Department of Commerce and Industry. We have all recognized that the work of organization must be entrusted to practised hands, if it is to be successfully undertaken and adequately performed; and I am only expressing the general hope when I say that I trust that the Hon'ble Mr. Hewett will not be called away to any other higher distinction until he has had time to put his department in thorough working order for the commercial expert who will, according to Your Excellency's intentions (as they have been conveyed to us) be ordinarily the holder of the portfolio. I need not enlarge upon the satisfaction with which the creation of this department has been received by all who are interested or engaged in commerce. The reform has been long awaited and is the more welcome now that it has come, because it is accompanied by the constitution of a separate and distinct Board to deal with railway questions. I am well aware, my Lord, that the Railway Board is likely to have its hands full at the outset of its career, and I have no wish to embarrass them. But now that railways are to occupy the attention of a Board of acknowledged experts, it may perhaps be permitted to hope that a considered scheme may be put in hand in the near future for the effecting of systematic improvements upon all the railway systems in India. I am not in a position to compare our Indian railways with those of other countries: and I shall not attempt to do so: but in common with others I have perceived from a perusal of Mr. Thomas Robertson's admirable report, that there are many respects in which comparison reveals a need for improvement. I do not for a moment suggest that nothing has been done or is being done. Only the other day I observed a letter in a weekly engineering paper, which congratulated a railway official in Burma for the consideration he had shown to third-class passengers who were no longer carried from Rangoon in open trucks like so many cattle or sheep. And in this

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connection, I would suggest that the admirable example set by the Oudh and Rohilkhand Railway some eighteen months ago might be generally followed. As my Hon'ble colleague, Rai Sri Ram Bahadur, reminded the Council the other day, a conference was called in December, 1903, by Mr. Burt, the manager of the Railway, for the purpose of ascertaining from the representatives of third-class passengers their 'real and reasonable wants and their inconveniences and difficulties,' and to receive from them proposals and suggestions for amelioration and alteration. I was much struck, my Lord, by the report of the proceedings which I read at the time, and especially by the introductory speech of Mr. Burt, the Manager. The conference was presided over by Mr. Hardy, the Commissioner of the Division and a former member of this Council : and the resolutions at which it arrived were as remarkable as the spirit which had called the meeting into existence. I may be pardoned if I recall some of those resolutions to public notice, for they relate to grievances which are not by any means confined to third-class travellers on the Oudh and Rohilkhand Railway. Perhaps the most important relates to the practice of using goods wagons for passenger traffic—a practice which is not as uncommon as it ought to be and which has not been discontinued in India as it appears to have been in Burma, if we may accept the statement of the correspondent to which I have just referred. I submit that it cannot be to the credit of any railway administration that it should anywhere exist. It is a truism that the backbone of the coaching traffic is the third-class passenger : and his complaint under this head is so reasonable that I cannot but feel it will not escape the early attention of the Railway Board. The reason, it is to be presumed, for this diversion of goods wagons from their legitimate use is the inadequacy of rolling stock : and hence it was that the Conference offered the further suggestion that while additional rolling stock was under construction, the goods wagons set apart for the accommodation of third-class passengers should be provided with ventilators and benches and be properly cleansed before such use. It seems strange that such obvious preliminaries should have slipped the notice of any railway authorities ; and I should have hesitated to repeat the complaint if it had not been uttered in the first instance by those who had had actual experience behind them. In any case, it appears to me to require nothing more than the mere statement to insure the application of an immediate remedy. The question of latrine accommodation is closely connected with this, and I am glad to know that it is under serious consideration. The habits of the lower classes are, no doubt, a difficulty : but the difficulty is surely less than that involved in the introduction of third-class railway travelling in India at all. Then again the question of refreshment-rooms for Indian passengers and of an

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adequate supply of drinking water has already formed the subject-matter of discussion in Indian newspapers : and the conference at Lucknow suggested that the experiment of dining cars for Hindu and Mussulman passengers might be tried : and it proposed that in all passenger-trains arrangements should be made for carrying drinking water, in other words, that two Brahmins and one bhistee be engaged to travel with each train for the supply of water. I willingly allow that these recommendations may not be feasible especially as regards the orthodox section of the Hindu community : and it is probable that a more convenient way of meeting the wishes of the Indian travelling public can be found in the provision of properly equipped refreshment rooms at the important stations. And at the stations also there is another improvement which in my humble judgment is urgently called for. Proper waiting rooms with adequate lights and seats should be provided for third-class passengers, in place of the corrugated iron sheds exposed to the inclemencies of the weather, which too often are all that are to be found. Other requirements might be enumerated, but I have no wish to trespass upon the time of the Council. I have ventured to call attention to what I deem to be the more important, and I will only add one more observation in the nature of an appeal to the Government to encourage the holding of these public conferences by each important railway system from time to time. Nothing but good can come out of them : and they possess the additional advantage of keeping before the railway authorities the needs of a class whose influence upon the annual balance-sheet happens to be in inverse ratio to their ability and power to represent their grievances under ordinary circumstances.

"In this connection, I would further suggest that the discussions at these conferences should embrace the requirement of the whole passenger traffic and not of third-class passengers alone : and that a central conference might be arranged, at which not only Railway representatives should attend, but delegates also from leading public bodies and associations.

"My Lord, I pass on to another topic of cognate interest and with an equal claim for consideration. Your Excellency at the banquet given to the delegates from the associated Chambers of Commerce, referred, not for the first time, to the unwillingness of the Indian community as a body to put their money into commercial enterprise. I do not for a moment presume to dispute the accuracy of the fact so stated ; but I can assure Your Excellency that there is plenty of money available : and the Indian capitalist's unwillingness would be largely overcome, if he can be convinced that his money is required for investment and not for speculation. An appreciable impetus would be given to the opening out of the

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country by the development of railways undertaken by private enterprise, if the Railway Board could see its way to formulating a scheme for the guaranteeing of interest. If this can be done, the money will be readily forthcoming. As matters now stand, it is Indian capital which controls the entire internal financing of the country. It is Indian capital which grows and brings to market the crops. There is no reluctance in that direction to embark upon industrial enterprise. In the presidency-towns the situation is admittedly somewhat different: but the example set by the flourishing conditions of the many light railway undertakings in which the interest is guaranteed by the Local Board concerned, may be not unreasonably taken to indicate that it is by this means and this means alone that the co-operation of Indian capital may be induced in other directions. My Lord, while I am upon the subject of railways and railway development, I would ask permission to say a word or two upon the question of the provision of a central station for Calcutta. The project is one of which nothing has been heard for some little time, but I venture to say that the need for it has not diminished. And it has, I submit, acquired additional importance from the fact that a comprehensive scheme for the improvement of Calcutta is in contemplation. Side by side with the opening up of Burra Bazar may well march the construction of a central station and a permanent bridge across the Hooghly. It has been estimated, I believe, that the cost of a central station and a permanent bridge will not be less than a crore and a half of rupees: and the question naturally at once arises as to the ways and means by which the interest upon this large sum is to be provided. The tea and the jute industries are strongly opposed to a terminal charge: and coal comes over the Jubilee Bridge. From what source then are the interest charges to be obtained? I venture to suggest one, and with the more confidence because I find it has occurred also to my esteemed friend Sir Patrick Playfair who accorded to its discussion some prominence in his remarks at the Chamber of Commerce a few weeks ago. The surplus of the East Indian Railway has gone to the Government for the past five years or more: and if I may be permitted a rough estimate, I should put the amount at not less than a million sterling. I would respectfully submit that the Government should forego this and appropriate it to the development of the railway systems which converge upon Calcutta. There can be no disguising the fact that existing railway rates are regarded as unduly high: but this will be borne with more equanimity if the surplus so obtained is, in the sense I have indicated, handed back to those from whom it is in the first instance taken. But it is a question whether the rates cannot be reduced and the high rate of surplus be still maintained by reason of the increased traffic which would be the

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result not only of the reduction but of the improvement in communication that are effected.

"My Lord, I now beg permission to advert to a subject which I can assure Your Excellency has been much discussed. Over one million sterling has been adjudged to be payable by India in connection with the Tibetan Expedition: and it has been understood that India stands to benefit largely as the result of that expenditure. I do not know, my Lord, if I am asking for information which cannot be made public; but a statement of the exact commercial advantages India has gained by the treaty of Lhasa would be most acceptable to all those who are interested in trade development. As far as the public are aware, the Tibetans under the former Commercial Treaty, possessed the right to exact a customs-duty on Indian tea not greater than that levied by Great Britain herself. Has that restriction been removed, and the importation of Indian tea into Tibet placed upon the same footing as that of China tea, which, it is understood, is subject to no such duty restrictions? Upon the general question also, there is a considerable amount of curiosity with regard to the actual commercial prospects which the Expedition has opened out. The Secretary of State for India has told the House of Commons that the cost of the Expedition properly falls upon the Indian taxpayer, as it has been undertaken in his interest. Indians and Anglo-Indians alike have no desire to dispute this proposition: they are anxious to avail themselves of the advantages they have derived or are likely to derive: but if I may add the observation, there is a feeling among them that if imperial interests have at all been served, there should be an apportionment of the cost accordingly and a relief to the Indian Exchequer to correspond with the Imperial aspect of the case. Your Excellency has always shown so jealous a regard for Indian matters such as these that the public sentiment upon this point is not without hope of support and encouragement from Your Excellency's Government.

"My Lord, I recognise fully that the information which is at the disposal of non-official Members gives them neither capacity nor authority to comment upon questions of foreign policy. I shall, therefore, offer no further observations under that head, beyond assuring Your Excellency that my references to the Tibetan Expedition are made solely from the commercial point of view and with a desire to learn if some portion of the burden it has imposed cannot be taken from our shoulders. There are so many schemes of development and reorganization which are awaiting attention that the feeling is only natural which prompts the wish to have all the available means at the disposal of Government for their efficient accomplishment.

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"Prominent among these schemes I may be permitted, my Lord, to name the proposals for the reform of the Police and the Calcutta Improvement scheme.

"As one to whom the honour was accorded, my Lord, of appointment upon the Police Commission, I trust I may be allowed to thank Your Excellency for the ready and generous acceptance which the recommendations of the Commission have met from Government. In the main I feel myself throughout to be in hearty agreement with my colleagues and rejoice to find that a beginning is being so promptly made with the work of reorganization, and that the promise is held out of a systematic continuance of it until completion. But I trust it will not be taken amiss if I repeat most respectfully the regret expressed by me in my minute of dissent to the Report, that it has been found necessary to close the doors of the new Imperial Police Service to Indians and to relegate them to a Provincial Service under the designation of Deputy Superintendents of Police. I am sorry to say, my Lord, that I regard this as a mistake; and the view is, I know, largely shared by very many of my countrymen. I will not reproduce the arguments which I have marshalled in my minute of dissent: and will only venture to say that much of the dissatisfaction which is felt will, I am sure, be allayed if a modification of the scheme now sanctioned can be looked for in the near future. Indians are eligible for the Indian Civil Service and the Indian Medical Service and fill some of the highest positions therein with credit and distinction. We have had from Your Excellency's own lips a cordial appreciation of the ability and integrity of the Indian gentlemen who so worthily sit upon the Benches of the Presidency High Courts. And educated Indians would be glad, my Lord, to feel that the bar now set against their entrance into the higher ranks of the Police Service is not intended to be permanent. Where opportunities have been given them elsewhere they have proved themselves worthy. I take leave most respectfully to assure Your Excellency that if an opportunity is given to them here also they will not be found wanting.

"To the second matter discussed in my note I should like, my Lord, to make the briefest possible reference. Your Excellency has had before you since 1898 a memorial signed by a number of distinguished Anglo-Indian ex-officials in which the separation of the Executive and Judicial functions is prayed for. As far as the public is aware, Your Excellency has not yet come to a decision upon the subject. The reform is so influentially advocated and will be so acceptable to a large section of Indian public opinion that I trust I am not going outside my province when I beg of Your Excellency to give the matter a favour-

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able consideration. I have ventured in my note of dissent to indicate the methods in which in my humble judgment the reform can be carried out. We do not ask for its universal introduction throughout India, but we pray Your Excellency to permit its adoption in certain carefully selected districts in the more settled portions of Bengal, Madras and Bombay.

"My Lord, I will say no more upon this head, but proceed to submit for Your Excellency's consideration certain observations which the public feeling upon the proposed Calcutta Improvement scheme emboldens me to make. It is understood that the scheme has received the sanction of the Secretary of State and that the details are now under discussion between Your Excellency's Government and that of His Honour the Lieutenant-Governor of Bengal. I need perhaps hardly say that the disclosure of the proposals is awaited with the keenest interest in Calcutta. As far as the details are concerned with the particular thoroughfares which are to be dealt with, I beg to assure Your Excellency that reticence is felt to be the most appropriate and most admirable course to pursue. But I venture to add that by far the greater curiosity has been excited by speculation as to the organisation by which the improvements are to be carried out, and the methods by which the interest on the capital expenditure will be met. May I respectfully express the hope that the Calcutta Corporation and other public bodies may be consulted upon these matters before any definite decision is arrived at, and if the rate-payers are to provide the major portion of the interest charged they respectfully submit that their representatives should be permitted to place their views before Government while there is yet time and opportunity.

"I have only a very words to add, my Lord, before I bring my remarks to a conclusion. It is not necessary for me to enlarge upon the loyal feelings which have been evoked by the announcement of the approaching visit to India of Their Royal Highnesses the Prince and Princess of Wales. But may I be allowed to say that the pleasure is enhanced by the thought that while Your Excellency's first tenure of office was signalized by the Coronation Durbar at Delhi, the second should be commemorated by an event equally auspicious and equally memorable ?

"The present session, my Lord, has been uneventful, but it has not prevented the maturing of those schemes for the internal development of the country in which Your Excellency's interest has been so thorough and so practical. In a few days Your Excellency will be laying the foundation stone of the Agricultural College at Pusa, and the hope is universal that this will mark the commencement

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of a new era in the history of Indian agriculture. I can sincerely assure Your Excellency that all those who are concerned in the land, whether as land-owners or cultivators, are exceedingly grateful for what you have done for us in this connection. It is a noble work and bids fair to be for ever associated with Your Excellency's administration of the Government of India."

The Hon'ble RAI BAHADUR BIPIN KRISHNA BOSE said:—"My Lord, I beg to add my voice to the chorus of approval which the Financial Statement, especially that part of it which relates to the measures dealing with the application of the surplus, has generally evoked. The hopes entertained when the duty on salt was reduced two years ago that this would be responded to by an increased consumption have happily been realized, and as a result of the further reduction now determined upon one may reasonably count upon a still further growth of consumption. The abolition of the famine insurance cesses will give great satisfaction not only because of its actual effect in lightening the burdens on land, but no less so as evidencing a practical recognition of the superior claims of the landholding and agricultural classes for a liberal treatment. So far as the Central Provinces are concerned, the benefits of this measure will reach the actual tillers of the soil, in the case of the privileged tenants directly and in the case of non-privileged tenants indirectly, through a proportionate abatement of their rents either at the next settlement or at a revision by the Revenue-officer. The assignment of 35 lakhs to Provincial Governments for expenditure on primary education will be a most welcome addition to the funds now available for this most important branch of public instruction and will enable some much-needed reforms to be introduced. I may refer especially to one of them, namely, the pay of teachers and monitors in the rural schools in my Province. Great many of them now receive salaries which would be rejected by work-people in a town, for instance, like Nagpur. The proposed grants-in-aid to the District and Local Boards will much strengthen the finances of these local bodies and enhance their usefulness. At the annual Budget meetings I have times without number seen members come with carefully prepared lists of works of public utility within their respective jurisdictions, which, however, are unceremoniously rejected for want of funds. Besides leading to abandonment of many necessary reforms, this procedure, repeated year after year, has naturally a most chilling effect on the members, who gradually slacken in their zeal and cease to take an abiding interest in their duties, when they see that outside the prescribed groove and

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beyond certain fixed limits, no works of improvement, however important or urgent, could be taken in hand for want of necessary ways and means. The policy underlying this measure will thus prove beneficial not only in its direct effect in accelerating the pace of progress, but its indirect effect in maintaining among the members a spirit of active interest in their work will be no less beneficial.

"In the face of these measures, every one of which will, directly or indirectly, benefit the great agricultural community, it may seem somewhat ungracious to suggest further concessions on their behalf. If, however, I do so, it is not with a view to press for grant of such concessions at the present moment, but with the object of indicating how, in the event of any further permanent improvement in the finances taking place in the future, this most important class, constituting as it does so overwhelming a proportion of the entire population of the Empire, may, in my humble judgment, be best made to share in the benefits of such improvement with the greatest advantage to themselves and to the country at large, which cannot prosper unless they prosper. I refer to a reduction of the maximum limit within which the State demand is adjusted at every revision of settlement. It is sometimes said that the Government revenue absorbs so small a portion of the gross produce that any reduction in the assessment would be hardly appreciated. I venture to submit that in the special circumstances of the Indian agricultural community such is not the case. The Government demand is fixed by a system of elaborate estimates of average yields in average years and by forecasting the probable selling prices of produce for a term of years, whereby a guess is obtained at the gross value of an average crop. The demand is then fixed at a certain percentage of this value, and the assessment thus fixed must ordinarily be punctually paid on fixed dates. The advantage to the agriculturists from this scientific system is discounted by several disturbing elements. In the first place, agriculture by its nature is subject to vicissitudes far greater than those attending most other industrial enterprises. In trade and manufacture, success depends in a great measure on sagacity and prudence. In the case of agriculture, however, the least aberration in the weather conditions may mar the results of highest prudence and of most economical use of capital. Witness the lamentable damage to the *robsi* in tracts over which the recent cold wave passed. Thus the crops vary from *nil* to bumpers, but, unless specially remitted or suspended, the revenue must be paid, crop or no crop, on due dates. Then again the revenue-payers are, speaking generally, in poor circumstances, possessed of little or no reserve which they can fall back upon

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in case of need. Thus a certain portion of the produce has to be sold at all hazards to pay the rent or revenue on or before a fixed date. And this, what is practically a compulsory sale, takes place at a time when all the produce of the country is brought to the market and when consequently the prices are at their lowest. The agriculturist can neither wait nor dictate his own terms. Further it is a fact, which is now noticed in almost all advanced tracts not served by irrigation systems, that the soil is undergoing a slow but certain deterioration. But while the outturn shows no sign of improvement, the number of mouths to be fed has a tendency to increase and, but for the checks from recent famines, and the plague, would have largely increased. In fact, so far from the aggregate outturn increasing, there is a general complaint that the best lands are getting exhausted by over-cropping and neglect of fallows. Thus, however moderate the State demand according to the scientific standard of the Settlement Department, and however skilfully it may be adjusted, the natural forces at work have a tendency to make that demand more and more burdensome. Any relaxation therefore, however slight, of this pressure of the unvarying State landlord's share cannot fail to give relief.

"The substantial sum of 20 lakhs has been set apart for initiating a large scheme of agricultural research, experiment and instruction. In connection with this subject I may take the liberty to draw attention to one or two facts, which have an important bearing on the question of utilization of the measures of improvements which are either in progress or in contemplation. In most of the advanced tracts the available good lands are nearly all occupied. The produce of the country in an average year is, after meeting the liabilities in connection with what are known as the Home charges, barely sufficient to maintain the population and leave a surplus for occasional failure of crops. It is unsafe and undesirable to break up more of the uncultivated poor lands, first because they cannot, under ordinary circumstances, be made to pay, and secondly because the diminution of pasture thereby caused is calculated to affect injuriously the number and quality of plough-cattle for an increasing area of cultivation. Then again, under the exigencies of the village economic situation, the agriculturists are compelled to utilise as fuel cattle-droppings, which from time immemorial have formed the most valuable item of manure for their lands. Thus the present agricultural system may be said to be to eat or to sell with a view to meet liabilities every article the land yields, to use the manure of cattle as fuel, and to return nothing to the soil in any proportion to that which is taken

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away from it. The consequence is that our agriculture has, except in a few specially favoured tracts, under the stress of inexorable economic causes, become simply a process of exhaustion. And an exhausting agriculture and an increasing population must in the long run bring about a dead-lock. The spread of a knowledge of improved methods of agriculture must of course be the first step towards checking and remedying this deterioration of the soil. Before, however, the knowledge thus acquired can be put to use, the agriculturists must have sufficient funds. In many parts of the country the actual tillers of the soil live a hand-to-mouth life and have little or no resources of their own, which could be used to improve their system of cultivation. They must therefore borrow. It is not every borrowing which is harmful. If one borrows say at 9 per cent. and is able to earn 12 per cent. extra profit from his cultivation by the use of his borrowed capital, he does not lose but actually gain by the process. Indebtedness is a source of danger and mischief when either the terms are such as eat up the legitimate profits of the borrower's own labour and capital or when borrowing is not for cultivation but is the result of improvidence or seasonal disasters. Thus the success of the co-operative credit societies which are being introduced is all-important. If they be established in sufficiently large numbers and be adequately supplied with funds to meet the needs of agriculture, the problem of agricultural improvement will be solved. It may not be out of place to mention here that one potent cause of deterioration of cotton is want of manure. If cotton lands could be adequately manured, new life would be given to them and the outturn, even with the present inferior seeds, would improve both in quantity and quality. In fact in the case of cotton land irrigation is out of the question, and manure is the chief thing that is needed to increase and improve its produce.

" Last year the question of employment of Indians in the public services was dealt with by Your Excellency with some fulness. In view of what was then said I feel bound to refer to the recent notification of the Secretary of State inviting candidates for eleven vacancies to be filled up during the year in the Public Works Department. The Indians are expressly excluded. Until recent years, any Indian, who could afford the money and was prepared to run the risk, could compete for such appointments by entering the Royal Engineering College at Cooper's Hill. Latterly the number of appointments open to Indians through this channel was limited to two, but now there is an absolute bar. As far as I am aware, there has been no corresponding compensating increase in the number of appointments which could be secured by successful students of the Engineering Colleges in India, nor has it been asserted that the Indians, who have hitherto

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been appointed Assistant and Executive Engineers, have as a class discovered any such defect of character or want of professional ability as would justify any curtailment of the privileges the Indians have up till now enjoyed in this matter. I am constrained therefore to characterise the policy which has dictated the notification as one not of progress but of retrogression in the matter of employment of Indians in the public services, and as such it is to be regretted."

The Hon'ble NAWAB SAIYID MUHAMMAD said :—" My Lord, I desire to be permitted to congratulate the Government unreservedly, and in particular the Hon'ble the Finance Member, inasmuch as this is his first Budget, upon the Financial Statement now before the Council. The Hon'ble the Finance Member is to be congratulated not only on the eminently satisfactory character of the Statement, but also for his clear and lucid presentation. I think it will be recognised on all hands that the Statement presented this year to the Council is memorable for the statesmanlike manner in which the large available surplus is to be utilised and the ample provision made for new schemes during the next financial year. Of special significance and of direct benefit to the mass of the population is the announcement of a further reduction, in India, of eight annas a maund, of the salt-tax. This makes the second reduction in the salt-tax within a comparatively brief period, both reductions having been made by Your Lordship's Government. In the year following the first reduction of the salt-tax the late Finance Member stated that the principal consumer of salt, the poor man who takes salt from the bania by the dole and cannot afford to buy it by the weight, had not been appreciably benefited by the reduction in the tax, or, at any rate, there was no satisfactory evidence to that effect. Now that another eight annas have been taken off and the tax reduced from Rs. 2-8-0 to Re. 1-8-0 a maund, the benefit must reach the smallest consumer. Looking at the immediate surrender of revenue, the wisdom of budgeting for a decrease under this head cannot be questioned. At the same time, having in view the fact that the revised estimates of the year about to close show the salt-revenue very much better than the Budget estimate of last year, it may be hoped with some confidence that the elasticity of this item of income will be helped by the stimulus to increased consumption, and the revised estimates at the end of the coming year will be as satisfactory as they have been in 1904-1905. The healthy expansion of the salt-revenue is still capable of considerable development.

"All the seven objects to which it has been decided to apply the surplus have been well and wisely chosen. The abolition of famine-cesses

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in certain provinces would be welcomed as a great relief, and the postal facility by which the weight of a letter has been raised from a half to three-quarters of a tola for a half-anna stamp will certainly be largely appreciated. With regard to the addition to permanent recurring expenditure attendant on giving effect to the recommendations of the Police Commission, it is particularly gratifying to find that Your Lordship's Government propose to begin at the right end, and provision has been first made for increasing the pay of the rank and file of the police force and sub-inspectors. The permanent grant to Provincial Governments for the expansion and improvement of primary education will also be approved throughout the country. The sum set apart for agricultural experiments, etc., is also a wise provision. The decision to make a large grant-in-aid of the funds of all District and Local Boards throughout India will doubtless be appreciated by Provincial Governments and the Boards concerned.

"The most satisfactory proof of financial prosperity is the fact that in spite of the heavy demands upon the revenue the Hon'ble the Finance Member has been able to estimate for a surplus. As has been shown, this surplus would have proved to be the largest on record but for the enormous expenditure necessitated by the scheme for the redistribution and reorganisation of the army. In this connection, I cannot help remarking that the whole cost of the Tibet Expedition has been charged to Indian revenue. As the matter is unquestionably of an imperial character, part of the cost, at all events, should have been borne by the British Treasury.

"I gratefully note that provision has been made for the relief of the distress now prevailing in the Madras Presidency; but I would venture to submit that it is inadequate to meet the demands of the situation.

"My Lord, it is unnecessary for me to take up the time of the Council with any lengthy remarks on this occasion, since we are agreed on the gratifying character of the Financial Statement and the wisdom therein displayed in regard to the financial policy of Your Lordship's Government."

The Hon'ble Mr. CABLE said:—"My Lord, I am glad to associate myself with the hearty congratulations which have been showered upon the Hon'ble Member on what cannot be regarded otherwise than as one of the most successful Budgets of recent years. To be able at one and the same time not only largely to diminish taxation, but also to increase expenditure on works of public utility is a feat of which any Finance Minister may well be proud. Yet that is what the Hon'ble Member has accomplished, and the fact of his being

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in a position to do so is a clear indication of the great and welcome change which has of late come over the financial situation of this country. For that change, we are, I think, very deeply indebted to the wise guidance of our finances and of the country generally during the last few years, supplemented by that wonderful power of recuperation which India seems always to possess. Surpluses may now be regarded as the rule rather than the exception; and their existence opens up before us a new set of problems perhaps no less difficult of solution than were those arising from deficits. It was, I believe, Sir Michael Hicks Beach who said that he always found it an easier task to impose a burden on the consumer than to relieve him by removing one. And although it seems almost ungracious to criticise the very evident efforts of the Government to distribute the surplus with a view not only to the alleviation of the burdens of the masses, but also to an improvement in their conditions of life, one is tempted to ask if Sir Michael Hicks Beach's remark is not applicable to the reduction of the salt-tax. I have often wondered if it really is a fact that the reduction does have the effect of lowering the prices paid by the poorest class of consumers. I am glad to have the views today of Nawab Saiyid Muhammad, but the information which I have been able to gather leaves me in doubt on the point, although of course I know that every reduction has been followed by a growth in consumption. But then taxes are only reduced when the country is prosperous; and it may be that the increased prosperity of the masses at that time is to a large extent responsible for their consuming more salt. Should there be any truth in this, and should it be a fact that the reduction benefits only the middleman, then it cannot be regarded otherwise than as a waste of revenue; for the middleman in this country is the very last person who requires to be, or who ought to be, assisted. And if that is the case, I must say that it would have been better to have applied that portion of the surplus to the strengthening of our reserves.

"I agree with previous speakers that the handsome grant made towards the development of agricultural research, demonstration and instruction, will be a source of considerable gratification to the public. So much has been said upon the subject of agriculture of late by those more competent to deal with it than I am, that it would be useless for me to take up the time of the Council by discussing it. But everyone will welcome the scheme outlined by the Hon'ble Member, for all are alive to the undoubted fact that in India agriculture is at present at all events the paramount issue. The postage reduction which the Hon'ble Member has made is a useful concession; and possibly in his next Budget he may be able to make it still more

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useful by taking it a little further. The present is not perhaps an inappropriate occasion to enquire from the Hon'ble Member for Commerce and Industry if any progress is being made towards the introduction of the unified postage and revenue stamp. It would also be interesting to learn whether he contemplates any further reductions in telegraph rates.

"It is not my intention, my Lord, to refer to all the items to which the surplus has been devoted. But there are one or two other points in the Financial Statement upon which I should like to comment. There has been some discussion of late upon a proposal for the establishment by the State of a liquid gold reserve, apart from and in addition to the gold held in the currency reserve. The Hon'ble Member regards the proposal as one of academic interest only: with that I agree, and that being so, the present is obviously the right time to discuss it; for to delay its consideration until that stage is past might be to delay too long. We are not likely to be able to accumulate gold in times of crisis. That is my excuse for bringing the question to the notice of the Hon'ble Member; and it must also be remembered that the investment of public funds is always a matter of public concern. We may have, as he rightly points out, ample gold, in the ten millions of the currency reserve, to give security against any ordinary commercial crisis. But the object of holding a portion of the special Gold Reserve Fund in gold would be something beyond merely the maintenance of the balance of trade, important though that may be. The point I wish to drive home is that at times of international complication and crisis, the possession by India of a stock of gold bullion would be a great bulwark of safety. It would obviate the possible necessity of our being forced to sell securities just at that particular time when those securities might be very greatly depreciated in value. Gold, on the other hand, always appreciates in value at such times. We know that the gold reserve held by the Bank of England is generally recognized to be lower than it ought to be; and there is a feeling that the British Empire is attempting too much all over the world on an insufficient stock of gold. Moreover, Great Britain has now entered into an alliance with another Power, and thus runs a greater risk of becoming involved in international complications. There is consequently a greater chance of the occurrence of periods when the realisation of Consols at profitable rates will be difficult. The present is not, I know, a very opportune time to quote the example of Russia in financial matters. But if I may judge from a somewhat remarkable article in one of the monthly reviews, it would certainly appear that Russia's financial system would long since have tumbled down, but for the unbounded faith of Continental bankers and financiers in her enormous gold cash reserve. The political and financial effect of that great aggregation of gold has been, we are told,

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miraculous. Far be it from me to suggest that India should ever attempt to go the length to which Russia has gone in hoarding gold. But the lesson of Russia teaches us that the advantages of a large bullion holding, legitimately accumulated, are incalculable. I agree entirely with the Hon'ble Member that the question is not one of urgency. But it is eminently worthy of consideration. Let me put the following concrete proposal to the Hon'ble Member, and invite his criticism on it, namely, that one-half of any surplus over ten millions in the Special Gold Reserve should be held in approved securities, perhaps other than British, and the other half in gold bullion.

"Turning to the rupee debt, it is, as the Hon'ble Member remarks, by no means a matter of regret that rupee paper is being gradually retransferred from England to India. On the contrary, it is an advantage that the people of this country should be large and increasing investors in Government loans. But should it be decided again to attempt to induce the London Stock Exchange to give quotations for pieces of Rs. 1,500—which is now the equivalent of £100—I believe that if the Hon'ble Member were to invite the co-operation of the Exchange Banks, who are the principal operators, they might be able to give him substantial aid.

"The decision of the Government to maintain in India a reserve of silver bullion sufficient to keep the mints occupied for about a month will give general satisfaction; as will also the announcement that it is not intended at present to interfere with the rules, issued in 1899, regarding the treatment of light weight rupees.

"My Lord, I feel that as the mercantile representative on this Council I cannot allow the present occasion to pass without expressing the satisfaction, with which the commercial community throughout India have witnessed the establishment of the new Department of Commerce and Industry. We rejoice to think that the commercial interests of this country are now to be encouraged and developed by a new and vigorous branch of the Government under the able guidance and control of the Hon'ble Mr. Hewett. At the same time we are not unmindful of the signal services which have been rendered to Indian commerce in the past by the Department in whose charge commercial matters have hitherto rested. And I am sure that the whole mercantile community would wish me to take this opportunity of placing on record their high appreciation of the value of those services. For the change which has been made had, I think, become of vital importance, not so much because of the shortcomings of the old system, but because of the increasing importance and growing complexity of

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our industrial and commercial problems. This new and significant departure, in advance, as Your Excellency lately reminded us, of the United Kingdom, may, I trust, be regarded as an indication that the present Government are keenly alive to the urgent need for co-operation between the State and the people in the development of the resources of the Indian Empire. We should never forget that our Indian industries have to face the sharpest competition from the West. Great Britain is perhaps, of all our competitors, the most to be feared. Her highly perfected industrial facilities, her abundant supply of cheap capital, and her mercantile fleets ready to distribute her goods throughout the world at almost nominal rates of freight, give her a virtual monopoly against which Indian private enterprise may strive in vain. We know the measures which foreign countries have adopted to defend their home industries against the power of that monopoly. I have no intention of even hinting that India should seek to follow the example of those nations, but I do think that it is the imperative duty of the Government to give every possible assistance, short of positive protection, to our nascent Indian industries. Much could no doubt be done by experiments under State control, and by making public, not only the results of such experiments, but also the prospects of any new industries which they may show to be possible. Other methods of affording State aid, suited to special cases, might also be devised; and much may, I believe, be learned from the example of Canada in this respect. At all events, every legitimate means should be taken by the new Department to encourage and promote the great interests committed to its charge. For the stress of competition and the growing complexity of industrial life have rendered inevitable the intrusion of the State in spheres of work wherein it formerly took no part.

"My Lord, it is, I think, unquestionable that the most important organisation connected with the new Department is the Railway Board; and the public, as the Hon'ble Maharaja of Darbhanga has already said, are looking forward with a considerable degree of interest to a pronouncement by the Board of its policy, particularly as regards the basis or scheme upon which improvements in and extensions of railway communications should be carried out in the future. It will be, I imagine, among the functions of the Railway Board to overcome such difficulties as are constantly occurring on the East Indian Railway in regard to the coal traffic; and to provide against anomalies such as that which has just been removed by an agreement between the East Indian and the Bengal-Nagpur Railways. But their first duty in order of importance will be, I trust, the sympathetic adjustment of railway rates. About twelve months ago at the annual meeting of our Chamber of Commerce I hazarded the opinion that the time was not far distant when, in calculating Indian railway rates, we should have to bear in

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mind the cost of transportation in countries competing with us in the world's markets. I am glad to notice that this view is confirmed by Mr. Neville Priestley in his able and exhaustive report on American railways. Indeed, Mr. Priestley goes further, and connects the violent fluctuations in the Indian wheat trade with the fact that the grain rates from Delhi to the seaboard have remained unaltered for the last fifteen years. And one is tempted to enquire in passing to what extent the cast iron rule of maxima and minima mileage rates is responsible for this peculiar state of affairs. Mr. Priestley makes another assertion, with which I am also disposed to agree, *viz.*, that the present prosperity of the United States is to no small extent due to the low rates charged for transportation. This prosperity has, he says, reflected itself in an enhancement of wages all round which, in its turn, has increased consumption and consequently production. We have it also on Mr. Priestley's authority that, judged as a whole, railway rates for goods traffic are lower in America than in any other country in the world, India not excepted; and this, notwithstanding the fact that American railways are weighted down by their enormous debenture and similar stock, upon which high rates of interest have to be paid. There can be no doubt therefore that there is a very considerable margin for reduction in India, especially in view of the fact that last year the net cash profits made by our railways aggregated £2,254,500.

"My Lord, it seems to me that the time has come when we must decide to adopt a more definite railway policy than we have hitherto followed. Either our terms must be sufficiently liberal to attract capital for the construction of new lines; or the Government must itself be prepared to undertake the gigantic task of themselves making and working the railways of India. Public opinion will be always divided, I suppose, upon the question of whether railway communication should be entrusted to the State or to private enterprise. It is needless for me to repeat in this place the advantages and disadvantages attaching to either method. Though for myself I willingly admit that there is much to be said in favour of State railways in a country such as India. But if the construction and working of railways by the State be adopted as a definite policy, it should be understood that rates of freight will be sufficiently low to ensure the fullest development of the resources of the country; and that all necessary new lines will be promptly undertaken. To my mind the progress of the country depends very largely upon its transport facilities; and if the Government undertake the entire responsibility of the country's railways, they should not hesitate to borrow largely in order to ensure that those facilities do not lag behind requirements. I have already said that the net cash profits for the year are estimated at £2½

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millions. That very large surplus remains, it must be observed, after every item which can possibly be charged against the account has been deducted. Among the deducted items are included the annuity charges for the purchase of the old guaranteed lines, amounting to the large sum of £3,013,000. The payment of those charges from profits is another instance of that policy the wisdom of which I ventured to question in my speech on last year's Budget. I mean the policy of debiting capital expenditure to revenue. The Egyptian Government are, I know, aiding the development of Egypt by the same method. But, as Lord Cromer remarks in his Report for 1903, it is open to the objection that the present generation of taxpayers is bearing the burden of remunerative expenditure, a portion of which might be legitimately borne by posterity. Persistence in the policy seems to me to argue a certain want of faith in the continuance of the prosperity of India; and besides, my Lord, I do not see why we should liquidate the just liabilities of posterity. The profits made by our railways should not, I maintain, be disposed of in this way. One of the pernicious results of such a treatment of accounts is that the apparent profits on our Railways are much less than the real profits. Consequently, Indian railways do not appear, in the eyes of the English capitalist, to be so attractive an investment as in reality they are; which is of course unfortunate at a time when we are trying to induce British capital to flow in this direction. Nor should the profits be regarded as being in the same category as the proceeds of taxation of the country. They should rather be looked upon first of all as collateral security against loans for the construction of new lines. As an instance of what I mean, I would point out that the net receipts for the current year after debiting all legitimate interest chargeable are estimated at practically £5 millions in round figures. That amount capitalised roughly represents at least £125 millions. It must not be supposed that I am suggesting that an attempt should be made to borrow such an enormous sum at once, but I cannot help comparing it with the dole of £8½ millions which has been granted towards railway construction during the coming year. More liberal expenditure on improving open lines should also be one of the primary charges against the net receipts. I have already mentioned rates, and it may be objected that while I am proposing to borrow against profits, I am at the same time proposing to diminish profits by lowering the tariffs. My answer is that what has occurred in America would certainly take place here also. The railway revenue would tend to expand rather than to contract, because the increase in the volume of traffic would more than counterbalance the reduction in rates, leaving out of all consideration the enormous impetus to trade and the resulting general

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prosperity, and I rejoice to hear from my Hon'ble friend the Maharaja of Darbhanga that Indian capital may be expected to take its share in these much-needed railway developments.

"With regard to His Highness's remarks on the subject of a new bridge, I would support him in his remarks, and upon other grounds, for I would point out that we are now dependent upon one bridge only for the transport of the great bulk of our traffic from the West. The result of a serious accident to that one bridge would have an appalling effect upon the trade of the port.

"In the fiscal controversy now in progress at home we observe an increasing number of references to this country. But we look in vain for any practical suggestions under which India could join in the proposed new departure. On the contrary, it is becoming increasingly evident that the policy so clearly and firmly enunciated in Your Excellency's despatch of 22nd October 1903 is the right policy for this country to adopt, namely, full liberty for India to trade with the whole world upon such terms as may suit her best, and to develop her industrial resources unfettered by engagements with other countries. Our maxim should be to sell all we can, and to buy only what we must. I cannot leave the fiscal question without making a few remarks upon the excessive import-duty now levied upon tea in the United Kingdom, although the subject has been so exhaustively discussed of late that it is difficult to say anything new regarding it. But we may, I think, derive some satisfaction from knowing that the Secretary of State now realises that part of the duty is paid by the producer. There is not much doubt on the point, seeing that when the duty stood at 6*d.* per lb., consumption fluctuated between 6·16 lbs. and 6·03 lbs. per head; and that when it was raised to 8*d.*, consumption dropped to 5·99 lbs. per head and wholesale prices also fell. Perhaps other causes helped to bring about this result. But we are, I consider, amply justified in concluding that the eight-penny duty was one of the main causes. And we may go further and say with confidence that by the operation of the duty the whole province of Assam, including the very large number of labourers employed on the tea estates, has been prejudicially affected. The tax, falling as it admittedly does upon producers, presents a curious spectacle. For while the Government of India have abstained from levying income-tax on the tea industry because it is an agricultural pursuit, the Imperial Government are actually taxing the producer here for their own purposes. I have been much struck by some figures which I have obtained recently in this connection. During the months May to October last year, the duty payments on tea imported into the United Kingdom amounted to 3,67 lakhs of rupees. And as the imports during the other half of the season are generally

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heavier, I may safely assume that the total duty payments for the twelve months will considerably exceed 7 crores. Now during the financial year 1903-04 France, Germany, Italy and the United States levied, in the way of customs-duties, upon the whole of our exports to them, not more than 3,83 lakhs of rupees; these figures do not include reshipments from the United Kingdom to the Continent, but these will not materially affect the position. It is therefore evident that on one of our commodities England levies from us practically double the amount taken by those four great protectionist countries on our whole export trade with them. This is, I think, a somewhat remarkable fact, which would seem to indicate that, in fiscal matters at any rate, the foreigner is, to put it mildly, quite as good a friend to us as is the mother country. The foregoing considerations have a certain bearing upon the Fiscal Question, and of our relations towards foreign countries in that regard.

"At the Bengal Chamber of Commerce dinner, which Your Excellency honoured with your presence two years ago, you said, with reference to finance, that 'Other channels of investment outside India are being filled up, and a time must soon come when the current of British capital, extruded from the banks between which it has long been content to meander, will want to pour over into fresh channels, and will, by the law of economic gravitation, find its way to India.' At that time the development of Egypt was proceeding, apace, and Your Excellency's prediction that the stream of British capital would soon overflow into other countries appeared to be a somewhat bold prophecy. But we now see that the condition of affairs in both South Africa and Egypt is assuming, although perhaps slowly, the aspect which Your Excellency then foreshadowed. In Egypt the conclusion of a friendly arrangement with France, while it has promoted public confidence, has also set free the resources of the Government for the execution of large public works which had been previously carried out by private capital. The development of lower Egypt by irrigation is nearing completion. And further development in the direction of irrigation and land cultivation must now take place chiefly in the Soudan, where prospects are not so favourable and where labour is distinctly deficient, so deficient in fact that a suggestion has been seriously put forward for the importation of negroes from the United States. There is still a large opening in Egypt for investment, companies, banks, and other commercial ventures; but the development of the soil, to which British capital has been chiefly applied, no longer presents the same large and promising field. Indeed, we have it on the authority of Lord Cromer that, although Egypt is a country of 'very great natural resources, nature appears to have imposed a limit—which it is conceivable

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may be attained at no very distant future—to the possibilities of its development.' It is indisputable that South Africa no longer offers the same remunerative openings for capital which it presented a few years back. The scarcity of labour there has become an obstacle to further rapid development ; and in this respect both Egypt and South Africa seem to be alike. The labour difficulty is beginning to retard rapid development ; for I think, my Lord, that when a country suffers from a scarcity of indigenous labour, the flow of capital into that country must of necessity tend (although perhaps gradually) to dwindle. Whatever our labour troubles in India may be, we have an ample supply of labourers in the country. As regards labour, we are not therefore, and shall never be, in the position of the countries which I have named. The point which I wish to make, my Lord, is that we ought to take advantage of the present favourable opportunity to divert the flow of British capital into Indian channels by the inauguration of an era of greater liberality towards capitalists. Not only will our prosperity be promoted thereby, but the investment of large sums of British capital in this country will induce the British public to take a wider and a more intelligent interest in Indian affairs than they at present seem disposed to evince. That they will be amply repaid by such investments, and that India will also benefit by such a policy, may be confidently predicted."

The Hon'ble MR. GOKHALE said :—" My Lord, it is with sincere pleasure that I offer my warm congratulations to the Hon'ble Mr. Baker on the Financial Statement, which he has laid before the Council. The Statement is remarkable alike for its grasp of principle and its mastery of detail, and for lucidity of exposition it will take rank with the best Statements that have ever been presented to this Council. Indian finance is at present passing through a new phase, and judging from the Statement before us, we may well anticipate that the Hon'ble Member's tenure of office as Finance Minister will be an eventful one. My Lord, there is but one feeling throughout the country—and it is a feeling of deep and unalloyed satisfaction—as to the manner in which the Government of India have decided to apply about $3\frac{3}{4}$ crores of the excess of their revenue over expenditure to measures of remission of taxation, administrative improvement, and the general well-being of the people. I heartily welcome the further reduction of the salt-duty by eight annas a maund. The duty now stands, as the Hon'ble Member rightly claims, at a lower rate than it has ever done during the last quarter of a century. In urging this measure of relief last year, I had ventured to observe :—" The salt-duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still

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further without any inconvenience. The salt-duty question in India is essentially a poor man's question; for it is the poorer many—and not the richer few—who eat more salt when it is cheap, and less when it is dear. The soundest policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties.' The only reply, which was then vouchsafed to my appeal by our late Finance Minister, Sir Edward Law, was the remark that I was 'one of the multitude who stand at the door of the Treasury and always cry, "give, give"!' I rejoice, therefore, to find that in less than a year the Government have seen their way to effect this reduction, and I am confident that a rapid increase in consumption will follow, wiping out, before long, the loss that has been caused to the Exchequer and demonstrating at the same time the wisdom of the course adopted by Government. Two years ago, when the duty was lowered from Rs. 2-8 to Rs. 2 a maund, fears were expressed in certain quarters that the benefit of the reduction might not, after all, reach the poorer classes, being intercepted on the way by small traders. Many of us thought at the time that the fears were quite groundless, and I am glad to see that they have been most effectively disposed of by the remarkable increase in consumption that has since taken place. That there is still a very large margin for increased consumption is evidenced by the fact that in Burma, where the duty is only one rupee a maund, the average consumption of salt is 17 lbs. per head, as against about 10 lbs. in India proper, where the duty has been Rs. 2 a maund for the last two years and Rs. 2-8 before that. Even with the present reduction, the impost amounts to about 1600 per cent. of the cost price, as it takes only about an anna and a half to manufacture a maund of salt, and it is clear that this is a very heavy tax on a prime necessary of life, which, as Professor Fawcett once said, should really be 'as free as the air we breathe and the water we drink.' And I earnestly trust that the Government will take another opportunity to carry this relief still further, especially as a low salt-duty means a valuable financial reserve at the disposal of Government, and there is now no doubt that the relief accorded directly benefits the poorest classes of the community. The abolition of famine cesses will be hailed with satisfaction by the people of the provinces concerned, and it redresses one of the anomalies of the Famine Insurance Grant. The raising of the weight, which the Post Office carries for half an anna, from one-half to three-fourths of a tola, will be widely appreciated, and the definite declaration of policy, with which this concession is accompanied, *vis.*, that it is not the desire of Government to treat the Post Office as a source of revenue, practically ensures that all excess of receipts over expenditure will in future be devoted to the

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further improvement or cheapening of postal facilities. Now that the letter-weight carried for half an anna is exactly half of what is carried for one anna, I hope a half-anna stamp will be made the unit for weights exceeding $1\frac{1}{2}$ tolas, instead of the one-anna stamp. The allotment of a sum of 50 lakhs to Police reform to improve and strengthen the lower grades of the service is a welcome measure of far-reaching importance and is unaffected by whatever differences of opinion there might exist about the recruitment of the higher grades. The addition of a rupee to a constable's salary may not make in individual cases any difference as regards his honesty or efficiency, but taken in the mass, the increment is bound to be reflected in an improved standard of work, and in any case the measure is a long-deferred beginning of an absolutely necessary reform. The grant of 35 lakhs to Provincial Governments for additional expenditure on Primary Education is also an important step in the right direction, the field of mass education being one, in which what has been already done is but little, as has been admitted by the Government of India in their Resolution of last year on the subject, compared with what remains to be done. The grant of 20 lakhs for agricultural research, experiment and instruction, and the announcement that the ultimate aim of Government in this matter is 'the establishment of an experimental farm in each large tract of country, of which the agricultural conditions are approximately homogeneous, to be supplemented by numerous demonstration farms, the creation of an agricultural college teaching up to a three years' course in each of the larger provinces, and the provision of an expert staff in connection with these colleges for purposes of research as well as education,' indicate that the Government at last have made up their mind to recognize in a practical manner the supreme importance of scientific agriculture in this land. Twenty lakhs a year for such a purpose for the whole of India is, of course, totally inadequate, but it is a good beginning, and the Government have undertaken to find steadily increasing funds till the whole programme is properly carried out. The last measure, to which a part of the surplus is proposed to be devoted, is a grant-in-aid of the funds of District and Local Boards throughout India, amounting in all to about 56½ lakhs a year and equal approximately to one-fourth of the income of these Boards. This, to my mind, is one of the most interesting features of this year's Budget, and it is a feature on which I offer my heartiest congratulations to the Hon'ble Member. It means a frank acknowledgment of the claim of Local Bodies to participate in the financial prosperity of the Government of India and a recognition of the fact that without the aid of Government the resources of these bodies are utterly unequal to the proper discharge of the various duties laid on them. The last National

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Congress, which met in Bombay, had urged such assistance to Municipal and Local Boards, and I rejoice to find that Government have responded, at least partially, to the appeal. Successive visitations of famine and plague have in many places so far crippled the finances of these Boards that they have had the greatest difficulty in averting a complete breakdown, and it was a serious reproach to existing arrangements that while there was such a plethora of money in the Government of India's Treasury, and even Provincial Governments were not able to exhaust all the grants made to them, these Local Bodies, whose work concerns the health and comfort of the public far more intimately than that of either the Supreme or the Provincial Governments, should continue year after year in a state almost verging on bankruptcy and should be unable to discharge satisfactorily even their most elementary duties! Government have now come forward to assist in a liberal spirit the District and Local Boards, and the assistance will evoke the sincere gratitude of these Boards. The Municipal Bodies have for the present been left out in the cold, but the principle of admitting Local Bodies to a share in the financial prosperity of Government having once been accepted, I venture to think that assistance, similar to what has now been offered to District and Local Boards, cannot reasonably be withheld from Municipalities, whose difficulties are not less serious and whose duties are even more onerous than those of the Boards.

" My Lord, the revised estimates for the current year shew a surplus of $5\frac{1}{4}$ crores. This surplus has been obtained after making a special grant of one crore to the Governments of Bombay and the Punjab. So the real surplus for 1904-05 must be set down at $6\frac{1}{4}$ crores. This is the seventh successive year, in which such a large surplus has been realized by the Government of India, and though advantage has been taken of it to remit taxation to the extent of about two crores of rupees and to apply about $1\frac{3}{4}$ crores to most excellent objects, the whole financial position is still so extraordinary that it calls for a brief review. The surpluses realized by the Government of India during the last seven years amount in all to about $32\frac{1}{2}$ crores of rupees, and they do not include the special grants made to the various Provincial Governments and Administrations from time to time. In addition to this, a sum of about $12\frac{1}{2}$ crores has been earned by the Government of India during the last five years, as profit on the coinage of rupees, owing to the difference between the bullion value of silver and the token value of the rupee, and it has been set apart to form a Gold Reserve Fund. This gives us a clear excess of 45 crores of revenue over expenditure during the last seven years. Moreover, during this period, extraordinary charges, amounting to about 16 crores, for famine relief and for military purposes, have been met out of revenue. Further,

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about 2 crores have been spent out of revenue on Railways and Irrigation Works under Famine Insurance, under which head also a sum of $3\frac{3}{4}$ crores has been devoted to the reduction or avoidance of debt. Even if we leave out of account the extraordinary charges met out of revenue and the sum spent on Railways and Irrigation under Famine Insurance, as money already spent, we still have a total of about 49 crores of rupees to represent the excess amount taken by Government from the people in seven years over and above the requirements of the administration. Twelve and a half crores out of this has been set aside, as has been already mentioned, to form a Gold Reserve Fund, and the remaining, about $36\frac{1}{2}$ crores, has been devoted to the repayment or avoidance of debt, as may be seen from the fact that during this period Government have discharged £5,000,000 net of temporary debt, and have spent $48\frac{1}{2}$ millions on Railways and Irrigation works, though they have borrowed only $21\frac{3}{4}$ millions, the difference being found from Cash Balances, of which the surpluses form a part. Moreover, as an inevitable result of such plethora of money at the disposal of Government, public expenditure has increased in all directions—and notably under Army services—on an unprecedented scale. The following figures for the last four years show at a glance how rapid has been the growth of public burdens and what is the position that has now been reached. In these figures, I have taken the revenue under Post, Telegraphs, Railways and Irrigation net. This, I submit, is the only way of presenting a correct idea of our revenue and expenditure, as the receipts under these heads are for services rendered and are balanced on the other side by corresponding expenses which virtually absorb the receipts. Unless, therefore, we take these figures net, we get an altogether erroneous idea of our real revenue and expenditure. I have also taken the revenue under Mint net, because, for the present at all events, the profit earned has to go to the Gold Reserve Fund and is therefore not available for general purposes.

“ Revenue and Expenditure for four years 1901-02—1904-05.

		(In millions sterling.)			
		1901-02.	1902-03.	1903-04.	1904-05 (Revised).
Revenue	. . .	51'91	52'27	55'27	57'59
Expenditure	. . .	46'96	49'21	52'28	54'11
Surplus	. . .	<u>4'95</u>	<u>3'06</u>	<u>2'99</u>	<u>3'48</u>

“ Coming to particular heads of expenditure, we find that the charge under Interest has actually gone down owing to a reduction of the ordinary debt. And the expenditure under Miscellaneous Civil charges, as also under Famine

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Relief and Insurance, has remained virtually stationary. Under the remaining heads, there has been a large and steady increase, as may be seen from the following figures:—

	(In millions sterling.)				
	1901-02.	1902-03.	1903-04.	1904-05 (Revised).	Increase.
Collection charges under Principal Heads of Revenue.	6.19	6.35	7.16	7.17	nearly 1 million.
Salaries and expenses of Civil Departments.	11.15	11.69	11.98	12.35	1.2 "
Civil Works	3.67	4.15	4.60	4.82	1.15 "
Army Services, including Military Works and Special Defence Works.	16.73	18.44	18.93	21.45	4.72 "

"I have taken 1901-02 as starting year for the comparison, because 1900-01 was a famine year, and before that, Government could not have felt sure of a large annual surplus. It will be seen that our expenditure has grown in four years by more than 7 millions sterling or about 10½ crores, and of this, the Army Services have absorbed quite two-thirds, i.e., 4½ millions or over 7 crores. Again, while the revenue under the principal heads has risen during this period from £46.60 millions to £50.38 millions or slightly over 8 per cent., the charges of collecting it have grown from £6.19 millions to £7.17 millions or by about 16 per cent.

"Thus after allowing the expenditure to increase in all directions on an unprecedented scale, after making large special grants to Provincial Governments from time to time, after spending nearly 16 crores out of current revenues for non-recurring charges, and after laying by about 12½ crores for purposes of the Gold Reserve Fund, the Government have still been able to devote a sum of about 36½ crores in seven years, or a little over 5 crores a year on an average, to the reduction or avoidance of debt! I submit, my Lord, that such a system of finance is unsound in theory and indefensible in practice, for it involves grievous injustice to the present generation. I can understand the Government always insisting on a moderate working surplus in framing their Budget Estimates and providing for the year's recurring charges out of the year's revenues. This was what they have uniformly done, even during the worst days of the exchange difficulty. But having done that, I venture to think, they have no right to maintain taxation at a higher level than is necessary or to devote the resulting surpluses to the reduction of debt, as they have been doing. In all countries, it is an accepted canon of finance that the weight of public burdens should be kept as light as

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possible, and that the scheme of taxation should be so fixed and adjusted as to meet, but no more than meet, public requirements under normal conditions. If this is so in rich European countries, it should be much more so in India, where the revenue is raised from a poor, helpless population, and the larger part is contributed by a broken and exhausted peasantry, and where, owing to the special circumstances of the case, the character of public expenditure is such that a great portion of it has to be spent on objects unconnected or but remotely connected with the moral and material advancement of the people. Moreover, the ordinary debt of India—as distinct from the public works debt, which is fully covered by valuable assets—is not large, and there is no justification for being in such a hurry to reduce it. The utmost that the Government might do in the matter is to provide for a small sinking fund, say, about a million sterling a year; but beyond this, it is indefensible to go, especially as, in the absence of a reduction of taxation, there are so many ways, all intimately connected with the well-being of the people, in which the surplus revenue could be spent.

“This brings me to the scheme of Army re-organization and the provision of 3 crores 66 lakhs that has been made for it in the next year's Budget. The scheme is one of vast magnitude, and it is claimed that it will be of lasting benefit. No lay criticism of its technical aspects can, of course, be of any value, though even laymen cannot help noting that expert opinion is not quite unanimous in regard to it. Thus we find Colonel St. J. M. Fancourt, C.B., writing to the *Madras Mail* to urge that enlarged camps of exercise will serve the purpose as well as the proposed concentration camps and will be much less costly and will offer fewer administrative difficulties; that the training under the climatic conditions of the country, especially the summer heat, cannot be carried on the whole year round, which reduces the value of a permanent location of troops in large concentration camps; and that for the annual seasons of drill, troops can be moved and massed wherever desirable, the expanding Railway system affording increasing facilities for such movements. Laymen also cannot help thinking that in the very nature of things, there can be no finality in such plans of distribution of armed forces. The period is a period of mighty changes and the world's affairs are passing through a new phase. The rise of Japan, as one of the first Powers in the world, is a new factor in international politics and of vast significance. New and unexpected combinations may arise, and the danger-zones and danger-points may not remain as they at present are—for ever and ever. However, the towering personality of His Excellency the Commander-in-Chief must silence all objections to the scheme, of which he is the author, and the required money—15 crores of rupees—has to be found to carry it out. The Government have announced

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their intention to meet the whole charge from current revenues, and they have already provided in the next year's Budget a sum of 3 crores 66 lakhs for the purpose as a first instalment, committing themselves at the same time to devote similarly 3 crores every year, till the whole programme is completed. My Lord, I beg leave to protest most earnestly against this decision of the Government of India. The charge is heavy and non-recurrent and, on the analogy of English and Continental practice in similar cases, ought to be met out of loan funds. It is most unjust to the tax-payers to provide for it out of current revenues by yearly allotments and thus keep up the high level of taxation for an indefinite period. In other countries such charges are, as a rule, met out of borrowed money. In England, just at this moment, there are the Naval and Military Works Bills before the House of Commons, under which it is proposed to carry out these works out of loans. And in defending such action, the Chancellor of the Exchequer pointed out the other day—on the 1st instant—that 'if the objects for which those measures provided were paid out of the estimates, there would be a disturbance of our system of taxation.' My Lord, it is true that the people of India have no constitutional power, as the people in England have, to control or in other ways influence the administration of their finances by Government. But for that very reason, a solemn moral responsibility rests on the Government here not to ignore considerations that are accepted as conclusive in England. The present decision of Government, so unjust to the tax-payers, leaves room for legitimate complaint, especially when it is remembered that we have devoted no less a sum than 36½ crores of rupees out of current revenues towards the reduction of debt during the last seven years, and that an addition of fifteen crores will still leave it 21 crores lower than it was in 1898.

"My Lord, I have already referred briefly to the alarming growth that has taken place in the military expenditure of the country in recent years. The military problem is the most dominant factor in the general position of the country's finances, overshadowing every other. National safety is, of course, the first and most paramount consideration in a country's administration. But no people can bear indefinite and ever-increasing burdens—practically without limit, and absorbing the greater part of every financial improvement—even in the name of such safety. I have on previous occasions spoken more than once on this subject at some length in this Council, and I do not therefore propose to say much today. Last year the Hon'ble Sir Edmond Elles, in his reply to some of my observations, told the Council that I had criticized measures, about which my knowledge was infinitesimal. The remark was somewhat superfluous, seeing that in my speech I had taken care not to say one word about any

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technical matters. The Hon'ble Member then went on to cite the instance of Japan and ask what would have been her fate, if her future had been guided by statesmen holding the views of my Hon'ble friend Mr. Sri Ram and myself. I do not think the reference to Japan was quite a tactful thing. For Japan's destinies are guided by her own sons, whose one thought and aspiration is the greater glory of their country, furthering by every means in their power the moral and material advancement of their people. Is the Hon'ble Member prepared to adopt Japan as a model for all branches of the country's administration? If so, let him induce his colleagues in the Government to treat the people of India as the Japanese Government treats the people of Japan in matters of education, of industrial development, of military and naval service, of appointment to high and responsible office, and I, on my part, humble as I am, undertake to see that no Indian publicist raises any objection to such military expenditure as the Hon'ble Member thinks it necessary to incur. My Lord, on technical aspects of military questions, the opinion of laymen is of course of but little value. But, as the *Englishman* pointed out the other day, 'there is a stage when considerations of military defence emerge out of the plane which has always been tacitly reserved for professional soldiers.....The larger problems involving the expenditure of large sums of money and the dispositions of troops in relation to possible enemies, are clearly not to be decided on the fiat of military men. These matters affect the State as a whole and as such must be looked at from the civil as well as the military point of view.' Our military expenditure has nearly doubled itself during the last twenty years, having risen from 17'9 crores in 1884-85 to 32'6 crores in 1905-06. It now exceeds the entire land-revenue of the country and no one can say where it will stop, or if it will stop anywhere at all. It is now said that India is the strategic frontier of the British Empire. If so, the defence of such frontier is clearly an Imperial responsibility and India ought to be relieved of part of her present military burdens. For the last twenty years, the fears of a Russian invasion have dominated the situation and dictated the scale of our military expenditure. Russia now lies prostrate and bleeding—her prestige shattered beyond hope—a standing menace to the peace of Asia gone. May we not now hope for a little respite in this piling up of ceaseless military burdens on our shoulders! The limits of military expenditure were thus laid down by Lord Mayo's Government in 1871 :—'We cannot,' they wrote, 'think that it is right to compel the people of this country to contribute one farthing more to military expenditure than the safety and defence of the country absolutely demand.' The Army Commission of 1879 thus defined the functions of the Indian Army :— 'The purposes for which the Army of India must be maintained may be stated

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to be—(a) preventing and repelling attacks or threatened aggressions from foreign enemies beyond our border; (b) making successful armed disturbance or rebellion, whether in British India or in Feudatory States, impossible; and (c) watching and over-awing the armies of feudatory Native States.' This conception of India's position and responsibilities, however, is no longer thought to be sufficient. Thus last year the Hon'ble Sir Edmond Elles, after asking the question 'Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we should be safe, whilst the absorption of Asiatic kingdoms is steadily in progress?' observed as follows:—'It is, I think, undoubted that the Indian Army in the future must be a main factor in the maintenance of the balance of power in Asia; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order. And Your Lordship, referring to the same point, said:—'I spoke last year about the increasing range of our responsibilities in Asia; and a good deal has happened in the interim to point those remarks.' My own view of India's position is this. She is like a fortress with the vast moat of the sea on two of her faces and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends a glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends; but if rival and unfriendly influences creep up to it and lodge themselves right under our walls, we are compelled to intervene, because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. . . . And the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies on this area which I have described.' This new and Imperial definition of India's position and responsibilities is bound to stagger the people of this country, for it means that India's resources are to be unhesitatingly used for engaging in a race with European Powers to absorb Asiatic Kingdoms! Now, apart from the ethics of such absorption, I submit that if England's dominion in the East must be thus extended in all directions on the mere suspicion that a rival is creeping up towards the frontiers of India, the Imperial Government in England and not the poor people of India ought to find the money for the purpose. The maintenance of the balance of power in Asia is a matter of Imperial concern; and for the Government of India to accept that responsibility is to impose upon this country a military duty and a financial obligation, to which she is utterly unequal and which, moreover, it is unjust to throw on her.

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"My Lord, I have complained above of the system of finance that has been maintained in this country for the last seven years. That complaint, however, must not be understood to apply to the present Financial Statement, which indeed has to a large extent broken from the old tradition and taken an important step forward in the right direction. With the single exception of the provision made out of current revenues for Army reorganization, the budgetary dispositions appear to me to be both liberal and statesmanlike. Speaking further for Bombay, I gladly acknowledge the liberal character of the new Provincial Settlement. I rejoice also that the Hon'ble Member has put an end to the era of systematic underestimating of revenue and overestimating of expenditure. More than once had I complained of this practice in this Council, as unfairly prejudicing the chances of the tax-payer in the matter of remission of taxation. Last year, for instance, I had said :—'In the twelve years of storm and stress (*i.e.*, from 1885—1896) it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of underestimating the revenue and overestimating the expenditure. But though the difficulties of the position have passed away, the tradition, once established, still holds the field.' And this only drew on me a sharp remonstrance from Sir Edward Law. It was therefore with a certain amount of legitimate satisfaction that I found the Hon'ble Member virtually admitting the correctness of my contention and admitting it very nearly in my own words. 'So long,' he has observed, 'as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenues until they were absolutely assured. When this factor was eliminated, the traditions of excessive caution remained and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.' My Lord, the financial position of the Government now is one of exceptional strength. Taking the Budget Estimates for next year, we find that after providing 3 crores 66 lakhs for an extraordinary charge, which ought to be met out of borrowings, we still have a surplus of 1 crore 36 lakhs. This means an excess of 5 crores of revenue over expenditure. Then the profits from coinage have averaged about $2\frac{1}{2}$ crores a year during the last five years and they are bound to increase as trade expands. These profits will be available for general purposes in a year or so, as the Gold Reserve Fund already stands at $8\frac{1}{2}$ millions sterling, and as Your Lordship stated last year, when it reaches 10 millions sterling, it 'will be sufficient for our purpose and will give us a permanent guarantee for stability of exchange.' Then Railway finance has entered on a new phase. After causing a net loss year after year

for half a century—from 1849—aggregating in all to sixty crores of rupees, our system of Railways has now commenced to bring in a profit to the State, and there is every reason to believe that this profit will steadily increase. The revenue under Excise and Customs is also showing a large and continuous increase. Leaving all growth of revenue under Railways, as also under Excise, Customs and other principal heads, to meet the growing requirements of public expenditure, we still have a margin of about $7\frac{1}{2}$ crores a year to devote to purposes intimately connected with the moral and material wellbeing of the people. And if only military expenditure is prevented from absorbing everything, and a comprehensive and statesmanlike view taken of the duties of the State and of the exceptional opportunities which the present position of the finances affords to Government, a vast deal could be done to improve the condition of the people and thereby also to deepen, broaden and strengthen the true foundations of British rule in this land. There is, for instance, the separation of Judicial and Executive functions to be effected—a reform demanded by eminent Anglo-Indians as well as Indians, which Lord Dufferin described as a counsel of perfection and which, he said, could not then be carried out for want of funds. Well, the Government now have funds to carry out the reform many times over, and I respectfully submit it ought to be no longer delayed, as the sense of oppression and discontent, to which it gives rise, is infinitely more serious than any administrative convenience which may result from it. Then there is the extension of education in all its branches—a matter of the greatest importance to the country's progress. But it is not of these that I desire to speak today. The subject that I wish most earnestly to urge upon the attention of the Government is the condition of the agriculturist. My Lord, the Indian agricultural producer is terribly handicapped, and his position is getting harder every day. In the first place, nowhere is the burden of taxes on the land in relation to produce so heavy as in this country, as may be seen from the following figures, taken from Mulhall's Dictionary :—

Country.	Percentage of taxes in relation to gross produce.
United Kingdom	8·3
France	4·8
Germany	3·0
Austria Proper	4·9
Italy	7·0
Belgium	2·8
Holland	2·8

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"These taxes on land include stamp-duties and local rates and in France road-cesses. In India, leaving out of calculation Provincial rates and stamp-duties, and confining ourselves to land-revenue only, what do we find? Taking the figures set forth in the Government Resolution of 1902, which cannot be suspected of being unduly unfavourable to Government, we find that in *Madras*, the assessment is from 20 per cent. in the Godavari District to 8 per cent. in Anantpur of the gross produce, and in most districts it averages over 15 per cent. In *Bombay*, the assessment in Guzerat is 20 per cent., and even in the dry and dreary Dekkhan, considering the uncertainty of the seasons, it is in no way lighter. In the *United Provinces of Agra and Oudh*, it is one-seventh or one-eighth of the gross produce, i.e., from 12 to 14 per cent. Thus, while elsewhere the total burden on land is well below ten per cent., with us, taking the land-revenue alone, we see that the assessment over most areas is about 15 per cent. and in some portions as high as 20 per cent. of the gross produce—and this according to official estimates. Secondly, everywhere in India, and particularly in the temporarily-settled districts, the utter resourcelessness of the agricultural classes is the most distressing fact of the situation. The cultivator has no capital and has but little credit and is simply unable to make proper use of Nature's wealth that lies at his door, with the result that his cultivation is of the rudest and most exhausting type. The yield of the soil has been steadily diminishing, except in irrigated tracts, being simply 8 to 9 bushels an acre, about the lowest yield in the world. Thirdly, the currency legislation of Government has hit the raiyat very hard, depreciating at once the value of his small savings in silver and increasing steadily, as prices are adjusting themselves to the new rupee, the burden of his assessment and his debts. Fourthly, a succession of bad seasons during the last fifteen years have borne him down with crushing pressure, the MacDonnell Commission observing that the past decade in most parts of India has been 'a decade of misfortune and distress.' Lastly, there is his terrible indebtedness, which is admitted by everybody and which, there is reason to fear, is steadily on the increase. In such a situation, the struggling raiyat, toiling ceaselessly without heart and without hope, needs every assistance and relief that can possibly be brought to him. But the operations of the Settlement Department are going on apace, and everywhere a fresh revision means a fresh enhancement of the Government demand. Taking *Madras*, *Bombay*, *Central Provinces*, and the *United Provinces of Agra and Oudh* together, we find that during the last ten years the land-revenue collections have risen from 14·4 crores in 1893-94 to 15·4 crores in 1903-04—an increase of fully one crore in ten years! And yet all these provinces have suffered during the period

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from a succession of calamitous seasons. My Lord, the fearful poverty and indebtedness of the agriculturist calls for a great and comprehensive scheme of ameliorative action, and no mere palliatives will be of much avail. A general reduction of the State demand in the temporarily-settled provinces, as suggested by Mr. O'Connor, and the grant of Permanent Settlement to those provinces, together with a bold scheme for the composition of the raiyats' liabilities—nothing less than these measures will really save him from utter and hopeless ruin. The present financial position, with an assured excess of at least $7\frac{1}{2}$ crores of revenue over expenditure, gives Government a great opportunity, which, if allowed to slip now, may never present itself again. A reduction of 20 per cent. in the State demand in the provinces of Madras, Bombay, Central Provinces, and United Provinces will not cost more than 3 crores a year and the amount sacrificed will return to the State tenfold in the increased prosperity and contentment of the people. And a great scheme of composition of debts, similar to the one for buying out the landlords in the Irish Land Purchase Act of last year—when the Imperial Treasury undertook to advance a hundred millions sterling for the purpose—will mean the making of the raiyat again and is the only way in which the problem of agricultural indebtedness can be successfully grappled with.

YX “Another subject, which I wish earnestly to bring to the attention of Government, is the condition of Municipal bodies in those parts of the country which have suffered severely from successive visitations of the plague. The finances of some of these bodies have been so completely disorganized that it is with difficulty that they are able to perform their most elementary duties. They still owe large sums to Government for plague loans, though the greater part of these loans have been already remitted by Government, and unless Government come forward again to help them out of their embarrassments, their available margin of income over expenditure must be devoted to the paying off of these debts for several years to come. I have the honour to preside over one of the largest Municipalities in the Bombay Presidency—the Corporation of Poona—a body which has suffered as much as any other from this terrible scourge; and I know from personal experience how we are simply powerless at present to undertake any large works of improvement and what a struggle we have to make merely to keep things going. Our plague debt today is about 2½ lakhs of rupees—a sum nearly equal to our annual income—and it will take something like fifteen years to clear it off, which means that for fifteen years our small margin of income over expenditure will not be available to us for any other purpose. From a return very courteously

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3 supplied to me by the Finance Member, I find that the amount which the mufassal Municipalities in the Bombay Presidency still owe to Government is about 17 lakhs of rupees. This is over and above 22 lakhs which the Government have already remitted. Moreover, the municipalities have met out of their own revenues a plague expenditure of about 16 lakhs. It is only fair to mention that for these plague loans the Municipalities are only technically responsible. They represent the excess expenditure incurred by Government in the name of Municipal bodies in the early years of the plague, when all kinds of drastic measures were adopted to stamp out the disease and Municipal money was spent by plague officers appointed by Government with the most reckless profusion. Now this sum of 17 lakhs, which the Municipalities still owe to Government, is really the merest nothing to the Government, with their crores and crores of surplus revenues; but to these Municipal Bodies, it means all the available margin of income over expenditure. I therefore earnestly suggest that these plague loans should be written off by Government, so as to leave Municipalities free to devote their slender resources to urgently needed undertakings. I am willing that in writing off these loans, a condition should be imposed on the Municipalities that the amounts written off by Government should be devoted to works of permanent utility. I am sure, my Lord, if only the Finance Minister will adequately realize the extent of our difficulties—difficulties which contrast most painfully with the prosperous condition of the Government of India's Treasury—he will at once recognize the absolute necessity of coming to our relief. In Poona, for instance, we have the plague from four to six months every year. During these months, we suffer a heavy loss in octroi and other revenue, and while our receipts thus suffer, our expenditure increases, because, in addition to our ordinary establishment, we have to maintain a special establishment to deal with the outbreak of plague. My Hon'ble friend Mr. Younghusband, who is Commissioner of the Division to which Poona belongs, and who has always been a most sincere friend of local bodies, will, I am confident, endorse every word of what I have said, if he is called upon to express an opinion on this subject. But writing off plague loans is not all the assistance that I ask for our Municipalities at the hands of the Government. I want the Government to go further—much further—and recognize the obligation to make substantial grants in aid of the funds of these bodies for works of permanent improvement, such as drainage and water-supply. My Lord, the persistence with which the plague has been lingering in our midst has drawn pointed attention to the questions of faulty drainage and defective water-supply, and it is recognized that real improvement in the health conditions of the people is impossible,

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unless these matters are taken seriously in hand. Now it is a Western plan which leaves such works to be executed by local bodies out of their own resources. And though it may work well in Western countries owing to the wealth of their towns, it is utterly unsuited to India, where the unaided resources of local bodies are altogether inadequate for such costly undertakings. Moreover, in view of the frightful mortality caused by the visitations of plague and the generally high death-rate of Indian towns, it is a clear obligation resting on Government, especially when they have funds necessary for the purpose, to do all that lies in their power to promote the interests of public health, and from this obligation they are not absolved simply because they have handed over certain duties and certain resources to certain Boards. Further, these Boards are not independent bodies. They are subject to a large measure of Government control and they include a considerable proportion of Government nominees. It is only fair therefore that the Government should assist them financially in carrying out projects which are beyond their unaided capacity to undertake. Government give a grant to these Boards in aid of education, and there is no reason why public health should not be placed on the same footing as education. I would therefore suggest that about a million sterling a year should be devoted to assisting Municipal Bodies with grants for drainage and water-works. I understand that such grants are not unknown in individual instances in Madras and some other Provinces. I think, however, that the construction of such works will be greatly encouraged by the Government adopting an attitude of liberality as a general policy in this respect. The needs of public health require such assistance from Government and financially they are in a position to render it. The principle, moreover, has been accepted this year in the case of District Local Boards. I earnestly trust, therefore, that the suggestion which I have ventured to make will receive favourable consideration at the hands of Government.

“My Lord, I have already detained the Council at considerable length, but there is one subject more, about which I would like to say a word, before I conclude. This time last year, Your Lordship dealt at some length with the question of the wider employment of Indians in the public service, and shortly after that a lengthy Resolution was issued by the Government of India on the same subject, reiterating the arguments and conclusions of Your Excellency's speech. Your Lordship, after analysing the situation, came to the conclusion that not only were the people of this country not justified in complaining of exclusion from high office, but that they were being treated with ‘a liberality unexampled in the history of the world.’ The Government Resolution of May

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24th, 1904, expressed the same opinion in the following words :—‘ There has been a progressive increase in the employment of natives and a progressive decline in the employment of Europeans, showing how honestly and faithfully the British Government had fulfilled its pledges and how untrue is the charge which is so often heard of a ban of exclusion against the natives of the country.’ In spite of both the speech and the Resolution, however, the public mind remains unconvinced, and certain propositions in the Resolution have even created the unfortunate impression that it was no longer the intention of Government to adhere faithfully to the lines of policy laid down in the matter in the Parliamentary Statute of 1833 and the Proclamation of the Queen-Empress in 1858. The Statute and the Proclamation have respectively pledged the word of the British Parliament and the British Sovereign to the people of India that all offices in the country shall be equally open to all without distinction of race, colour, or creed. The Statute was further interpreted by the Court of Directors as laying down that there was to be no governing caste in India, and that whatever tests of fitness were prescribed, considerations of race or creed were not to be of the number. The Resolution of last year, however, lays down two principles, as governing the situation, which, in the form, in which they are stated, are certainly inconsistent with the pledges given in the Statute of 1833 and the Proclamation of 1858. The Resolution says :—‘ The general principles which regulate the situation are two in number. The first is that the highest ranks of civil employment in India, those in the Imperial Civil Service, the members of which are entrusted with the responsible task of carrying on the general administration of the country, though open to such Indians as proceed to England and pass the requisite tests, must nevertheless, as a general rule, be held by Englishmen, for the reason that they possess partly by heredity, partly by upbringing and partly by education, knowledge of the principles of government, the habits of mind, and the vigour of character, which are essential for the task, and that the rule of India being a British rule and any other rule in the circumstances of the case being impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d’elite*, the Government shall, as far as possible, and as the improving standards of education and morals permit, employ the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that in certain departments, where scientific or technical knowledge is required, or where there is a call for the exercise

of particular responsibility or for the possession of a high standard of physical endurance, it is necessary to maintain a strong admixture and sometimes even a great preponderance of the European element.' The Government of India thus lay down (1) that race, so far from being no disqualification, shall constitute in the case of all but a very few a conclusive disqualification for the higher offices of the State; (2) that this disqualification shall last as long as the British rule endures; (3) that in regard to other offices held at present by Europeans, they are so held because Indians qualified by education and morals are not either available, or where they are available, they are unfit for the exercise of 'particular responsibility.' Now, my Lord, the equal treatment promised in regard to public employment by the Parliamentary Statute and the Queen's Proclamation may be nothing better than a legal fiction in practice, but it is a fiction which we have cherished, as embodying an ideal for the future and representing the higher purpose of British rule in this land, and we cannot afford to see it so explicitly repudiated by the Government. Nothing to my mind is calculated to affect more disastrously the attitude of educated Indians—and their number is bound steadily to grow—towards British rule than a belief that under that rule their exclusion from the highest offices of the State is intended to be perpetual.

As regards the question of education and morals being involved in our exclusion from most of the offices in the special departments, is it really intended to be conveyed that among the thousands and thousands of educated Indians, who are ready to seek employment under the State, even a few cannot be found possessing the necessary education and moral character or qualified to exercise the required degree of responsibility? I am sure the question has only to be presented in this form to make the injustice of it clear to everybody. Why, my Lord, it is a matter of common knowledge that, in the case of the smaller appointments at all events, it is not the Indian, but the European or Eurasian competitor, whose education and morals it would really be desirable sometimes carefully to investigate. However, I do not wish to pursue this argument any further on this occasion. My object today is to point out how inaccurate and misleading is the conclusion, which the Government of India Resolution has recorded on this subject and which I have already quoted above. The Resolution claims (1) that the pledges given have on the whole been honestly and faithfully carried out, and (2) that there has been a progressive increase in the Indian element and a progressive decline in the European element in the service of the State. Before proceeding to show how unsupported by facts this two-fold claim is, I must, in the first place, point out that in the statistical tables which accompany the Resolution, the real issue has been

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obscured by the inclusion therein of posts as low as Rs. 75 a month. When we complain of our exclusion from high office, we do not refer to the lower grades of the Public Service—grades which carry salaries as low as Rs. 75 or 100 or even 200 rupees a month—though in some of the special departments, we are virtually shut out even from such petty appointments. When we make the complaint about exclusion, we refer to offices sufficiently high in the Public Service—offices of trust and responsibility—say above Rs. 500 a month. I have compiled tables for the years 1897 and 1903 from the statistics published by the Government of India to show how we stand in regard to these appointments, and it will be seen from them that the two-fold claim of the Government of India already referred to is wholly untenable. I do not propose to read out these tables. They will appear as an appendix* to my speech in the report of these proceedings. It will be seen from them that they effectively dispose of the contention that we have so far been treated with unexampled liberality. They also show that most of the new posts, created between 1897 and 1903, have gone to either Europeans or Eurasians, which element certainly shows no signs of declining, the Indian element even losing ground in some of the departments.

“My Lord, this question of appointment to high office is to us something more than a mere question of careers. When all positions of power and of official trust and responsibility are the virtual monopoly of a class, those who are outside that class are constantly weighted down with a sense of their own inferior position, and the tallest of them have no option but to bend in order that the exigencies of the situation may be satisfied. Such a state of things, as a temporary arrangement, may be accepted as inevitable. As a permanent arrangement, it is impossible. This question thus is to us a question of national prestige and self-respect, and we feel that our future growth is bound up with a proper solution of it. My Lord, Your Lordship said on one occasion that to your mind efficiency of administration was synonymous with the contentment of the people. There is no question, of course, of the supreme importance of a high degree of efficiency in a country's Government. There is also no doubt that in this respect the present Administration has been the most strenuous and the most successful of any that the country has had for many years. But may I venture respectfully to point out that Your Lordship's proposition leaves out of account the special circumstances of India, that efficiency, though an object of paramount importance with us as elsewhere, is not the sole purpose of British rule in this land, and that for the contentment of the

* *Vide Appendix C.*

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people to be real and enduring, something more is indispensable than mere efficiency, however high it may be. A succession of great statesmen, who in their day represented the highest thought and feeling of England, have declared that, in their opinion, England's greatest work in India is to associate the people of this country, slowly it may be, but steadily, with the work of their own Government. To the extent to which this work is accomplished, will England's claim to our gratitude and attachment be real. If, on the other hand, this purpose is ever lost sight of or repudiated, much good work, which has been already done, will be destroyed, and a position created, which must fill all true well-wishers of both England and India with a feeling of deep anxiety."

The Hon'ble Mr. HEWETT said:—"My Lord, in his memorandum on Railway Development for 1904-1905 the Hon'ble Sir Arundel Arundel was able to announce a larger provision for railway development during the year than had ever been made before. The Hon'ble Mr. Baker has already stated that we have been able to increase the allotment to a still higher figure during the coming year, and taking into account the estimated expenditure on famine protective lines, branch lines not in receipt of a direct guarantee, railways outside the Government account and the expenditure from provincial and local revenues and from loans raised by local boards for local lines, the estimate for the coming year is over a crore in excess of the revised estimate for the present year, and over 3 crores in excess of the accounts for 1903-1904. It is indeed to be regretted that the demands for open lines and lines already under construction leave only 52 lakhs of the grant of 12½ crores available for the commencement of entirely new lines, but the mileage by which we hope to increase our railway lines during the year, namely, 1,138, will be substantial. The requirements in respect of additions to the rolling stock swallow up a large amount of the annual grant. In the three calendar years from 1901 to 1903, 14,000 goods wagons were added to the rolling stock, and the expenditure provided under this head in the present and coming years is 300 and 230 lakhs, respectively. The Hon'ble Mr. Baker has explained that in the distribution of the grants which have been made to district and local boards it is intended that special consideration shall, wherever possible, be given to local wants in the matter of communications. The Government of India trust that the grants will give a fresh impetus to the construction of feeder roads, to the need for which more than one Hon'ble Member has referred, and that the boards will be encouraged, with their increased resources, to do more than has been possible in the past in the direction of giving guarantees for tramways and light railways.

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"The Hon'ble Mr. Cable has urged that the time has come when we must decide to adopt a more definite policy as to the working of railways by State agency or private enterprise. The Hon'ble Member and the Hon'ble Maharaja of Darbhanga have testified to the interest with which the public is looking forward to a pronouncement by the Railway Board as regards the system upon which improvements and extensions of railway communication should be carried out in the future. Mr. Cable has also expressed the opinion that the first duty of the Board in order of importance is the sympathetic adjustment of railway rates. My Lord, I do not understand the Hon'ble Member to expect upon the present occasion any statement as to the policy which the Railway Board would advocate in these matters, and it would, in fact, have been impossible for the Board, so recently after its constitution, to have already come to any definite conclusion upon these important subjects. I can, however, promise the Hon'ble Member that all questions relating to the development and improvement of the transport facilities of the country will receive the sympathetic attention of the Board.

"My Lord, I may conveniently take this opportunity of referring to the position which will be occupied by the Railway Board. The Resolution published in the *Gazette of India* of the 18th February last makes it clear that the Board is a body outside the Government of India. Legislation has recently been carried out to enable the Government of India to delegate the powers that they possess under the Indian Railways Act of 1890 to the Board, and the greater part of the powers conferred by that Act has, as was explained in the Resolution issued in the Commerce and Industry Department on March 24th, been delegated to the Board. The object of the Government of India has been to create an authority capable of itself dealing finally with the technical aspects of railway administration and to reserve for their own decision only deliberative matters of higher policy. The functions of the Railway Board are of two kinds, *vis.*, administrative and deliberative. Among the former are the construction of new lines by State agency, the carrying out of new works on open lines, the improvement of railway management with regard both to economy and public convenience, the arrangements for through traffic, the settlement of disputes between lines and the control and promotion of the staff on State lines. The deliberative functions include the preparation of the railway programme, the larger questions of railway policy and economy. In the exercise of the latter functions the Board will act as the adviser of the Government, whose conclusions will not be arrived at without the advice of the Board. And it has been provided that opportunity shall be given to the Chairman of the Board of placing the views of that authority

personally before the Council when this is necessary. All communications whatever connected with railway administration, whether they deal with technical questions or with matters in which commercial interests are involved, must be addressed to the Railway Board, who will forward with their recommendations to the Government of India those relating to matters reserved for the determination of Government.

"In speaking on the motion that the Bill empowering the Government of India to give to the Railway Boards powers under the Railways Act of 1890 should be passed into law, the Hon'ble Rai Sri Ram Bahadur spoke with appreciation of the arrangements which have been made for the comfort of third class passengers on the Oudh and Rohilkhand Railway, and urged that the Railway Board should take up this question in regard to other railway lines. He has again referred to this question today, and the Hon'ble the Maharaja of Darbhanga has pressed the importance of effecting radical improvements in the treatment of third class passengers. Both these Hon'ble Members have referred to the proceedings of the representative Conference of Indian gentlemen assembled at Lucknow in December 1903, at the invitation of the Oudh and Rohilkhand Railway, to consider what arrangements could be suggested for the comfort and convenience of the third class passenger. The amelioration of the conditions under which the third class passenger travels is regarded as of great importance by the Government of India—who are gratified to learn that the public appreciate the reforms effected by the Oudh and Rohilkhand Railway. The proposals made at the Conference have been discussed with other railways in India and the Railway Board have already taken the question into their consideration.

"The Hon'ble Rai Sri Ram Bahadur has asked that the communication by rail between Allahabad and Lucknow should be made more direct. It was only on January 1st last that these two places were brought into more direct communication than before by the opening of the Allahabad-Fyzabad Railway. The further step of connecting Allahabad with Rai Bareilly, which would shorten the distance by a little less than thirty miles, will probably be taken some time, but there are many more urgent projects before the Government of India, and there is no present intention of undertaking this work.

"Your Excellency, in speaking on the Financial Statement for the current year, referred to the proposal to create an Imperial Customs Service. That proposal has been matured by the Government of India, and is now before the Secretary of State, whose orders in respect of the scheme are awaited. Complaints have been frequently made by those engaged in trade that practices to

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which they have become accustomed at one Indian port are objected to at another, and that facilities which are accorded without question by one Collector of Customs are withheld by another. What the mercantile community contend is, that there should be certainty in the operations of the Customs Department, and that an article should be subjected to the same treatment whether the place of import is Calcutta or Bombay, Rangoon or Karachi. The Government of India consider this contention to be perfectly reasonable, and trust that the institution of an Imperial Customs service, which will, they hope, not be long delayed, will remove many of the objections which have arisen in the past to the manner in which customs-duties have been levied.

"The Hon'ble Mr. Baker has already intimated that the weight which can be sent by the inland post for the half-anna rate of letter postage is to be raised from one-half to three-quarters of a tola. This change will take effect from April 1st. The Government of India hope that the weight may eventually be raised to one tola; but this change, since it would necessitate a revision also of other rates of postage, would involve a very large amount of expenditure which would not be at present justified in accordance with the principle stated by Mr. Baker. I am able to announce that the insurance fees charged on articles transmitted by the inland and foreign posts will be reduced to half the present rates with effect from 1st July next. The following additional concessions will come into effect at once: firstly, following the practice in Great Britain, the Director-General of the Post Office has been authorised to pay compensation, as a matter of grace and up to a limit of Rs. 25, for the loss or damage to registered inland letters, packets or parcels; secondly, permission has been given to the public to enter written or printed communications on the address side of postcards of private manufacture; thirdly, the prohibition against the use of stamps of embossed envelopes for newspaper wrappers or postcards in payment of postage has been removed. This concession will not, however, extend to stamps cut from registration envelopes, as, for departmental reasons, it is considered necessary that the use of such stamps should be strictly limited to registered articles.

"The Hon'ble Mr. Cable has referred to the question of introducing a unified stamp. This has been long under discussion. There seems to be a general impression that it was abandoned because the Government of India found it difficult to determine how to apportion the receipts from the sale of the unified stamp between themselves and the Provincial Governments. This was not the case at all. The Government of India were perfectly ready to adopt the unified stamp, but insisted that, if postage stamps were to be used for revenue as well as postal

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purposes, the practice of penmarking postage stamps on letters must be prohibited. Owing to the opposition raised to this proposal in certain business quarters the idea of a unified stamp was abandoned. The Government of India, after considering the matter again, are satisfied that its introduction will be of great convenience to the public, and have accordingly determined to recommend at once to the Secretary of State that the one-anna and half-anna postage stamps should be made available for use as receipt stamps, and also for all documents chargeable with a one anna stamp under the General Stamp Act. From the date on which this proposal takes effect it will be necessary to enforce the rule that already exists, namely, that stamps on letters must not be pen-marked. Enquiries made some time ago showed that the proportion of letters posted on which the stamps had been pen-marked was comparatively small. It seems more than probable that it has declined considerably in recent years. In any case, the Government of India do not think that the wish of a comparatively small minority, to continue to pen-mark the stamps on their letters, ought any longer to stand in the way of the introduction of a change which cannot fail to be convenient to the public generally.

"I will refer, my Lord, for one moment to the question of the establishment of a mail service between Aden and Karachi in connection with the general Eastern Mail Service. This proposal has been frequently before the Government of India, who are in sympathy with those who would wish to see the service established. The question is entirely one of cost. The Treasury has definitely decided, and the decision is quite reasonable, that any expenditure incurred in the establishment of such a service must be debited to Indian revenues. The Secretary of State has been asked to ascertain the probable cost of a link line either by informal inquiries or by calling for formal tenders. When the matter was previously under consideration the only offer made was for a subsidy which was absolutely prohibitive, and the Government of India are not hopeful that any steamship company will be found ready to carry out the service on terms which they would be justified in accepting.

"The Hon'ble Mr. Cable has inquired whether the Government contemplates any further reduction in telegraph rates. The returns of business of the Telegraph Department show that the revised inland rates introduced from the 1st January 1904 have been much appreciated by the public. The number of private telegrams sent at the unit rate of 4 annas in the calendar year ending 31st December 1904 was 1,697,889, or 31·66 per cent. of the total deferred private traffic. The total number of private deferred telegrams, which in the calendar year, 1903 was 3,750,477, rose in 1904 to 5,362,715. The value rose

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from Rs. 42,28,333 to Rs. 45,49,364. This large increase in the number of private deferred telegrams has been accompanied by an increase of urgent private messages from 255,808 to 305,696, and a decline in ordinary private messages from 1,186,627 to 1,163,983. Including Press and State messages, the number of messages issued by the Telegraph Department was in 1904 7,664,726 compared with 6,049,845 in 1903. The Government of India have at present under their consideration a proposal to place deferred telegrams on the same footing as urgent and ordinary telegrams by allowing ten words for the unit charge of four annas, inclusive of the address, instead of six words in the address and four in the text.

"In March 1902 the cost of telegraphing to Europe was reduced from 4 shillings to 2-6d. a word in the case of ordinary messages, and from 1-4d. to a shilling a word in the case of press messages. Your Excellency referred a year ago to the encouraging results of this experiment. The number of words sent in ordinary messages between India and Europe in 1901, the last complete year in which the old rates were in force, was slightly under 2,200,000. In 1902 (during ten months of which year the new rates were in force) it rose to 2½ million words; in 1903 to over 3 million words, and in the first 10 months of 1904 to 2,700,000, so that we may estimate the total for last year at 3¼ million words. The Government of India are entitled to claim a further reduction to 2 shillings a word so soon as the revenue of the Cis-Indian Joint Purse reaches £352,000 over the average of the previous three years. The latest returns indicate that these figures are being approached, and I trust that the public will not have to wait much longer for the reduction of the cost in the case of ordinary messages to 2 shillings a word, and in the case of press messages to 8d. a word.

"The Telegraph Department, and specially Mr. Simpson, who was responsible for the success of the experiments, are to be congratulated on Port Blair in the Andamans and Slipper Island having been brought into telegraphic communication with the rest of the world on the 10th of February last by the establishment on that date of wireless telegraphic communication between those two places and Diamond Island, which latter place was already connected by cable with the general telegraphic system of India. Since that date service messages have been daily exchanged between Diamond Island and Port Blair, a distance of a little over 300 miles. It is hoped that with the installation of more powerful instruments within the next three months communication will be secured at all times, and that it will then be possible for this extra service to be thrown open to the public, and that it will prove to be a great benefit to the

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shipping of the Bay of Bengal and to the Meteorological Department. For the benefit of the shipping of the port of Calcutta and the Meteorological Department arrangements are also being made by the Telegraph Department to connect Saugor Island with two stations, one on the Pilot Brig and the other on the Eastern Channel Lightship, by means of wireless telegraphy."

The Hon'ble SIR DENZIL IBBETSON said:—"My Lord, before I turn to the main subject upon which I propose to address the Council, I should like to correct a misapprehension under which my Hon'ble friend Mr. Bose is labouring, as regards the appointments to the Public Works Department which are to be made by the Secretary of State. He tells us that, whereas under the rules in force at Cooper's Hill certain appointments were open to Indians, the new appointments are for Europeans only, so that 'an absolute bar' has been created to the entry of Indians into the Imperial service. He has not realised that the appointments to which he refers are in addition to, and not in substitution for, those from Cooper's Hill. The latter will be made as usual, so that the appointments which are open to Indians remain untouched.

"I propose to confine my remarks today in the main to the subject of agriculture—a subject which has of late been very much before the public. It is still not quite three-and-a-half years since the appointment of an Inspector General gave the Imperial Agricultural Department for the first time an expert head, and placed us in a position to enlarge the scope of our own operations, and to co-ordinate the useful work which was being done on independent lines in various provinces; and already we have found it necessary to apply to the Secretary of State for a trained agriculturist to act as his Assistant. When Mr. Mollison was appointed, our Imperial staff consisted of an Agricultural Chemist, and a Cryptogamic Botanist of a few months' standing. It now includes six experts highly qualified in various branches of science as applied to agriculture, while a seventh has been sanctioned, but not yet appointed. At that time a trained Deputy Director of Agriculture was to be found only in Madras, Bombay, and the United Provinces; while the Economic Botanist in Madras was the only provincial representative of the more specialised branches of the subject. Since then expert Deputy Directors have been sanctioned for Bengal and the Punjab, and we are asking for one for the Central Provinces; the United Provinces now have an Economic Botanist of their own, and Bombay a Professor of Botany; while a Professor of Agriculture and an Agricultural Chemist have been sanctioned for the Poona College, and a similar strengthening of the staff of the Madras College at Saidapet is under consideration. Thus within the 3½ years of which I have spoken, our staff of

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6 has expanded to 20 appointments, of which 6 have yet to be filled, since it takes time to secure the services of competent men, even in England.

"In 1903 I sketched the scheme of an Institute of Agricultural Experiment, Education, and Research which was to be started at Pusa. The scheme was at that time very much in the rough, and had still to be worked out in detail and to be submitted for the Secretary of State's approval. Since then his sanction has been received, the Pusa property has been taken over from the Bengal Government, the arable land, which had been under grass for some time, has been got into order, and experimental cultivation has already begun. Estimates for buildings amounting to 16½ lakhs have been prepared, good progress has been made with the residences for the staff, and next autumn the experimental and research work of the Imperial experts will be transferred to Pusa. Work has been begun upon the main building, which is to be called the Phipps' Laboratory, and is to cost 7½ lakhs when complete (including the 3 lakhs provided by Mr. Phipps' munificence), and of which His Excellency the Viceroy has kindly consented to lay the foundation stone next Saturday. It is hoped that the building will be complete, and the whole institution in full working order, within two years from now. The superior staff has, with one exception, already been appointed and, pending the completion of the College, is employed upon experimental and research work; while it is at the same time training three out of the six Indian gentlemen who are to act as Assistant Professors when educational work is started. Of these, the Assistant Biological Botanist is to be sent to England and Ceylon to complete his special preparation for his duties.

"Following the precedent of the Board of Scientific Advice which was constituted some three and a half years ago, with the object of co-ordinating the operations of our various scientific departments and securing from their investigations the maximum of practical benefit, and from the institution of which we have already derived much advantage, we have constituted an Advisory Board of Agriculture, upon which all branches of the subject are represented both by Imperial and by Provincial officers. It held its first meeting at Pusa a few weeks ago, and a summary of its proceedings and recommendations has already appeared in the papers. I have no doubt that we shall derive as much benefit, and of a similar nature, from the advice of this body, as we derive from that of the Board of Scientific Advice. And apart from this, the mere meeting together at regular intervals of experts employed upon the various branches of this great subject in different parts of this great country, must do real good by promoting the interchange of expe-

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rience and ideas, and by stimulating that scientific enthusiasm which lies at the root of the best work.

"Recent events have directed special attention, both here and at home, to the improvement of Indian cotton. The problem is not a new one, as it has occupied the Government of India from time to time since early in the last century. The latest special attempt to solve it was made during the cotton famine which followed upon the American Civil War; like previous efforts, it was directed mainly to the introduction of exotic varieties and was founded upon no basis of scientific knowledge; and like them, it failed to effect any general or lasting improvement. But it was useful as proving beyond doubt that the problem had not been attacked from the right direction, that for the most part foreign cottons are unsuited to and undergo rapid deterioration under Indian conditions, that we cannot hope to compete with the products of America and Egypt, simply by importing seed from those countries and distributing it broadcast among our cultivators, and that our best hope of success lies in the improvement of the indigenous types upon lines indicated by modern science. It is accordingly in this direction that the Agricultural departments are chiefly working to-day. When the Inspector General of Agriculture was first appointed, he was desired to devote his special attention to cotton, which, notwithstanding the shortness of the Indian staple, is still one of the most valuable and important of our crops, since it is grown on an average area of some 10 million acres, and occupies the first place in our export trade. Mr. Mollison had been impressed by the good results obtained in the United States by plant-selection and cross-breeding, and he initiated experiments on similar lines. These experiments have till recently been concentrated in the Bombay Presidency, which is our chief cotton-growing province, but they are now being extended to other tracts as the skilled agency which is required for them becomes available. Attention has also been directed to the acclimatisation of exotics in the North-West of India, and especially in Sind, where there is still a possibility that under favourable conditions of soil and climate, and with the help of cheap irrigation, some of the foreign varieties may be adapted to Indian environments. Meanwhile, we are taking stock of the plants with which we have to deal; and a botanical survey of Indian cottons was started some years ago and is in active progress, which will serve as the scientific basis on which practical experiment must rest. It will be seen that we are still in the region of investigation and enquiry, and that much patient work must be achieved before definite results can be hoped for; for, as I remarked two years ago in connection with jute, a plant will only consent to ripen once a year, and will not allow itself to be hurried. But I believe that we are working on the right lines; our experiments already hold out promise of success; and I confidently look for good results.

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"We have heard a great deal lately about the 'deterioration' of the Indian staple, and there is little doubt that in some parts of the country genuine deterioration has taken place, which has been due in the main to the indifference of the Indian cultivator in the matter of seed, to his neglect to keep the local varieties separate, and above all, to the substitution of machine for hand ginning, which has very greatly increased the difficulty, both of separating varieties and of selecting seed. But it must be remembered that deterioration from the point of view of the Lancashire manufacturer is by no means necessarily deterioration from the point of view of the Indian cultivator. The former demands a long staple, while the latter desires a paying crop. And much of the so-called deterioration, of which we hear complaints, is due to the deliberate substitution by our cultivators of shorter and coarser for longer and finer stapled cotton; since the former plant is more hardy than the latter, and less liable to injury from drought or excessive rain or insects, it can be planted later, so that a late monsoon can be awaited, it ripens earlier, so that nothing is to be feared from frost, and if the produce fetches a lower price per pound, the yield is so much larger as to more than make up the difference, while markets close at hand are ready to absorb the whole production.

"The fact is, that the problem is largely a commercial one. If we can produce a cotton which will pay our husbandmen better than the one they now grow, they will adopt it fast enough; and if the new produce is at the same time better suited to industrial needs than the present one, so much the better for every body. But the prices upon which the comparison is based must be average ones, which can be depended upon with some certainty from one year to another; and we should, in my opinion, incur a grave responsibility if we applied an artificial stimulus to the cultivation of long stapled cotton, on the basis of prices, which are possibly, if not probably, purely accidental; for we may be very sure that Lancashire will buy no cotton from us that she can get cheaper elsewhere.

"And it is because the problem is so largely a commercial one, that I so cordially welcome the association of commercial men with us in our endeavours after improvement. At the instance of the British Cotton Growing Association we have contributed a moiety of the expenditure, subject to a maximum of £3,000, upon the experimental work which has been undertaken by a Calcutta Syndicate. I need hardly say that all the expert knowledge and experience which are at our command have been placed at the disposal of the Syndicate. But to my mind, the most promising feature of the undertaking is, that the purely

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experimental stage once completed, the work is to be conducted on a commercial scale, under commercial guidance, and with a strictly commercial object.

"Meanwhile, we have endeavoured to do something to assist and encourage the cultivator to make use of selected seed. As I have said already, the establishment of improved varieties must be a work of time; and when they have been established, it will be necessary to start seed farms on a considerable scale to act as distributing centres. But without waiting for that, we have endeavoured to effect some improvement on less ideal but less dilatory lines. Taking the local cotton crops as they stand, the Local Governments are collecting the produce of selected fields or plants, having it ginned separately, and distributing the seed to careful farmers on easy terms. It is impossible that improvement should not result from this process, if steadily applied to successive generations of plants, since even if the local variety is a poor one, its best seed will still give better results than its worst; and we have, in the past year, devoted Rs. 25,000 to the purpose, while Local Governments have expended a similar amount from their own resources.

"Such, my Lord, is a brief sketch of the advance which we have made in the development of our Agricultural Department during the past three years. In 1902-03 the total net expenditure upon the Department was 9½ lakhs. The revised estimates for the past year show a corresponding figure of 14½ lakhs. which represents an increase of 52 per cent.; while the budget estimates for the coming year provide for expenditure amounting to 18 lakhs, or very nearly double that of 1902-03. That is independent of buildings, upon which 1½ lakhs have been expended this year, and 3 lakhs provided for next year. So again in the Civil Veterinary Department. In 1902-03 we still had sole charge of horse-breeding, so that the figures are not comparable. But the revised estimates for 1904-05 amount to over 11 lakhs, while provision has been made in the present budget for an expenditure of over 14½ lakhs, representing an increase of 32 per cent.

"That is the normal ordinary growth of the expenditure; and if measured by percentages of increase, it cannot, I think, be regarded as otherwise than satisfactory. But we have been repeatedly told of late by the Press, both English and Indian, by Hon'ble Members of this Council, and by the authorised representatives of commercial interests, that the amount of this expenditure is wholly inadequate if measured by the importance of the subject to which it is devoted; and for my own part, I have always been entirely of the same opinion. I have explained, however, more than

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once, and last year in some detail, in answer to the Hon'ble Mr. Hamilton, why it is impossible, and why if possible it would be unwise, to attempt too sudden an advance; our main difficulty being the deficiency of trained agents and the absence of the means of training them. These two needs, it is hoped that the Institute at Pusa will help us to supply. But if the initial difficulties which confront us make any attempt to emulate (for instance) the example of America, which has been repeatedly held up to us for imitation, inadvisable until we have a larger qualified agency at our disposal, they need not prevent us from progressing upon more modest lines, in such manner and to such an extent as our existing means, both financial and professional, may appear to justify; and accordingly, in addition to the normal growth of expenditure to which I have just referred, a special grant of 20 lakhs for the further development of agricultural experiment, instruction, and research, has been provided in the present Budget, with the hearty approval of both the past and the present Financial Member.

"At present the money appears under the head of Imperial expenditure, because until we have ascertained from each Local Government what it considers to be its most immediate needs, and how it proposes to supply them, it is impossible to make a satisfactory allotment among the various provinces. We are consulting them upon the subject, and we are sending for their consideration suggestions drawn up by the Officiating Inspector General of Agriculture, and indicating the general direction which, in his opinion, development may most advantageously follow during the next few years. These suggestions, if adopted in their entirety, would cost considerably more than is at present available, and would in any case take several years to carry into complete effect; and the various proposals which they embody will naturally commend themselves to different Local Governments in varying degrees, and in different orders of urgency and importance. But we believe that the general proposals are on sound lines, and that they probably represent as great an advance as can wisely be attempted for some years to come.

"I will briefly indicate their nature. I do so with the more confidence, because there really seems to be very little difference of opinion about what is first to be done. We have been favoured with a great deal of advice lately in the public Press; and really, when reading some of the articles, I have almost wondered whether I had not written them myself, or whether they had not been compiled from notes already on record in my office.

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"Last year, when addressing this Council, I said—'What we want in India, and what I hope we shall never be satisfied until we get, is an experimental farm for each considerable area of which the agricultural conditions are distinctive, supplemented by demonstration farms in every district.' Mr. Sly's first suggestion, which would constitute an important step towards this ideal, contemplates 19 additional experimental farms of from three to five hundred acres each, so as to allow of seed production and distribution on a considerable scale, in addition to experimental and demonstration work. Six of these would be in cotton tracts, and three would be exclusively cotton farms, in charge of special experts. To these he would add, for the present, 100 demonstration farms of from 10 to 50 acres each, in charge of agricultural assistants, and with an inspector for each group of ten. Our second great need is to still further strengthen our expert staff, both Imperial and Provincial; for our present experts complain that their time is so fully occupied by miscellaneous references—all of them important in their way—that they find it impossible to settle down to the attack of really big problems. Mr. Sly, therefore, would strengthen the Imperial staff of experts by the appointment of five Agricultural Entomologists to deal with the groups of insects which are most important from the cultivator's point of view, of six experts specially acquainted with the scientific aspects of the cultivation or production of wheat, rice, cotton, sugar, tobacco, and silk respectively—indigo, jute, and tea being already the subjects of scientific enquiry, either wholly or partly at Government expense—and of five assistants and understudies to the Agricultural Chemist, the Economic Botanist, the Agriculturist, the general Entomologist, and the Mycologist—in all an addition of sixteen appointments to the existing staff. He would also give each province of importance a trained Agriculturist, an Agricultural Chemist, an Economic Botanist (with an Assistant in Bombay and Madras), a Mycologist, and an Entomologist of its own; a proposal which would entail 33 new appointments. I am afraid, *pace* the Hon'ble Mr. Gokhale, that we shall have to go outside India for most of our men; for I doubt whether India will be able to supply us with them. That we would willingly avoid this necessity, if we could do so without the sacrifice of efficiency, is shown by the fact that we are already training Indian Assistant Professors, instead of importing them ready-made from England; and I hope that the high education which we propose to establish at Pusa will in future enable us to maintain our establishment from local sources. But if that hope is to be fulfilled, we must start with a staff of the very highest efficiency. Our third great need is educational. Mr. Sly proposes to raise the Cawnpore and Nagpur Schools to the status of Colleges, to strengthen the staff of the Saidapet College in Madras, and to found new Agricultural Colleges in the Punjab and Bengal. Finally,

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he suggests a reform to which I personally attach the very greatest importance ; and I am glad to find that I have the Hon'ble Rai Bahadur Sri Rām with me in the matter. It has become apparent for some time past that, at any rate, in the larger provinces, the combined duties of the Directors of Land Records and Agriculture have grown into a burden heavier than one man can fairly be asked to support ; and if the scope of operations is to be enlarged on the very considerable scale which is now contemplated, it will become simply impossible for a single man to do justice to both subjects. Mr. Sly proposes, therefore, to appoint a separate Director of Agriculture in each of the larger provinces, on such arrangements as regards pay as shall secure the continuous services of a picked man for a considerable term of years.

“ Nor, let me assure the Hon'ble Mr. Hare, have the cattle which form the main implements of husbandry been overlooked, for we have throughout construed ‘ agricultural ’ so as to include ‘ veterinary ’ progress, and the Civil Veterinary Department is intended to share in the 20-lakh grant. A memorandum, similar to that prepared by Mr. Sly, has been drawn up by the Inspector General of that Department, and will be forwarded to Local Governments. Our first need is to increase the number of Veterinary Assistants in charge of dispensaries, whether fixed or itinerating, who form the machinery by which the benefits of Veterinary science are brought to the door of the cultivator, and of the Veterinary Inspectors who superintend their work. Colonel Morgan suggests for the present an addition of 600 to the former and of 60 to the latter—a small enough number in view of the magnitude of the field of operations. But these men cannot be created ready made, and will have to be trained, a process which takes time. They will be employés of local bodies ; for their chief concern will be with the cattle of the people, and I regard it as essential, if the best work is to be got out of them, that they should be subordinate, not to Government, but to the local representatives. The resources of District Boards throughout the country are being largely supplemented ; and Local Governments can make them further allotments, if necessary, from their shares of the 20-lakh grant. To provide for this increase of establishment, and for its still further expansion, which I hope will continue until every tahsil in India has at the very least one fixed and one travelling dispensary, it is necessary to strengthen and enlarge our educational establishments at Lahore, Bombay, Calcutta, Madras, and Rangoon ; and this forms the subject of Colonel Morgan's second set of suggestions. He further proposes to increase our present cadre of provincial superintendents by four, so as to provide for the due supervision of the increased establishment. And he desires

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to strengthen our expert staff, with special regard to that bacteriological research which has become of such great importance in the prevention and treatment of disease, and the urgency of which has been strongly pressed upon us by the Committee of the Royal Society who are good enough to advise us upon these matters. He also proposes to devote special attention to the diseases of the camel—an animal which still plays a considerable part in the land traffic of India, and which is of great importance to us from a military point of view. Finally, he urges Local Governments to endeavour, by the creation of breeding farms for the supply of bulls, to improve the indigenous breeds of cattle, by substituting for the present promiscuous and haphazard methods, a system of careful crossing and selection.

“As I have already said, the programme which I have thus briefly sketched is an extensive one, and can only be worked up to gradually; while the particular lines of advance which will first be followed in the several provinces must depend largely upon local circumstances. But I hope that those of our critics whose object is assistance, and not mere fault-finding, will find themselves in general agreement with our proposals, and that they will accept our action as justifying the assurance which I gave them last year, that we were no less strongly impressed than they themselves could be, with the vital importance of the subject. I have, I fear, occupied the attention of the Council for some considerable time. But I think that they will forgive me in view of the magnitude of the interests involved, and of the extent to which public attention has lately been directed to them.

“There is one small point upon which I should like to say a few words; and I do so, not because the matter itself is of any real importance, but because the explanation which I wish to offer has a bearing which extends far beyond the particular case to which it refers. When the Board of Agriculture which recently met at Pusa began its discussions, I found that it was proposed to communicate a somewhat full abstract of the daily proceedings to the public Press; and I immediately took measures to prevent this. It has been said—indeed I have myself been told—that the reason of my action was that the policy of a Local Government was criticised with considerable freedom during the first day's discussion, and that I wished to prevent the publication of such criticism. Nothing was further from my mind. I had heard nothing of the criticisms in question; indeed I do not even now know what they were; and my object in acting as I did was to promote, rather than to stifle, freedom of criticism. My desire was that the experts who were assembled with the express

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purpose of advising us, should feel at liberty to criticise our orders and action with the utmost possible freedom, and should tell us without hesitation where they thought we had gone wrong, and what they thought we ought to do. Now, I am happy to say that Government servants in India are imbued with a strong feeling of loyalty and of official propriety. And I felt, and still feel, that if these officers had known that what they said round the table today was to appear to-morrow in the morning papers, they would have been materially hampered in the free expression of their views. That result I desired to avoid.

"The principle upon which I acted has a very wide application. One of the peculiarities of our Indian system is, that almost every proposal of substantial importance is submitted, before a decision is arrived at, for the opinion of the great body of officers who are engaged in the practical work of administration in the districts, and upon whom will ultimately fall the duty of giving practical effect to our conclusions. The practice is no doubt a dilatory one ; but to my mind it possesses advantages which far outweigh any delay that may result from it, since it keeps the Administration in close touch with the Executive, and ensures that general propositions shall be examined with special regard to their adaptability to the detailed machinery of Government. To secure the full benefit of the system, it is essential that officers, when advising the Government which they serve, should feel that they are consulted *quasi*-confidentially, and that they are not only at liberty, but are desired to express their opinions in the freest possible manner, and to support them by arguments and instances without reserve. But this they will never do if experience shows them that letters written by them for the information of Government, and without a view to publication, are liable to be published without their consent a few months or years later. And that is why I think that it is seldom desirable to publish such letters, at any rate on subjects not purely technical. Moreover, it is essential that one general rule should apply in the matter ; since if one set of papers is published, while the publication of another is refused, conclusions are immediately drawn as to the nature of the latter which may be wholly unwarranted by the facts."

The Hon'ble SIR ARUNDEL ARUNDEL said :—"My Lord, there are two subjects on which I should like to make a few observations. While appreciating the interesting character of my Hon'ble friend Mr. Goxhale's speech, I must express entire dissent from his view that the land-revenue can be regarded as a tax on the land in the same way as the taxes on land in the United Kingdom and in the other countries he refers to. The land-revenue, as the Hon'ble Member will, I hope, admit, is the money equivalent, converted at a

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favourable rate to the raiyat, of the share of the produce to which the State as landlord or overlord, as the case may be, is entitled. What would the landlords of India say, to whom the State has relinquished the whole or a part of its rights, if they were called on to forego the income they derive from their share of the produce? And would the Hon'ble Member apply his theory to the Native States of India and reduce the Chiefs to poverty, and their Administrations to impotence?

"The Hon'ble Rai Sri Ram Bahadur has commented on the small number of Indians employed in certain Departments of the public service as compared with the number of Europeans and Eurasians, and the Hon'ble Mr. Gokhale has discussed the Resolution of May 24th, 1904, on this subject. But in drawing these comparisons it must be remembered that almost all Eurasians and some persons of pure European descent are statutory natives of India and have no other nationality, and are legally entitled to be included in the category of Natives of India equally with Hindus, Mahomedans, Parsees and Burmans.

"Of the Departments mentioned by the Hon'ble Rai Sri Ram Bahadur the only one with which I have to do is the Police, but I may remark *en passant* that the *Opium and Salt Departments* have drawbacks through exposure, solitude and difficulties about food which affect the European and the statutory natives less than others. The majority of the *Customs* appointments are connected with the Preventive Service and respectable natives of caste and position do not care to board steamers and to be brought into contact with seafaring men. They are eligible for Appraiserships, and some of these posts are held in Bombay by Parsees, but no Bengalee has yet, I am informed, been found conversant with the business.

"In the *Mint* the Europeans are chiefly foremen and mechanics trained in England and qualified natives are as yet wanting.

"In the Government of India Resolution of 24th May 1904, which examined the question of the proportionate employment of Europeans and Eurasians as compared with natives of India, two principles were laid down. The first is accepted by the Hon'ble Member, and his expression of it, which is wider than that of the Resolution, is that the Europeans 'should guide and control the affairs of the country;' this being in his opinion 'essentially necessary for its good government.' The second principle is, in the words of the Resolution, that the Government shall, outside the *corps d'élite*, as far as possible and as the improving standards of education and morals permit, employ

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the inhabitants of the country, both because its general policy is to restrict rather than to extend European agency, and because it is desirable to enlist the best Native intelligence and character in the service of the State.

"Now, it so happens that as regards the Police, the only department named by the Hon'ble Member with which I have to do, the Resolution published last Tuesday gives a good illustration of a practical application of this second principle. In carrying out the reorganization of the Police it is intended to appoint 219 Deputy Superintendents whose duties and departmental status will be the same as those of Assistant Superintendents, and the salaries will rise from Rs 250 in 4 grades to Rs 500. These 219 posts are intended to be filled by natives of India, and, subject to approved fitness, selection from among them will be permitted for the post of District Superintendent. I hope that these arrangements, though adversely commented on by the Hon'ble the Maharaja of Darbhanga, will be welcomed by the Hon'ble Members whose criticisms I have referred to."

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES said:—"My Lord, I propose to make a short explanatory statement regarding the Reorganisation and Redistribution scheme framed by the Commander-in-Chief, the details of which are now under the consideration of Government. The main lines of that scheme have been given by the Hon'ble Mr. Baker in his note; they are—

- (1) the formation of nine peace divisions (excluding Burma) which each furnish a war division on mobilisation as well as the troops for internal defence;
- (2) the regrouping of the troops so as to bring them nearer the North-Western Frontier;
- (3) the increase of the Field Army from four divisions and some extra troops numbering 81,000 to nine divisions numbering 139,000, excluding Imperial Service Troops in both cases;
- (4) the provision of mobilisation equipment, including transport, for part of the existing Field Army and the extra divisions of the Field Army and stores and equipment for their maintenance in the field.

"In regard to the main features of the scheme I may say that Local Governments and the chief political officers were consulted last year and with trifling exceptions accepted them, including the contemplated use of the reorganised police force to aid in the maintenance of internal order.

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"It will be readily understood that the great increase in the Field Army will entail a large outlay if it is to be kept ready for mobilisation, but apart from this there are several measures the cost of which are included in the general expenditure of 15 crores contemplated but which are not really an essential feature of the scheme and would have had to be taken up apart from it.

"The main item of expense of this class is the rearmament of the Field Artillery with quick-firing guns entailing a total cost of $2\frac{1}{2}$ crores. This seems a very large amount, but the cost is swollen owing to each gun now requiring three wagons instead of one, due to increased expenditure of ammunition with quick-firing guns. The next heavy item is the increase necessary to our reserves of field gun and small arm ammunition due to the experience gained of the enormous expenditure of both natures in the present Russo-Japanese war. There is further the necessity for providing for the heavy replenishment of ammunition in the field by manufacture at a rate not hitherto contemplated, and we have consequently decided to extend the Cossipore Shell Factory to meet the demand for gun ammunition during war. The third heavy item of expenditure is due to the necessity for increasing the number of horses with our field artillery owing to the increase of wagons and also to the provision of larger ammunition columns. These three items hang together and would be necessary apart from the Commander-in-Chief's scheme proper. The next large item will be the maintenance of an increased number of transport corps and a larger reserve of remounts due to the increase of the field army. The fifth item will be a considerable increase to the number of officers in the Indian Army which cannot now furnish sufficient regimental officers to allow for the inevitable wastage under the modern conditions of warfare.

"There remains the Building programme due to the necessity for redistributing the Army. The present distribution is practically based on the outcome of the Mutiny and is unsuited to existing conditions and the increased facilities of railway communication; the necessity for the measure has long been felt, but from various causes—mainly financial—it has been recognised that the time was not propitious.

"Apart from the above causes it has become desirable to bring up more native troops from Southern and Western India towards the Punjab, because in many cases the local regiments have been reconstituted from Northern races and it is both politic for recruiting and also economical to quarter regiments nearer their homes. Government fully recognise that it is unwise to show undue haste in pushing on the programme, in fact it is still being worked out by the

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Commander-in-Chief as there are many questions to be examined. It will receive the fullest consideration of the Government of India before acceptance in view to obtaining the desired result at the smallest cost. Finally there are some minor additions to the Army, such as mounted infantry battalions, mountain batteries, railway companies, *et cetera*, involving recurring expenditure, but no final decision (except for an increase of one Railway Company) has yet been come to in regard to them. In any case their formation would be postponed to the last year of the scheme to minimise the expense.

"It will be understood that in questions affecting mobilisation the military authorities are unwilling to publish more details than is absolutely necessary, and the Members of this Council will not, I am sure, press us for information which it would be undesirable to give.

"In regard to the general financing of the scheme the Government of India are convinced of the necessity for increasing the Field Army and have the full approval of His Majesty's Government. Government consider themselves most fortunate in being able to finance the scheme without pressing on the tax-payer owing to the great prosperity of this year and the good prospects for next year. Suggestions have been made that the scheme should be financed by a loan. So long as the revenues of the country are sufficient not merely to bear the heavy administrative charges that have been placed upon them, but also to admit of two great reductions of taxation in two years, it does not seem unreasonable that we should pay with the means that we possess instead of saddling future generations who will doubtless have calls and burdens of their own.

"I would acknowledge the moderation of the Hon'ble Sri Ram's remarks, but I must take exception to the remark that military expenditure has a disturbing influence on the finances. I cannot see how the Hon'ble Member's contention can be maintained when it has been met from revenue accompanied by reduction of taxation. The Hon'ble Mr. Gokhale has made his usual and sweeping denunciation of the increase in military expenditure and has pressed the question of enforcing Imperial responsibility for the cost of our measures. This is a task which I am afraid is beyond our power, and the Hon'ble Mr. Gokhale must try and have it fought out on the floor of the House of Commons, but I am afraid it will be hard to convince the British tax-payer that he should pay."

His Honour THE LIEUTENANT-GOVERNOR said :—"My Lord, I do not consider it necessary for me ordinarily to occupy the time of this Council by

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taking any considerable part in this Budget discussion; and I have therefore only two remarks to make. In the first place, I desire to congratulate my Hon'ble friend Mr. Baker on the Budget itself, on the manner in which his Financial Statement has been made, and on the favourable reception which it has met with from the Council and from the country generally.

"In the second place, I think that it might seem ungracious in me, were I altogether to omit to give expression to the thanks which the Government of Bengal owes to Your Excellency's Government for the careful and sympathetic consideration which has been given to the needs of this province, as indicated in some of the provisions of the Budget. We gratefully acknowledge the substantial assistance given to District and Local Boards; the promised help for agricultural improvement and the co-operation in respect of protective irrigation; the sorely needed grant for primary education, which is in some respects more backward in Bengal than anywhere; and the liberal allotment towards the inauguration of the important police reforms which have been decided to be necessary.

"I think that there must perhaps necessarily be some difficulty in getting the Government of India to appreciate local needs and that Your Excellency's Government has been more ready to recognize the needs of Bengal than some of your predecessors. It is therefore with no envious eye that I see a similar appreciation of special local needs in the settlements which have been concluded with the Governments of Bombay and the Punjab, on which I venture to congratulate Your Excellency's Government".

The Hon'ble MR. BAKER said:—"Before replying to the remarks of Hon'ble Members, I should like to express the acknowledgments of the Government of India for the congratulations which have been addressed to us in regard to the Budget. Personally, I have no claim whatever to share in those compliments, for the state of our finances, which rendered the Budget possible, had been assured long before I assumed charge of my office from my predecessor. Indeed, if credit is due to any one person for what it has been possible to do on this occasion, that person is, I think, Sir David Barbour, whose courageous and far-sighted measures of twelve years ago sowed the seed of which we are now reaping the fruits.

"I do not propose to follow each individual speaker through the details of his address. Some of the subjects discussed do not fall within my province to deal with. Others are not of sufficient importance to call for individual reply.

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"But there are three features which stand prominently out from the discussion as a whole.

"Firstly, there is a general expression of approval of the measures which we have decided to adopt both for the remission of taxation and for the improvement of the civil administration.

"Secondly, we are invited to incur large additional sacrifices of revenue in order further to lighten the burden of taxation on the land.

"Lastly, vigorous dissatisfaction has been evinced at the growth of the military charges and of the decision that the whole cost of the Tibet Mission should be debited to India; and the opinion has been expressed that, if these charges are unavoidable, the United Kingdom should be called upon to contribute towards them.

"I shall make some remarks upon each of these matters and shall then offer a few observations on certain other points that have been raised by some of the Hon'ble Members.

"Turning then to the first of the three points which emerge from the observations of Hon'ble Members, it is a source of gratification to us to find that the fiscal measures which we have decided to adopt, both in respect of the remission of taxation and increase of civil expenditure, have been so favourably received. In particular, it is satisfactory to find that general approval is expressed of the further reduction of eight annas in the salt-tax. I take note of Mr. Cable's doubt whether the remission of duty has really reached the retail consumer, and whether it is not in fact a sacrifice of revenue which benefits no one except the middleman. I have heard similar doubts expressed in other quarters. One gentleman, who is in a good position to form an opinion, has gone so far as to suggest that if the Government of India were to abolish all taxation on salt and to withdraw from all interference whatever with the trade, the average retail consumer might actually have to pay more for his salt than he does now. It is true that in the United Kingdom, where salt is untaxed, the retail price for small quantities is often a penny a pound, equivalent to Rs. 5 a maund, and that this rate exceeds anything ordinarily found in India, even in Assam. But it seems to me unprofitable to discuss hazy conjectures of this kind which there is not the remotest likelihood of realizing. Last year, we made certain enquiries in order to ascertain what had been the actual effect on prices of the reduction of duty made two years ago. The result of these was stated by Sir Edward Law in paragraph 41 of the Financial Statement. This year we have

made similar enquiries, but I cannot say that they carry us much further. I fear that the attempt to prove a reduction of price by direct evidence must be given up. But we can arrive at the desired end in another way. After all, prices are only important as an index of consumption; and we have full and complete figures for the latter. I have taken out the figures of issues of salt in India, excluding Burma, for each year since 1882, when the duty was made uniform throughout India. I have arranged these in groups of three periods. The first of these extends from 1882 to 1888, during which the duty was Rs. 2 a maund. The average increase in consumption during these six years was 668,000 maunds a year. The second period extends from 1889 to 1903, during which the duty was Rs. 2-8 a maund: and the average rate of increase fell to 272,000 maunds a year. The third and last period includes only the two years 1903-1904 and 1904-1905 following the reduction of the duty, and during these years the average increase has risen to 1,270,000 maunds a year. The rise was greater in the latter than in the former year.

"Now, I readily admit that a term of two years is not sufficiently long to enable us to draw any very positive conclusions. But when we find that an increase of duty in 1888 was followed by a substantial reduction in growth of consumption, and that an equal remission of duty in 1903 has, so far, been followed for two years in succession by a very large increase, I think we are justified in regarding it as at least presumptive evidence of a connection between duty and consumption. I recognize the justice of Mr. Cable's suggestion that the increase of consumption may in part be due to the same cause as that which has enabled us to reduce the duty, *viz.*, the general prosperity of the country. But I am disposed to think that the difference in the rates of growth is too great to be fairly explained in this way. If the rate of development should now be found to continue for a further series of years, I think we shall be on sure ground in holding that the reduction of duty has really penetrated to the mass of the population. In any event the reduction in duty which is being made now cannot fail to make the reduction of 1903 more effective.

"While on this subject, I should like to observe that I do not share the view that the salt-tax, even when levied at a higher rate than at present, presses with appreciable severity on the people. A fall in retail price may perhaps result in more salt being supplied to cattle, and if that is the case it is undoubtedly beneficial. But so far as the people themselves are concerned, I am disposed to think that increased issues of salt merely mean increase of waste. There is a well-known story of a great manufacturer of mustard, who is reported to have said that he made his money, not from the mustard which people ate,

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but from that which they left on their plates. Similarly with salt, a cheapening of price will probably mean, not that people will actually eat more, but that they will be less thrifty and careful with that which they buy. The feature which specially commends itself to me in the reduction of the duty is the large and valuable financial reserve which it lays by for a lean year. That reserve is now about $3\frac{1}{2}$ crores a year, and will be of the greatest value in the event of an emergency.

"I now turn to the measures which various Hon'ble Members have commended to our notice with the object of relieving the agriculturist. These are three in number.

"In the first place, the Hon'ble Rai Sri Ram has put in a plea for a reduction or abolition of some of the local rates and cesses imposed on the land. The Talukdars of Oudh apparently share his views in this respect. I do not propose to discuss any questions as to the incidence of these cesses, whether absolute or relative. This was fully considered in the Resolution of the 16th January 1902, where it was shown that the only Provinces where the incidence exceeded 10 per cent on rental (or raiyatwari revenue) were Sind ($12\frac{1}{4}$), Madras ($10\frac{3}{4}$), and Coorg ($13\frac{1}{2}$). But I shall, I think, be able to show that after all they offer a much more limited field for the shears of remission than is commonly supposed.

"I have had a statement prepared showing the whole of the local rates raised from the land in the various principal provinces, according to the Revised Estimate of 1904-05, and the proportions in which the aggregate amount is divided between District Boards and Local Governments. The whole sum amounts to 4,24 lakhs of rupees.

"From this, however, we must deduct 32 lakhs, which represents the rural Police-rate levied in Agra and Oudh. These are the only provinces in which the village-watch is paid by a cess of this nature, and for purposes of comparison it must be eliminated. This leaves a sum of 3,92 lakhs. Of this, 2,31 lakhs goes to the District and Local Boards throughout India, and forms the backbone of their income. Now it is absolutely certain that there is no room for reduction here. On the contrary, it is well established that the resources of the Boards require to be strengthened if they are to discharge their duties efficiently, and our proposal to grant them a subvention from general revenues has been received with general approval today. Excluding this item there remains a sum of 1,61 lakhs, of which 75 lakhs are an asset of Provincial revenues, and 86 lakhs represent the proceeds of the cesses levied for village-officers, patwaris, and the like. Of the former sum we have already announced the

remission of the famine-cesses in Northern India amounting to 23 lakhs. The remaining 52 lakhs represents the Public Works Cess which is levied in Bengal. Now it is well known that in consequence of the permanent settlement, the land in Bengal pays very much less proportionately than in any other part of India, and no question of reducing the rate could be contemplated without injustice to other provinces. I am a Bengal officer myself, and yield to no one in my sympathy for and loyalty towards my own province. But I cannot honestly admit it has any claim whatever to a reduction of its burdens on the land. The only item that remains is the 86 lakhs levied on account of patwaris and village-officers. I will not now refer to the history of the patwari-cess in the United Provinces, though that throws grave doubt on the reality of the benefits to be derived by the cultivating classes from the abolition of the cess. But even if, for the sake of argument, it be admitted that it would be an ideal system to impose no local rates at all on the land except those levied by or for the local authorities—and this is a very large assumption indeed—yet it is manifest that such a measure, when carried out to its fullest extent, would only carry relief to the extent of 86 lakhs a year divided among a population of 81 millions, or about one anna and eight pies a head.

“To carry this out on the present occasion, we should have had either to restrict the reduction of the salt-tax to 4 annas a maund, or to withhold the subvention of 56 lakhs a year to the District Boards and the grant of 35 lakhs for primary education. When it is further remembered that it is extremely doubtful how far the remission would reach the cultivating classes at all, I think it cannot reasonably be doubted that our choice was the better one.

- “The second suggestion emanates from the Hon'ble Mr. Bose, who has asked that on some future occasion some relief may be accorded to the agricultural classes by reducing the maximum limit of assessment to land-revenue.

“The request is put forward with characteristic fairness and moderation, and I think there is nothing in what Mr. Bose has urged that is inconsistent with the policy laid down three years ago in the great Resolution of the 16th January 1902, which is the *locus classicus* of the Government of India in respect of the land-revenue administration. It was there demonstrated that progressive moderation is the keynote of the policy of Government, and that is really all that the Hon'ble Member virtually asks.

“The Resolution on assessments will very shortly be supplemented by orders laying down definite and liberal rules in regard to remissions and

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suspensions. The present Budget contains abundant evidence of the policy of Government in this respect.

"It is of course possible that in particular areas or districts there may be individual cases in which the intentions of Government have not been given full effect. If any well authenticated cases of this kind should be brought to light, they will receive the earnest and sympathetic consideration of the Local Government and the Government of India. But so far as general rules or principles are concerned, the policy of Government and that advocated by the Hon'ble Member are identical.

"Mr. Gokhale has put forward somewhat startling proposals for the wholesale reduction of the State demand on the land and the composition of agricultural debts. It is, of course, impossible to consider so far-reaching and even revolutionary a project in the present debate. I express no opinion whatever on the Hon'ble Member's scheme itself, one way or the other. But I must at once challenge certain of the premises on which it is based.

"In the first place the Hon'ble Member states that we have an assured excess of $7\frac{1}{2}$ crores of revenue over expenditure. I sincerely wish that were really the case! But the Hon'ble Member includes in his figure $2\frac{1}{2}$ crores of rupees on account of the profits on coinage which must be kept sacred for preserving the stability of exchange and which are not revenue at all. He also includes $3\frac{3}{4}$ crores which are allocated for the reorganization of the Army and certainly cannot be diverted to any other purpose. The true excess is less than one million sterling. So far from being in excess of requirements, it is all too small in view of the uncertainties of Indian finance.

"Secondly, as the Hon'ble Sir Arundel Arundel has already pointed out, the Hon'ble Member's comparison of the incidence of taxation on the land with that in European countries as given by Mulhall is wholly vitiated by the fact that land-revenue in India includes what is called rent in other countries. The two sets of figures are not *in pari materia*.

"Thirdly, I do not admit that the raiyat has been injured by our currency legislation. I understand that his savings are not in *silver*, but in *rupees*, and these have certainly not been diminished in value. And prices are not *lower* now, but substantially *higher*, than they were before the Mints were closed. It may interest the Hon'ble Member to know that the index number of Indian rupee prices for the three years 1901—03 is 105, whereas that of the quinquennium 1881—85 was 91, that of 1886—90 was 95, and that of 1891—95 was 102.

"I now turn to the question of our military expenditure. As regards the amount of this, and its growth of recent years, I do not propose to add anything to what has been said by my Hon'ble Military Colleague, beyond saying that I wish, as earnestly and sincerely as any of the gentlemen who have addressed us today, that it were possible to keep it at a lower figure.

"But when Hon'ble Members go on to argue that if the expenditure is really unavoidable, the United Kingdom should be called upon to share it, or that because the final decision in respect of Tibet was governed in part by Imperial considerations, therefore the Home Government should bear the cost, I must point out that the question is by no means so simple and obvious as they seem to suppose. In former days the question of the charges imposed upon India on account of military expeditions beyond the frontier was in a fluid state and the practice was far from satisfactory. This matter was very carefully considered by the Welby Commission a few years ago, and the latter, on the advice of Lord Northbrook, drew up a set of principles to guide the apportionment of such charges for the future. These principles, which were accepted by the Home Government without modification, rested mainly on geographical considerations. They have governed the distribution of the charges on all cases which have arisen ever since; and in accordance with them, there is no doubt whatever that the whole cost of the Tibet Mission was properly debitable to Indian revenues. But neither the recommendations of the Welby Commission nor their acceptance by Government implied for one moment that in cases in which the whole cost fell to be borne by India, the Indian Government was to have an exclusive voice in the determination of questions of policy arising in connection therewith. The authority empowered to decide such questions and the considerations by which they were to be governed remained wholly outside and unaffected by the mere formulation of rules for the apportionment of cost. The position of India as a subordinate member of the Empire was not altered in any way, and she was not, and never can be, emancipated from the final control of the Supreme Government. Such a proposition could not be affirmed even in respect of the internal administration of the country; still less could it be maintained in respect of military affairs or foreign policy. And I find it difficult to believe that the gentlemen who clamour for a contribution from the Imperial Exchequer would really welcome the converse case, or whether they really desire that the Government of India should have a free hand, uncontrolled by the authorities at home, in all cases in which she foots the bill.

"There is plenty of room for difference of opinion as to the proper allocation of the military charges of the Empire. All of us in this Chamber would

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gladly welcome any sound solution which would afford relief to Indian revenues; but the problem is extremely difficult and complex, and I doubt whether it can be settled in a piecemeal way, or whether the grant of a subvention by the mother country to one of its dependencies would carry us any appreciable way towards a settlement. It might perhaps be strictly logical that each member of the Empire should pay the whole cost of maintaining internal order within its own borders, and that all the rest of the military and naval expenditure of the Empire—*i.e.*, possibly nine-tenths of the whole—should be pooled, and divided up among the various members according to some rule of proportions. That might perhaps be logical: but it would involve the subversion of the whole constitution of the Empire, and unless that contingency should come about it is of little use to suggest a partial and one-sided application of the rule to a single dependency. Nor is it by any means certain that even if strict logic were applied, India would eventually pay less than she does now. People sometimes forget, I think, that the Home Government bears the entire cost of the navy, which amounts to 35 millions sterling a year. India's contribution to this is a trifle of £100,000. If we once apply the principle of pooling the cost of national defence, this exclusion could not possibly be maintained: and though I have no idea how much of the whole might fall to our share, it is at least conceivable that the net result might be a heavier charge than the £21,000,000 which we now bear.

“The Hon'ble Sir Edmond Elles has referred to the suggestion that we ought to have borrowed the funds for carrying out the reorganization of the Army, instead of providing them from current revenue. I am surprised at this criticism, which is the exact opposite of what I should have anticipated, and has, I think, been made under a misapprehension.

“The cost of the scheme may be divided into two parts, *vis.*, that which involves recurring expenditure, and that which represents its initial cost. Now it would clearly be inadmissible to borrow on account of recurring expenditure, and the Government of India have never contemplated such a course, which is inconsistent with the dictates of ordinary prudence. As regards the initial cost, the position is different: If necessity should arise, we shall be prepared to borrow to meet this: but we should only do so in case of urgent necessity, for it would involve a reduction in the funds available for railway construction and canals. The borrowing power of the Government of India is not inexhaustible. On the contrary, it is strictly limited, and if we apply part of our credit for unproductive purposes, however necessary, such as the

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improvement of the Army, so much the less remains for financing productive works, on which the development of the country so largely depends. We should be most reluctant to curtail the grants for capital expenditure on these important and profitable works, and we shall not do so unless political or military considerations of an urgent character impel us to do so.

"There are two points in Mr. Cable's speech to which I should like to refer. The first of these is his suggestion that in view of the possibility that consols might not be easily saleable except at a loss in the event of international complications, it would be desirable, when the Gold Reserve Fund exceeds 10 millions, to invest one-half the excess in other sterling securities, and to keep one-half in gold. As to this I may mention that we do already invest part of the Fund in other sterling securities such as National War stock and the guaranteed Transvaal loan. As regards the holding of any part of it in gold uninvested, I adhere to the view expressed in paragraph 64 of the Financial Statement that it would be premature to consider the question at present. Though the rapid growth of the Fund has been extremely satisfactory, it still amounts to less than 9 millions sterling. I should like to see it raised to such a figure as would enable us, in the event of extreme and continued emergency, to reduce the Secretary of State's drawings by one-half for three years in succession, *i.e.*, to something between 20 and 30 millions sterling. No doubt a good deal less than this would suffice for all practical purposes, but we certainly want a considerably larger sum than we have yet accumulated. Therefore, our present policy should be to let it multiply at compound interest. I think Mr. Cable would pay too high a price for the greater security of gold as compared with consols. After all the contingency of consols being unsaleable is a remote one. At present rates, our investment doubles itself automatically in less than 28 years. So that even if the time when we had occasion to use it happened to coincide with international complications which reduced consols to a discount of 50 per cent, we should not lose unless this happened oftener than once in 28 years. As a matter of fact consols have not been in the neighbourhood of 50 since the early days of the Crimean War more than fifty years ago.

"The other point in Mr. Cable's speech to which I wish to refer relates to railways. Mr. Cable takes exception to the practice by which the annuity payments on purchases of the old guaranteed lines are charged against current account, and he argues that this is debiting capital expenditure to revenue. I am in entire agreement with the Hon'ble Member that it is wasteful, and

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unsound finance to construct, improve or purchase railways out of revenue, more especially since our railway property has become remunerative and imposes no burden upon any one. But in respect of these particular payments, I think there is a good reason for the course we pursue. It was decided to purchase the lines in question by means of a terminable annuity or sinking fund, instead of by a cash payment, for the sole reason that under the terms of the contracts that method was the more profitable to Indian revenues. Then, having decided to effect the purchase in this way, it necessarily followed that the sinking fund payments must be defrayed out of revenue, for a sinking fund chargeable against capital is a costly sham, and almost a contradiction in terms.

"I heartily agree with the Hon'ble Member that the interests of the country, industrial and agricultural, demand a more vigorous policy of railway construction, and for a long time past our energies have been taxed to devise some means of providing the funds. I fear that the Hon'ble Member's suggestion to treat the net earnings of our railways as collateral security against loans for the construction of new lines would not really assist us: for the security we already offer for all loans is that of the whole revenues of India including the railway earnings, and the greater includes the less. My personal belief is that the profitable nature of our railway property is now sufficiently assured to justify us in entering the market more boldly. Even though we have to pay a little more for our loans than we do now, it would be well worth our while to do so, so long as an ample margin is left between the rate at which we can borrow and that which our railways yield. At the same time it must be clearly understood that the vast outlay which the Hon'ble Member has mentioned is quite beyond the pale of practical politics. As I said just now, the credit of India, so far from being inexhaustible, is extremely limited: and if in any year we are able to raise one-tenth of the sum named by the Hon'ble Member, we shall have obtained as much as the market is likely to give, or our Engineers be able to spend.

"Mr. Gokhale has put forward an urgent special appeal on behalf of the municipalities in Bombay which have been seriously crippled by plague, and asks us to write off the outstanding balances of the loans which they have received from Government to meet plague charges in the first instance.

"I will admit that I feel considerable sympathy with the municipalities in Bombay which have been very hard hit by the long-continued ravages of plague. It might no doubt be said that Government has done a good deal for them

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already, for it has borne approximately one-half of the whole expenditure incurred on plague in these municipal areas, and has given loans on liberal terms to cover more than half the remainder. It might also be said, and truly, that the *ex post facto* writing off of a loan is a demoralising and insidious form of aid which is open to considerable objection in itself. But I prefer not to take that line. Government freely recognizes that cases may arise in which the resources of a local body may be so disordered by some great unavoidable calamity that it becomes no longer able to discharge its legitimate functions; and in such cases it is both justifiable and necessary to grant aid from general revenues. Whether in any of the Bombay municipalities things have actually come to such a pass as to call for further assistance in addition to that which has already been given is a question for the Local Government to decide. And my reply to Mr. Gokhale therefore is that his appeal should be addressed to the Local Government rather than to the Government of India. In other provinces, assistance to municipal bodies has not infrequently been given, for special reasons, from Provincial revenues: and I imagine that the chief reason why this has not been done in Bombay is that during the last four or five years the Local Government itself has been in deficit, and has had no funds for the purpose. Now, however, that a new and favourable Provincial Settlement has been made with that province, we hope that the era of Provincial bankruptcy has passed away, and I do not doubt that the Bombay Government will now have the will, as it will have the means, to extend to its local bodies the same measure of assistance as is recognized as permissible elsewhere. The general principles which govern grants-in-aid of municipal bodies have been laid down by the Government of India and are as applicable in Bombay as in other provinces.

"Mr. Gokhale has commented at some length on the growth of our civil expenditure, and has deprecated the practice of accumulating large surpluses which, as he says, are applied to the reduction or avoidance of debt.

"There are some features in his method of presenting the case to which exception might easily be taken. For instance, it is wholly incorrect to describe the profits of coinage, payable to the Gold Reserve Fund, as 'revenue' or as being 'taken from the people.' They are neither the one nor the other. Again, when he says that the cost of collecting the revenue has risen by nearly a million sterling between 1901-02 and 1904-05, he apparently forgets that the figures of the latter year include more than 44 lakhs on account of Berar, which do not enter into those of the former. He has also apparently omitted to observe that over

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55 lakhs of the increase occurs under Opium in the form of payments to cultivators for the raw product, and merely indicates that the crop of last year was a better one than that of 1901-02. These two items alone account for more than two-thirds of the increase of which the Hon'ble Member complains. Again, the Hon'ble Member makes the remarkable statement that, even if we were to borrow 15 crores to carry out the reorganisation of the Army, our debt would still be 21 crores lower than it was in 1898! I sincerely wish that this were the case. Unfortunately, it is absolutely without foundation.

"But we may let that pass. The Hon'ble Member's main contention is that during the past seven years we have devoted $36\frac{1}{2}$ crores of rupees out of revenue to reduction or avoidance of debt, and he regards this as unsound in theory and indefensible in practice.

"I think his figures are not quite accurate. During the seven years in question I find that we have spent $47\frac{1}{4}$ millions sterling on railways and canals. During the same period we have borrowed $31\frac{1}{4}$ millions in all, of which $5\frac{1}{2}$ were applied to discharge of temporary debt, leaving our net borrowings at $25\frac{3}{4}$ millions. The excess expenditure on productive public works was therefore $21\frac{1}{2}$ millions sterling or $32\frac{1}{4}$ crores of rupees, and this happens to coincide with the aggregate amount of our surpluses during the period in question. It would be substantially, though not theoretically, correct to say that these surpluses have been applied to the construction of railways and canals. It is not, however, at all correct to say that they have been applied to the reduction or avoidance of debt. As a fact, debt has not been reduced; and it cannot be said that it has been avoided, for it is practically certain that, if the surpluses had not been available, we should have been compelled rather to curtail our railway programme than to attempt to raise larger sums in the loan market.

"I said just now that it is unsound and wasteful to construct railways out of revenue: and if that is what the Hon'ble Member means to convey I am in complete accord with him. But I should like to expand my statement a little in order that there may be no misunderstanding in the matter. It would be wrong deliberately to maintain taxation at a higher level than we otherwise require in order that the revenue thus obtained might be devoted to direct railway construction. But 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. When a surplus accrues in either of these two ways, we

cannot apply it either to reduction of taxation or to increase of permanent expenditure, for the obvious reason that it represents an isolated asset, and not recurring revenue. It so happens that a large part of the surpluses of the past seven years has been of this character. The sale price of Bengal opium has averaged R1,303 a chest, whereas past experience shows that no more than R1,100 can be reckoned on with safety as even approximately permanent. This accounts for 7 crores of the whole. Again, the net railway receipts have aggregated about 7 crores more : and it was not until last year at the earliest that we could safely reckon on a surplus instead of a deficit from this source. These two items account for 14 out of the 32 crores in question. A great part of the remainder represents no more than the normal margin of safety for which it is only common prudence to provide in all circumstances and which is doubly necessary in the special conditions of Indian finance. If anything further remains, I would remind Council that in every well administered country the remission of taxation and the development of civil expenditure always follow, and never precede, the expansion of the revenues which renders them possible. That is especially the case in India, where constant ups and downs in the matter of taxation are open to very serious objection. During the seven fat years that have passed, Your Excellency's Government has already remitted taxation to the extent of 2 crores per annum, and at their close you have remitted 2 crores more. In my humble judgment, it would not have been safe or prudent to move more rapidly than has been done. Two years ago the English income-tax was reduced by 4d. in the £, and a year later this was followed by the increase of the tea-duty to 8d. a lb. This is an object-lesson of the danger we incur in the premature remission of taxation.

"There is a subject to which only one Hon'ble Member has referred, but which has attracted a good deal of public attention of late, and which is so important in itself that no apology is needed for alluding to it. I mean our excise administration.

"It is a common allegation that drinking is on the increase, that undue weight is attached by Government to considerations of revenue, and that insufficient attention is paid to the promotion and preservation of temperance.

"By constant and varied iteration these charges have come to attain some degree of general acceptance, and, if they were well-founded, they would undoubtedly constitute a grave indictment of our excise policy and a dark blot on the administration of the country. We have, therefore, been at some pains to ascertain the actual facts, and I propose to lay the results of our enquiries before the Council.

"The misapprehensions into which our critics are apt to fall are, I think, due partly to the restricted scope of their observations. They commonly

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regard only the variations that occur from year to year; and they forget that unless their comparisons are extended over a sufficiently lengthy period of time, the real trend of our policy is obscured by the ebb and flow of transitory and accidental fluctuations. In part also the error is due to their taking the figures in the lump without close examination or analysis to ascertain what they really signify. I now propose to deal with the excise on country liquor. This is by far the most important item of our excise system. It yields very nearly as much revenue as all other exciseable articles put together; it is that which affects the mass of the population far more than any other: and it is, I think, that which temperance reformers commonly have in their minds when they speak of our excise administration. I propose to take a period of twenty years, from 1883-84 to 1903-04, and to lay before the Council briefly an account of the progress which has been made in that time.

"Before presenting the figures, I wish, in order to avoid overstating the case, to offer a brief explanation. For the most part, the figures relating to the earlier year 1883-84 represent actually recorded facts. In a few quite minor matters, however, the information required was not on record, and it has been necessary to supply its place by estimates framed on the best data available. These are as accurate as they can be made, and they are also quite unimportant; but in order that no one may be able to charge us with substituting doubtful assumptions for fact, I shall be happy to furnish any Hon'ble Member who may desire it with an exact statement showing the assumptions made and the data on which they are based. Finally, I would explain that our figures are exclusive of Aden, Burma and Baluchistan, for which it has not been possible to obtain full comparative statistics.

"I now lay on the table three statements* which show for each of the two years 1883-84 and 1903-04, the area and population served by the distillery and outstill systems respectively, the consumption of country liquor in the distillery areas both in gross and per 100 of the population, the revenue obtained under each system, the number of shops under each system and the number per 100,000 of the population, and the number of square miles per shop.

"I do not propose to read out the whole of these statements to the Council, but the broad results may be stated very briefly. They are sufficiently striking. During the past twenty years, we have transferred 132,000 square miles of territory from the outstill to the distillery system, *i.e.*, from an admittedly bad system to a better. Twenty years ago, 54 per cent of the whole excise area was served by outstills; at the present time, the proportion is only 35 per cent. Twenty

* *Vide* Appendices D, E & F.

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years ago 53 per cent of the whole population was supplied by outstills; now-a-days the percentage has shrunk to 29 per cent. The number of shops per 100,000 of the population has been reduced by 30 per cent, and the number of square miles served by each shop has been increased by 40 per cent. Still more striking and even more important are the figures of consumption. As is well known, there is no means of ascertaining the consumption under the outstill system. That is one of the many bad features of this system. But in the distillery areas, for which information is available, we find that twenty years ago the consumption per 100 of the population was 4.95 gallons London proof, whereas by now it has been reduced to 4.06 gallons, a reduction of 18 per cent. On the other hand, the taxation imposed on the liquor has been raised from Rs. 2-10-7 per gallon to Rs. 4-7-8, or by no less than 68 per cent. It may be that figures of consumption per 100 of the population do not convey a clear idea of what the consumption really amounts to. I will therefore put it in another way. A consumption of 5 gallons L. P. per 100 of the population means that every woman and child would be a total abstainer, and that every adult male over the age of 20 would be able to have a tot of rum or a small glass of whisky once in three weeks. It would be an abuse of language to describe this microscopic consumption as an actual or even a potential danger. But such as it was it has been substantially reduced during the last twenty years. While the women and children are still abstainers, the adult males now have to go without their liquor altogether for more than two months out of every twelve.

"I venture to think that these figures constitute a record of which the Government of India need have no cause to feel ashamed. They certainly lend no colour to the belief that in our greed for revenue we are stimulating the consumption of drink. I am far from suggesting that our existing arrangements are in no need of reform. But I may fairly claim to have shown that during the past twenty years we have changed them not for the worse but for the better, and I submit that that is the best augury for the future.

"At the present moment we are not resting with our hands folded. Last year, an expert Committee was appointed to examine the excise arrangements in the Central Provinces and Berar. This Committee has recently submitted a very valuable report advocating extensive reforms throughout the provinces, and steps are being taken to give effect to them without delay. In Bengal the Lieutenant-Governor has recently formulated proposals for a wholesale reduction of the area under outstills, and the introduction throughout the province of a distillery system mainly on the lines of that which has proved so successful in the province which Mr. Sim with pardonable pride has called the Mecca of

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Temperance. Part of this programme will be carried out with effect from next month, and the remainder either in the following year or as soon as the necessary arrangements can be completed. In the United Provinces reforms on somewhat similar lines are now under consideration. In Assam, the preventive and inspecting staff has been substantially strengthened, and the introduction of the distillery system has been undertaken in one district as an experiment. A further measure which may prove more important and far-reaching than any of these was inaugurated last November. We have deputed Major Bedford, one of our most skilful chemists, with an expert staff from home, to make an exhaustive examination of the processes and results of the distillation of country spirit throughout India, with the object of ascertaining what are precisely the noxious constituents of the liquor, and the practical means of eliminating or minimizing them. If his researches prove effectual, we have desired him to devise a standard of purity which may be prescribed for country liquor, in addition to the ordinary standard of strength, and a simple test of quality which it will be within the capacity of the excise staff to apply to all issues of distillery liquor. The enquiry is one of much difficulty, it will be a work of time, and mistakes are not at all unlikely to be made at the outset. But if Major Bedford's efforts should prove successful, they will have paved the way for a reform of the utmost value and significance.

"In bringing my remarks to a close, I desire to emphasize one point to which reference has already been made in the Financial Statement. Although our general financial position is thoroughly sound, and the prospects of the coming year appear favourable, yet we must never lose sight of the exceptional elements of uncertainty which attend Indian finance. The fate of the rabi crop in Northern India, where three days' frost shattered the hopes of a splendid harvest, and struck half a crore off the revenue, is an object-lesson of the suddenness with which prosperity may become disaster. Once more I would remind the Council that the present high level of the Opium Revenue must be regarded in the light of a fortunate windfall, and that no permanent re-adjustment of revenue or expenditure can be built on so frail a foundation. Our Railway Revenue is on a different footing. I believe that that has come to stay, and that it will furnish us, year in and year out, with a large and growing addition to our resources. But here, too, we must remember that the very magnitude of the earnings is itself a source of danger. When the gross takings are in the neighbourhood of 10 lakhs a day, it is manifest that a very small proportionate fluctuation may make an enormous difference in the net result. It is only common prudence to set aside a large percentage of the actual net

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earnings before estimating the assured annual revenue which we can count upon from this source. I need scarcely add that it is only assured revenue, and not uncertain windfalls, which can be taken into account in adjusting taxation or embarking upon permanent increase of expenditure."

His Excellency THE PRESIDENT said :—" I should like to congratulate my Hon'ble Colleague Mr. Baker upon the reception accorded to his first Budget. He has assumed charge of his important office in a year which is the culminating point up to date of the process of financial recovery that has been proceeding uninterruptedly for the past six years, and whose origin may be traced back still further to the foresight and prudence of Sir D. Barbour and Lord Lansdowne six years earlier. I do not mean to say that a point has been reached from which we shall now decline. There is not, so far as I can see, the slightest ground for anticipating any such consequence. But the closer budgeting that has been employed in drawing up the estimates of revenue and expenditure for next year, the narrower margins that have been left, and the heavy and increasing calls that we have accepted for ensuing years in carrying out our great measures of administrative reform and military reorganisation, render it unlikely that my Hon'ble friend will always be able to count upon similar surpluses, even if an unlucky change of wind does not drive him sooner or later into the financial doldrums.

"Of course the most satisfactory feature of the Budget has been that Mr. Baker has been able at one and the same time to provide the means for a great increase in administrative outlay and for a reduction in the burdens of the people. That is the dream of the fortunate financier, which all cherish but few realise. I remember saying in the Budget Debate a year ago that it would perhaps be too much good luck for one Viceroy to give two considerable reductions of taxation in his time ; but that if I were not so fortunate I should hope to bequeath the opportunity to my successor. That successor has turned out to be myself : and I suppose that I may therefore congratulate myself, if not on my forecast, at least upon my good fortune. But in these remarks I must not be taken to assume the smallest credit for the surpluses that have been obtained year after year for the past six years. The head of the Government may, by the manner in which he conducts the affairs of the country at large and its foreign affairs in particular, exercise a considerable influence upon the scale of expenditure during his term of office. But apart from the general sense of confidence present in or absent from his administration, he cannot exercise much effect upon the revenue. Whether the price of opium per chest goes up or down,

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whether the railway returns are more or less, whether the customs revenue expands or recedes, whether the Land Revenue is stationary or shrinks, depends in the main upon circumstances outside of his control. I always think it therefore a very absurd thing to give credit to any individual for what is really the result of outside circumstances; and if any speaker at a public meeting who wished to denounce the head of the Government were to do so by denying him all credit for the receipts of his Finance Minister, I should be the first to vote for the motion.

"But, after all, surpluses are surpluses, and the case is not the same when it comes to disposing of them. I cannot therefore go so far as to agree with the critic who wrote the other day—'Unfortunately for our country its revenues have somehow or other been leaving surpluses year after year since the beginning of His Excellency's rule.' I wonder whether this critic would have preferred a succession of annual deficits. One can imagine what he would have said of the Viceroy in such a case. It is in the disposal of surpluses that, in my opinion, the responsibility of the head of the Government does most definitely come in. It is one of the first of his functions, in consultation with the Finance Minister and his Colleagues, to consider the fair and equal distribution of the bounty which good fortune may have placed in their hands. I have found no more pleasing duty than this during the past six years: and in acting as we have done, it is no vain boast to say that we have proceeded throughout upon definite principles and on what seemed to us to be logical lines. My view has always been that as the revenue of this country comes in the main from the people of the country, it is to the people that the disposable surplus, if there be one, should return. And who are the people of whom I speak? They are the patient, humble millions, toiling at the well and at the plough, knowing little of budgets, but very painfully aware of the narrow margin between sufficiency and indigence. It is to them that my heart goes out. They are the real backbone of our economic prosperity. They give us nearly 20 millions sterling per annum in Land Revenue alone, or about one-fourth of our entire receipts.

"And alongside of them are the artisan, the petty trader, the small shopkeeper, the minor official, the professional man of humble means,—numerically much smaller than the cultivating classes, but representing different and very important sections of the population,—all relatively poor, and all entitled to some return when the State has the wherewithal to give. Hon'ble Members can scarcely realise how anxiously year by year we have considered the claims of all these classes and persons, and have

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endeavoured to apportion the relief equitably between them. A sufficient illustration may perhaps be found in the present Budget. What is the tax that touches all classes down to the very humblest? It is the Salt-tax—and therefore we have brought it down to the lowest figure that it has reached since the Mutiny, certain that we have long passed the point at which middlemen can absorb the reduction, and that it must now filter down to the poorest strata of society. We thereby sacrifice nearly $1\frac{1}{2}$ millions sterling per annum in addition to the million sterling per annum that we surrendered when first we reduced the tax two years ago. A gift of $2\frac{1}{2}$ millions a year is one that, even with a population of this enormous size, is not to be despised. Then if we go on to ask what are the administrative needs that most affect the lower orders of the people in India, will not the reply at once be forthcoming—a purer, better paid, and more efficient police, superior opportunities for lifting themselves in the world by education, both in the rural and urban districts, the application of modern science and discovery to the one great staple industry by which the vast majority of them live, namely, agriculture, and provision for all those local needs in the shape of communications, sanitation, hygiene, etc., which mean the difference between comfort and destitution, health and disease, contentment and suffering, to millions of our fellow-citizens? And if for these purposes we have surrendered on the present occasion more than another million sterling per annum, will anyone either grudge the existence of the surplus to start with, or the manner in which we have disposed of it? I daresay that there are other forms of relief which others would have preferred. In previous years we have benefited some of the classes who have now been left out. Who knows but that Mr. Baker may have a good turn to do to others some day later on? Speaking generally, however, my impression, surveying the entire field of Indian taxation as I draw near to the end of my time, is that though there may be other taxes which we should like to lighten, and which certain classes of the community would perhaps like to see lightened still more, there is no tax at present imposed in India which can fairly be called burdensome or oppressive, either because it takes out of a class more than they can reasonably pay, or because it cripples a trade or an industry. I think that there are very few even among the most advanced countries in the world of which such a statement could be made with equal truth.

“Perhaps, however, as I have alluded to the present year as the culminating point in an era of financial progress, and as I have been discussing the means of remitting to the people the surplus product of their own industry, I may take the opportunity of pointing out to the Council what is the full measure

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of financial relief that the Government of India has been fortunate enough to afford to the taxpayer, since the period of surpluses began with the first Budget that I heard expounded at this table in 1899. The bounty of one year is apt to be swept out of sight by that of another, and totals are hardly realised until they are put before us in the naked reality of figures. I would divide the benefactions which have been made since 1899 under the following heads; and of course I only include in them those measures of relief which have been given outside of the ordinary expenditure of Government, and out of the surpluses which we have obtained.

"In remission of taxation we shall have given in the seven years, including the financial year for which we are now providing, a total sum of $7\frac{3}{4}$ crores, or over 5 millions sterling. In special remissions of Land Revenue, and of interest and capital of loans, in both cases in connection with famine, we shall have given over 3 crores, or 2 millions sterling. For increased expenditure upon Education, quite apart from the ordinary Imperial and Provincial grants, we shall have given over 2 crores, or £1,400,000. In grants for expenditure on purposes of local administrative amelioration, such as roads, bridges, water-supply, hospitals and dispensaries, sanitation, etc., we shall have given over $4\frac{1}{2}$ crores, or 3 millions sterling. Minor grants for special purposes, such as the 50 lakhs which are still waiting to be spent on the scheme for improving the congested parts of this great city—a scheme which in broad outlines has been sanctioned by the Secretary of State—amount to nearly $1\frac{1}{2}$ crores, or £800,000. The total sum, part of it non-recurring, but the greater part of it to be continued year by year, that has been given back in my time to the people of India in the form of relief of taxation and other benefactions, amounts to over $19\frac{1}{2}$ crores, or 13 millions sterling. I present these figures to Hon'ble Members as indications of the finance of what we sometimes hear described—though the remark does not appear to find an echo within this Chamber—as a reactionary régime. I am willing to let the figures speak for themselves. But there is a famous passage in a speech that was delivered in the House of Commons in 1858, that might be quoted also—'Where was there a bad Government whose finances were in good order? Where was there a really good Government whose finances were in bad order? Is there a better test in the long run of the condition of a people and the merits of a Government than the state of its finances?' That speech was delivered with direct reference to the Government of India, and the speaker was John Bright.

"In my speeches in these Budget debates I have been in the habit from year to year of indulging in what in the phraseology of trade is called stock-taking,

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and of taking the public into the confidence of Government as to the administrative responsibilities which we had assumed or hoped to carry out. In my earlier years these remarks had necessarily to be couched in the future tense, and many were the criticisms that were then passed upon abortive enquiries and over-ambitious programmes. We do not hear so much of these now. Next year, if I am spared till then, will be my last Budget debate, and it will then perhaps fall to me to review the entire field of work and to show where we have achieved our purpose, and where we have failed. I remember writing to the Prime Minister who appointed me that seven years would be required for the task unless it proved too much for the labourer's strength. I have sometimes wondered whether the onlookers ever weigh the latter consideration. We all look at the progress of the cart, and observe with shrill cries whether it is sticking in the ruts or getting on. But few spare a thought for the horse until perhaps it staggers and drops between the shafts, and then—why then—another animal is brought to take its place.

“The first twelve reforms which I foreshadowed in 1899 are, I am glad to say, now accomplished; the next twelve have been carried also; and in the remaining year I hope we may carry to completion the third dozen also. When I speak of accomplishment and completion, I do not of course mean to suggest that there is, or can be, any finality in administrative work. It goes on like the seasons; and from each oak as it is planted fresh acorns fall. But there, after all, is the tree, a living and sprouting stem, a unit in the forest to be reckoned up and perhaps also to gain in value as the time goes on. For instance, an institution like the North-West Frontier Province, which has admirably answered its purpose and has so far falsified all the predictions of its enemies, is a realised fact which no one is in the least degree likely to change and which might give food for reflection to some who denounce the shifting of provincial boundaries as though it were a crime and an evil, instead of being, as it is capable of being, if wisely and opportunely carried out, a very considerable blessing.

“I have no more to say about the accomplished reforms on the present occasion, and even in what I have said I hope that no trace of false exultation has crept in. Reforms in India may sometimes require an external impulse to start them. But they are the work of hundreds of agencies, some important and others obscure: and well do I know that nothing could be achieved, were it not for the co-operation of Colleagues, to work with whom has been a six years' delight, for the wise

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counsel and cheerful industry of hundreds of faithful fellow-workers in all parts of the country, as well also—and I gladly make the admission—as for the sometimes embarrassing, but often stimulating, influence of public opinion.

“To-day I propose to confine my attention to such items of our programme as have been pushed several stages further towards completion during the past twelve months, and which, I hope, will be finally and firmly grounded before the year is over.

“Hon'ble Members will recollect that in the year 1899-1900 we had the last great Indian famine. That visitation must have left an indelible impression upon every one who was brought into close contact with it, whether in relation to its effect upon the physical condition and sufferings of the people, or to the economic position of the country as a whole. I have often stated my conviction that it will not be the last Indian famine. We may compete and struggle with Nature, we may prepare for her worst assaults, and we may reduce their violence when delivered. Some day perhaps, when our railway system has overspread the entire Indian continent, when water storage and irrigation are even further developed, when we have raised the general level of social comfort and prosperity, and when advancing civilisation has diffused the lessons of thrift in domestic expenditure and greater self-reliance and self-control, we shall obtain the mastery. But that will not be yet. In the meantime the duty of Government has been to profit to the full by the lessons of the latest calamity, and to take such precautionary steps over the whole field of possible action as to prepare ourselves to combat the next. It was for this purpose that we appointed the Famine Commission under that most expert of administrators, Sir Antony MacDonnell, in 1901. Nearly four years have elapsed since then and the general public has perhaps almost forgotten the fact. But the intervening period has not been spent in idleness. There is no branch of the subject, of famine relief, famine administration, and still more famine prevention, which has not been diligently ransacked and explored, and there is no portion of the recommendations submitted to us by the able Chairman and his lieutenants which has not been discussed with Local Governments and been already made, or if not is about to be made, the subject of definite orders. Instructions were first issued explaining the principles of famine relief as deduced from the experiences of the latest famine and the findings of the Commission. Then came a revision of the existing Famine Codes in each Province—for the conditions and the practice vary to a considerable extent. This has been a work of great labour. It is now all but complete. But the value of these revised and co-ordinated Codes will only be seen when the next struggle comes. Then they will be found

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to provide the armament with which each Local Government in India will fight the battle.

"The next stage was when the Irrigation Commission investigated the existing programmes of relief works throughout India and submitted recommendations for their improvement and maintenance. These also are in course of being carried out, and special establishments have been sanctioned for the purpose.

"Then there was a group of separate recommendations made by the Famine Commission which they included under the head Protective in the final part of their Report. These were in some respects the most important of all, for they related to broad measures of State policy demanding either executive or legislative action on the part of the Supreme Government. I must say a few words about some of these. One of them, the relief of agricultural indebtedness in the Bombay Presidency, still remains to be dealt with. A second, namely, the degree and nature of Government aid by means of loans to agriculturists, has also been treated by the Irrigation Commission, and is about to form the subject of a communication to the Local Governments in which suggestions are made for rendering the present system more simple, liberal, and elastic. A third, namely, agricultural development, has been made the subject of a separate speech by one of my Hon'ble Colleagues, Sir Denzil Ibbetson, this afternoon. It would be superfluous for me to follow in his footsteps. Good fortune has presented us simultaneously with certain advantages for taking up this too long neglected branch of our duties in the last few years. Firstly, we have had the funds, which our predecessors have not: and Hon'ble Members have noted with particular approval the special grant of 20 lakhs which we have given for the purpose in the present Budget, and which is only the precursor, as we hope, of larger sums to follow. Then we have had for the last five years a Finance Minister in Sir Edward Law who took the warmest interest in agricultural development, and I believe derived more sincere pleasure from a successful agricultural experiment than he did from the yield of any impost. And finally we have had in the Hon'ble Member for the Revenue and Agricultural Department a perfect master of his subject, who to profound knowledge of the cultivating classes has added both a warm appreciation of their needs and a statesmanlike grasp of large ideas. The stone which I am to lay at Pusa in two days' time will, I hope, be the foundation-stone not only of a fabric worthy of its object, but also of a policy of agricultural development henceforward to be pursued systematically, in good years and bad years alike, by the Government of India: so that a time may one day arrive when people will say that India is

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looking after her greatest living industry as well, let us say, as she is now looking after her greatest inherited treasure, *vis.*, her ancient monuments.

"There are two other objects which were recommended by the Famine Commission. The first of these was the institution of Co-operative Credit Societies, sometimes less correctly styled Agricultural Banks. Several Hon'ble Members now at this table will remember our legislation of last year, by which we provided for the foundation of such societies. There was no remark more frequently made in the course of the discussion or more obvious in its truism than that any steps in this direction must be slow and experimental, and that quick returns or striking results could not be expected. In many parts the spirit of co-operation has to be created before a co-operative institution can be built upon it. There is also a great deal of elementary preaching, or what an English statesman once called spadework, to be done before substantial results can be expected. But we have not been idle during the year. Specially selected officers have been appointed as Registrars of Co-operative Societies in the six main provinces, and they are now engaged in spreading a knowledge of the principles among the cultivating classes. The various concessions made by the Government of India in order to lend encouragement—concessions in respect of income-tax, stamp-duty, registration-fees, and Government loans, have all been notified and are in operation. Three provinces have framed their rules under the Act, in four provinces societies have already begun to be registered, Madras and the Punjab having taken the lead. In addition to these is a much larger number of societies started, but not yet actually on the register. Here the United Provinces, which initiated the experiment in Sir Antony MacDonnell's time, and which now possess 150 societies, are to the fore. Even in such distant provinces as Assam and Burma, we hear of great interest being displayed and of applications being received. The statistical result is too immature to admit of quotation. But I have said enough to show that Government, having planted their seed, do not mean to let it perish from want of nurture. None of us can say whether it will develop into a healthy plant. But every chance shall be given to it.

"The next matter to which I referred is one in which I have taken the keenest interest during my time in India, since it touches the marrowbone of that agricultural class of which I was speaking a little while back. I mean elasticity in Land Revenue collection, and greater liberality in suspension and remission of the fixed demands in times of distress, whether local or widespread. The Famine Commission dealt with this; and we also laid it down among the principles to be adopted as accepted canons of

Government in our Land Revenue Resolution of January 1902. But something more was required than the mere statement of an orthodox principle: and we have since been engaged, in consultation with the Secretary of State and the Local Governments, in elaborating its operation—with results that will shortly be published. Already a fluctuating assessment, *i.e.*, a demand that is capable of being varied from year to year, is accepted in practice by most Local Governments and is applied to precarious tracts. What I am now referring to is elasticity in collection, *i.e.*, an allowance for exceptionally bad seasons by the suspension or remission of payments due. This is an act of compassion on the part of the State, but it is compassion in a form little distinguishable from justice; for it relates to cases and seasons in which the cultivator cannot pay his fixed demand, because the crops which he has reaped barely suffice for his own sustenance, and where, if he is called upon to pay it, he can only do so by plunging deeper into debt. In such a case rigidity of collection is not only a hardship but an injustice. It is to avoid such consequences, and at the same time to escape the opposite extreme of laxity in collection and the consequent demoralisation of the people, that we are about to lay down the principles underlying this method of relief.

“Next I turn to Irrigation. It is five years since I last alluded at any length to this subject in a Budget Debate. I then discussed the possibilities of irrigational expansion that seemed to lie before us in India, and speaking upon the authority of my expert advisers, I indicated the limits, physical rather than financial, that appeared to exist to such expansion, and answered the popular misapprehension that because India is a land of great rivers and heavy rains, it is therefore possible to capture all that surplus water, and to utilise it either for the extension of cultivation or for the prevention of famine. After that came the Famine of 1900; and as a sequel to the Famine it seemed to me that this matter, so vital to the future of India, should be re-examined by the very highest authorities whom we could find, visiting every part of the country, examining into local conditions, programmes and needs, approaching the matter from the point of view of protection against famine rather than of remunerative investment of State funds, and presenting us with an authoritative pronouncement upon the capabilities for further irrigation of the whole of British India, and of the extent of the obligation both in State irrigation and in the encouragement of private enterprise which Government might legitimately assume. That was the genesis of the Commission presided over by Sir Colin Scott-Moncrieff which was appointed in the autumn of 1901, and which, after an investigation that extended over two cold winters, finally reported in April 1903.

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"I wonder how many of the Hon'ble Members whom I am now addressing, and still more how many of the outside public, have read their Report. To me the first part of it, which relates to general considerations, is infinitely more interesting than a novel, for it deals not with the hypothetical problems of human character, but with the positive agencies that affect the growth or decline of human life; and it bases conclusions dramatic in their sweep upon premises of scientific precision. By slow but sure degrees ever since, we have been assimilating and taking action upon that Report; and our final views and orders upon it will shortly see the light.

"As this is the last occasion upon which I shall ever speak at any length upon this subject in India, let me summarise the situation as it now stands. There are two classes of Irrigation in this country. State Irrigation, *i.e.*, works constructed or maintained by the State, and Private Irrigation conducted by communities or individuals, largely by means of wells. I am here only concerned with the former. I need not before an Indian audience expatiate upon the distinction, so familiar in our Reports and Budget Statements, between major and minor works, productive and protective works. Major works are either productive, in which case we find the money for them out of surplus revenue or from loans, or protective, in which case we provide for them from the annual Famine Grant of $1\frac{1}{2}$ crores; the distinction between productive and protective being that the former are expected to prove remunerative, though they have not always been so; while the latter are not expected to be remunerative at all. In other words, productive works are, or may be, protective also; but protective works are not expected to be productive. Minor works are those which we undertake entirely out of the revenue of the year. Now let me say what our outlay upon all these works up till the present hour has been, and what the property thus created represents. The Government of India have spent in all $46\frac{1}{2}$ crores or 31 millions sterling upon State irrigation works in all the above classes. With it they have dug nearly 50,000 miles of canals and distributaries, they have irrigated an area of $21\frac{1}{2}$ million acres, out of a total irrigated area in British India of about 47 million acres, and they derive from it a net revenue of £2,700,000 per annum, or a percentage of net revenue on capital outlay of approximately 7 per cent. If we capitalise the net revenue at 25 years' purchase, we obtain a total of $67\frac{1}{2}$ millions sterling, or considerably more than double the capital outlay. These figures are an indication of what has already been done. Next, what are we going to do or what are we capable of doing? In my first year in India I went to see the Chenab Canal in the Punjab, which had been finished a few years earlier. At that time it irrigated 1,000,000 acres,

it now irrigates 2,000,000 ; at that time it had cost $1\frac{1}{2}$ millions sterling, there have now been spent upon it 2 millions ; at that time it supported a population of 200,000 persons, the population is now over 1,000,000, and this huge aggregate is diffused over an expanse, now waving with corn and grain, that but a few years ago was a forsaken waste. Since then we have completed the Jhelum Canal, which already irrigates 300,000 acres, and will irrigate $\frac{3}{4}$ million. Everywhere these lands, once waste and desolate, are being given out to colonisation ; and the Punjab Province, if it lost the doubtful prestige of the Frontier with its disturbing problems and its warring tribes, has gained instead the solid asset of a contented and peaceful peasantry that will yearly swell its resources and enhance its importance. Then you have heard of the fresh obligations which we have since undertaken in the same quarter ; $5\frac{1}{4}$ millions sterling have just been sanctioned for the group of canals known as the Upper Chenab, the Upper Jhelum and the Lower Bari Doab. Before another decade has elapsed 2,000,000 more acres will have been added to the irrigated area, with a proportionate increase in the population, and with an estimated return of 10 per cent. on the capital outlay. So much for the near future. Now let me look a little further ahead, and come to the recommendations of the Irrigation Commission. They have advised an additional expenditure of 44 crores, or nearly 30 millions sterling, spread out over twenty years, or an annual average expenditure of $1\frac{1}{2}$ millions sterling. We accept that estimate ; we regard it as reasonable ; and we hope to be able to provide the funds. This will increase the area under irrigation in British India by $6\frac{1}{2}$ million acres as compared with the 4 millions which I mentioned five years ago, the difference being explained by the fact that as we draw towards the close of this gigantic programme we shall no longer be able to talk glibly of remunerative programmes or of lucrative interest on capital outlay, but shall find ourselves dealing with protective works, pure and simple, where no return or but little return is to be expected, and where we shall have to measure the financial burden imposed on the State against the degree of protection against scarcity and famine obtained for the people. I do not think that we need shrink from that more exacting test : for we shall have approached, if the metaphor may be permitted, the rocky passes in which our forces will then be engaged across smiling plains and verdant pastures in which they will have derived strength and sustenance for the harder and less remunerative toil that will lie before them. I wish that we could proceed even faster. But that is out of the question. Canals are not like railways where companies are ready to find the money and to undertake the work, where an embankment can anywhere be thrown up by unskilled labour, and where the iron or steel plant that may be required can be ordered by telegram from Europe or

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the United States. In irrigation you have in the first place to find the funds from the borrowings of the State, which are not capable of unlimited expansion. You have to spend much time in preliminary investigations and surveys. You then have to obtain your labour for the particular work. It is estimated that to spend the amount which I have named a host of 280,000 workmen and coolies will be required for 250 days in each of the twenty years in addition to those required for the maintenance of the existing works and of the new ones as they come into operation. And finally you have to engage and train your skilled establishment which is a matter of careful recruitment, spread over a series of years. These are the considerations that must always differentiate irrigation work from railway work in India, and that militate against the same rate of speed in the former. And then when we have done all this where shall we stand? We shall have done much, we shall have done what no other nation or country has done before. But the surplus water from the snows of the Himalayas and from the opened doors of heaven will still spill its unused and unusable abundance into the Arabian Sea and the Bay of Bengal. The calculations show that of the total average rainfall of India, as much as 35 per cent., and a much larger proportion of the surface flow, amounting to 87 per cent., is carried away by rivers to the sea. The programme that I have sketched will at the most utilise only $2\frac{1}{2}$ per cent. of this surface flow, and the remainder will still continue its aimless and unarrested descent to the ocean. Why is this? The answer is very simple, and to anyone who has any knowledge of the meteorological or geographical features of this continent very clear. Rain does not always fall in India in the greatest volume where it is most needed. What Cherrapunji could easily spare Rajputana cannot for all the wealth of Cræsus obtain. Neither does rain fall all through the year in India. It descends in great abundance, within narrowly defined periods of time, and then it is often very difficult, and sometimes impossible, to store it. Providence does not tell us when a year of famine is impending, and we cannot go on holding up the water for a drought that may never come. It would be bad economy even if it were not a physical impossibility. Sometimes where water is most plentiful there is no use for it, because of the sterile or forbidding or unsuitable nature of the soil. Sometimes it flows down in blind superfluity through a country already intersected with canals. Sometimes it meanders in riotous plenty through alluvial plains where storage is impossible. Sometimes again the cost of storage is so tremendous as to be absolutely prohibitive. These are some, though by no means all, of the reasons which place an inexpugnable barrier to the realisation of academic dreams. Facts of this sort we may deprecate, but

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cannot ignore; and the time will never come when we can harness all that wealth of misspent and futile power, and convert it to the use of man. What we can do, the Commission have told us; what we mean to do I have endeavoured imperfectly to sketch out in these remarks. Restricted as is the programme, when measured against the prodigious resources of nature, it is yet the maximum programme open to human agency and to finite powers, and it is one that may well appeal either to the enthusiasm of the individual, or to the organised ability of the State. We are about to embark upon it with the consciousness that we are not merely converting the gifts of Providence to the service of man, but that we are labouring to reduce human suffering and, in times of calamity, to rescue and sustain millions of human lives.

“There are a few other subjects to which I must allude. The presence of the Hon'ble Mr. Hewett at this table and the speech which he has delivered, indicate that we have in the past year obtained that which has for a long time been the cherished aspiration of the mercantile community, *vis.*, a separate Department and Minister of Commerce and Industry. Six years ago I should have said that this was impossible; two years ago I did not regard it as likely. But the facts of commercial and industrial expansion cannot be gainsaid; and as soon as the case began to be made out it was convincing in its logic and pertinence. The days are gone by when Government can dissociate itself from the encouragement of commercial enterprise. There used to be a sort of idea that business was an esoteric thing, to be conducted by a narrow clique, who were alone possessed of the oracles of wisdom, and with whom Government were hardly supposed to be on speaking terms. That was an absurd theory at any time. It is additionally absurd in a country like India, where the Government is responsible for so many forms of commercial and industrial activity, where it builds and works railroads, where it controls the sale of opium and salt, where it maintains gigantic factories, where it is engaged in undertaking the manufacture of its own cartridges and rifles and guns, and where it is the largest employer of labour in the country. And most absurd of all is it at a time when the whole air is alive with movement, rivalry, and competition: and when we desire to push our products, our manufactures and our industries, upon the attention of the world. I believe India to be merely at the beginning of its commercial expansion, and if I could revisit this Council Chamber fifty years hence, I believe I should find the Commercial Member of that day delivering an oration that would be reported throughout the East. There is only one word of appeal in which I would ask leave to indulge. I entreat my Indian friends not to regard the creation of a Department of Commerce as an agency for the promotion of British commerce alone. They

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could not make a greater mistake. Indian commerce, industry, and enterprise are as vital to this country as British—nay, I think more so. They have a future as bright before them. When we have to deal with great pioneers of Indian industry, such as the Tata family, they will tell you that they receive the warmest encouragement at our hands, and for my own part I should feel far happier if for every present Indian merchant-king there were a thousand, and for every lakh of Indian rupees invested in mercantile undertakings, a crore. Our new Department and its Hon'ble Member know no distinction of race: they are concerned only with the development of the country.

“It is a part of the same policy that has induced us in the past year to create the new Railway Board which is now entering upon its duties. The idea is no new one. We make no pretence to be original. It has been advocated for years, by all those who wanted greater elasticity and less officialism in our system, and from the day that I surrendered temporary charge of the Public Works Department in 1899, having become conversant for a while with its working, I meant to get the reform sooner or later. It has taken six years to carry it out. Not that the old Public Works Department stands, therefore, condemned. That would be a most unjust and unfair assumption. It produced a series of brilliant and famous Engineers. It overspread India with a network of railways. It eventually converted annual deficits into an assured surplus that has reached this year the magnificent figure of 2½ millions sterling, and it has handed over to the Railway Board a splendid property which it will rest with the latter to develop on commercial principles in the future. I have sometimes seen the present Administration* accused of centralising tendencies. I have not time to argue that contention this afternoon. But if it be true, it is at least remarkable that it has been associated with the two greatest measures of decentralisation that have been achieved during the last fifty years, *vis.*, the Permanent Financial Settlements with the Provincial Governments, and the institution of the Railway Board.

“There is entered in the Budget the sum of 50 lakhs for Police Reform. That is only an instalment and a beginning. We accept with slight modifications the full recommendations of the Commission, and we intend to carry out their programme. The author of the Report is seated at my right hand, and I should like to take this opportunity of publicly thanking him and his colleagues for their labours. No more fearless or useful report has ever been placed before the Government of India. I would gladly have taken action upon it sooner. But a long time has been required to consult the Local Governments and to satisfy the Secretary of State. And now what is it that we have in view? I think that my feelings

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are those of every Member of the Government. We want a Police Force which is free from the temptation to corruption and iniquity, and which must, therefore, be reasonably well paid, which must be intelligent and orderly and efficient, and which will make its motto protection instead of oppression. I confess that my heart breaks within me when I see long diatribes upon how many natives are to get employment under the new system and how many Europeans. For my own part I have never paused to count them up. The Police Force in India must be an overwhelmingly native force: and I would make it representative of the best elements in native character and native life. Equally must it have a European supervising element, and let this also be of the best. But do not let us proceed to reckon one against the other and contend as to who loses and who gains. The sole object of all of us ought to be the good of the country and the protection of the people. It is three years since, in one of these Debates, I announced the appointment of the Police Commission, and since Sir John Woodburn, who sat in that chair, said that it would be the most important and far-reaching of any that I had appointed in my time. I am glad that I appointed it and am proud of its work: and when the reforms come into full operation, I am hopeful that they will be felt under every roof in this country.

"At this stage I may perhaps interpolate a few remarks in reply to the concluding portions of the Hon'ble Mr. Gokhale's speech. He seems to think that in my speech of last year, and in the Resolution that followed it, were laid down new principles as regards the admission of Natives of India to the public service. He referred to the Act of 1833 and the Queen's Proclamation of 1858. I am familiar with both those documents, and I also remember—which those who quote them sometimes forget—that the late Queen's words contained a qualification, not indeed modifying their generosity, but limiting their application by the necessary tests, firstly, of practical expediency, and secondly, of personal fitness. These were the words: 'It is our will, that so far as may be, our subjects of whatever race or creed be freely and impartially admitted to offices in our service, the duties of which they may be qualified by their education, ability, and integrity duly to discharge.' There is not one sentence in that memorable paragraph from which any Government of India or any Governor General has ever either desired or attempted to recede. But the Hon'ble Mr. Gokhale's historical references stopped short at 1858. He altogether forgot to mention the findings of the Public Service Commission of 1887, which deliberately laid down that the service in India should in future be divided into two branches, firstly, an Imperial Service called the Civil Service, to be recruited by open competition in England only, and, secondly, a Provincial Service

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recruited in India, and consisting almost entirely of natives of this country. Our pronouncement of last year was a mere reaffirmation of the findings of that Commission. Even the phrase *corps d'élite* which the Hon'ble Member seems to think originated with me is taken from paragraph 73 of their Report. Let me further ask him more particularly to peruse paragraphs 74 and 91 of that document. He will find that nothing was said last year, either by the Government of India or by myself, which has not been laid down with even greater authority by our predecessors: and for the inference as to a change of policy which Mr. Gokhale has drawn in his speech today, there is, I can assure him, no foundation.

"I am myself particularly immune from the suspicions to which the Hon'ble Member refers. I frequently see attributed to me personally the appointment of this or that European or Eurasian to some post or other in some part of India. The responsibility of the Head of the Government of India is great, and I have never minimised it. But it is beyond human power that he should know every detail of the administration of 300,000,000 of people, and beyond reason that every subordinate act of the Administration should be attributed to him alone. And really when I read of all the things that are explained by my personal intervention, while I appreciate the compliment, I am compelled to say that in quite 19 cases out of 20, I have never even heard of them at all. If the Hon'ble Member were to go into the Departments of the Government of India he would find that I am there known as a strong partisan not of European but of Native appointments, wherever these can be made with sufficient regard to the test of personal fitness for the post. But, after all, is it not rather a vain exercise to dispute as to the exact number of places that are or are not given to this or to that class in an Administration? The Hon'ble Member will never find any reluctance on the part of Government to recognize and to forward the legitimate aspirations of his countrymen. But he must not be surprised if these generous tendencies are sometimes chilled, when almost every step that we take and every appointment that is made is liable to criticism that presumes the existence of a racial bias where none exists. He has cited the Despatch of the Court of Directors with which the Act of 1833 was sent out to India. Let me quote to him another paragraph from that Despatch. If I were to utter it as my own, I am afraid that I should be accused of illiberal sentiments. But with the distinguished imprimatur of the authors of the Act of 1833, it may carry some weight with the Hon'ble Member:

'We must guard against the supposition that it is chiefly by holding out means and opportunities of official distinction that we expect our Government to benefit the millions

subjected to their authority. We have repeatedly expressed to you a very different sentiment. Facilities of official advancement can little affect the bulk of the people under any Government, and perhaps least under a good Government. It is not by holding out incentives to official ambition, but by repressing crime, by securing and guarding property, by creating confidence, by ensuring to industry the fruit of its labour, by protecting men in the undisturbed enjoyment of their rights, and in the unfettered exercise of their faculties, that Governments best minister to the public wealth and happiness. In effect, the free access to office is chiefly valuable where it is a part of general freedom.

"With these words, which seem to me entirely wise, I will pass from the subject.

"There is one duty that falls upon the Government of India to which I think that I have rarely if ever alluded in this Council, and that is the guardianship of Indian interests where they are liable to be impugned by external policy or influence. We resisted to the best of our ability the heavy charge of more than $\frac{3}{4}$ million sterling that was imposed upon Indian revenues by the increase of pay in the British Army—a measure about which we were not consulted and with which we did not agree. We protested more successfully against the placing upon Indian revenues of the charge for the entertainment of the Indian guests at the Coronation in London. We were also successful in resisting the suggestion that India should pay £400,000 per annum for a call upon a portion of the British Garrison in South Africa. We have now finally established the principle (disputed till a few years ago) that when we lend troops from India to fight campaigns for the Imperial Government in different parts of Asia and Africa, every rupee of the charge from embarkation to return shall be defrayed by the Imperial Government.

"During the past few years we have been waging a similar battle in defence of the Indian emigrant in South Africa. For many years a system has prevailed under which unskilled Indian labourers have been encouraged to emigrate to the Colony of Natal for employment, chiefly in agriculture, though a few of them are engaged in coal mines. The number proceeding yearly on five-year contracts is ⁴from 5,000 to 6,000, and there are now some 30,000 indentured Indians in the Colony. Their wages are good, and those of them who returned to India in 1903 brought back savings to the amount of over five lakhs of rupees, while Indians of all classes settled in Natal remit to their friends in India some thirteen lakhs of rupees annually. The indentured Indian is well treated, and so far as this class is concerned, the system of emigration to Natal is advantageous to India as well as to the Colony. But there is now in Natal a considerable population of British Indians, estimated at about 50,000, who are

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not working under indenture and are therefore known as 'free Indians.' Some of them are men who have worked out their time, but have decided to settle in the country, or the descendants of such men; others are persons who have voluntarily proceeded to the Colony with the object of making a living there. Unfortunately the colonists entertain a rooted objection to this class of settlers, and have taken strong measures to discourage any increase in their numbers. Some of these measures have seemed to the Government of India to be unduly severe and inconsistent with the reasonable claims of the people of India as subjects of the British Empire; and we have lost no opportunity of urging that the restrictions imposed on free Indians should be relaxed. More especially two years ago, when the Government of Natal sent delegates to us to discuss an arrangement under which Indian labourers should be compelled to return to India on the expiry of the term for which they were engaged, we required as an essential condition that they should make certain concessions in favour of the free Indians who were then settled, or who might desire to settle, in the Colony. We stipulated for the eventual abolition of a tax of £3 a head which had been imposed on such persons for leave to reside; for the amendment of an Act placing traders, of however old a standing, under the power of local Corporations who had absolute authority to refuse licenses to trade; for the removal of Indians from another Act, under which they were classed with barbarous races; and for the provision of a summary remedy for free Indians who might be wrongfully arrested on the ground that they were coolies under indenture or prohibited immigrants. In reply, we were given to understand that there was no prospect of obtaining the consent of the local Legislature to these conditions, and the negotiations were therefore dropped. The only concession that has been obtained as regards free Indians in Natal is the exemption of those who have been resident in the Colony for three consecutive years from the restrictions imposed on 'prohibited immigrants' under the Immigration Restriction Act. That Act still requires immigrants (except those under indenture) to be able to write in some European language, and our endeavours to get ability to write in an Indian language accepted as a sufficient test of literacy have been unsuccessful. We have informed the Natal Government that we reserve to ourselves the fullest liberty to take at any time such measures in regard to emigration to that Colony as we may think necessary in order to secure proper treatment for our Indian settlers, and we have recently again declined to take any step towards facilitating the emigration of labourers under indenture until the Natal authorities substantially modify their attitude.

"In no other South African Colony is there in force any system of immigration of Indian labour under indenture, and the number of British Indians

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at present resident in the Colonies other than Natal is comparatively small. Those Colonies have, however, evinced a similar spirit of opposition to the immigration of free Indians, and we have had a considerable amount of correspondence on the subject, especially as regards the Transvaal. Soon after that country came under British administration, we addressed the Secretary of State for India, and urged that the opportunity should be taken to remove the restrictions and disabilities imposed by the Boer Government on British Indian subjects. In the course of the correspondence that ensued we were asked to agree to a scheme for the employment of 10,000 Indian labourers on the construction of Government railways in the Transvaal and Orange River Colonies; and recognising that the need for Indian labour thus displayed might prove a powerful lever in our hands in securing better treatment for Indians generally in South Africa, we expressed our readiness to consider the proposal if it was likely to lead to substantial concessions in favour of Indians not under indenture. We said that the least that we could accept would be (1) that Indian languages should be included in the literary test applied to new immigrants; (2) that residence in locations should be compulsory only upon those Indians in whose case the restriction is desirable for sanitary reasons; (3) that Indian traders who had established themselves under the former Government should be granted licenses permitting them to retain their present places of business; (4) that all Indians of superior class, including all respectable traders and shopkeepers, should be exempted from the Pass Law and the Curfew system and from the other restrictions imposed on the non-white population.

“The Transvaal authorities declined to concede these demands in full, and we have therefore refused to establish a system of emigration of indentured labourers to that Colony. The outcome of the negotiations so far will be found in the Despatch sent on 25th July 1904 by the Secretary of State for the Colonies to the Governor of the Transvaal, which was presented to Parliament in August last. In it the British Government supported all our main demands except the claim that future immigrants should not be required to be able to write in a European language. We have not yet heard what action has been taken on these instructions by the Transvaal Government.

“I do not say that this is a pleasurable record. The problem is one for which it is exceedingly difficult to find a solution. Colonies possessing; or likely before long to possess, rights of self-government cannot be dictated to in such matters, and the feeling that exists among them is undoubtedly very strong. It has seemed to us to be our duty to do nothing to inflame that feeling, but to lose no opportunity of pleading the cause of those whose

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natural protectors we are, and to make no concession whatever until we obtain a full *quid pro quo* in return. I am confident that in this attitude we shall have the support of the entire Indian community.

"I may name one more respect in which the Government of India have, I think, faithfully championed the interests of the general community. I allude to their attitude on the Fiscal Question. I observe that the Hon'ble Mr. Cable, speaking today on behalf of the commercial community, has most strongly endorsed the correctness of the position that we took up in our Despatch of 22nd October 1903. A little while ago it was stated with some authority in England that that Despatch had been drawn up by us in a hurry, and that we were believed to have modified our views. There is no foundation for any such statement. We composed that Despatch with full deliberation. It represented our matured opinions. We have not departed from them in any particular; and if the Government of India were invited to enter a conference, those I am confident would be the instructions with which our delegates from this end would proceed. Our claim is no merely that India should have a voice in the settlement of the question—that none will dispute—but that in any Imperial scheme there should not be imposed upon us a system detrimental to our interests or repugnant to our strongly entertained and unanimous views.

"Before I conclude I may perhaps be expected to say a word about the military estimates of the year. We have had the familiar attacks upon them in this Debate. One Hon'ble Member spoke of the expenditure as inordinate and alarming. It is inordinate in the sense that it is beyond the ordinary. For now that we have ample means, we are utilising some of them, which in ordinary years we might not have been able to do, not merely to relieve the burden of the people, but to secure them from the possible future horrors of war. There is nothing to alarm in the increase. The situation would be much more alarming, if, with a rival Power building railways towards the Afghan frontier, we were to sit still and do nothing. It was not by so regarding military expenditure and equipment that our allies in the Far East have won those great victories that have extorted the admiration of the world. They saw the danger impending, and they set themselves steadily to prepare for it—with what results we all know. The lesson of the Russo-Japanese War is surely the most supreme vindication of preparation for war as contrasted with unreflecting confidence that modern times have ever seen. His Excellency the Commander-in-Chief has presented us with a scheme, which is the ripe product not only of his own great experience, but of years of discussion and anticipation

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in India itself, and whose sole object is so to organise our forces in peace, as to place the largest possible body of men, with the least dislocation, in the field in time of war. Until universal peace reigns, which will not be in our day, the best custodian of his own house will still be the strong man armed; and the Government of India, assured that they have the means, and reposing confidence in the ability of their military advisers, have accepted the scheme submitted to them, not without careful scrutiny of its features and details, but in the conviction that the heavy charge entailed will be repaid in the increased security that will be enjoyed by the country.

"As regards the view which has been expressed in this Debate that the expenditure should be provided for by loan, I join my Financial Colleague in dissenting from that opinion. Reference has been made to English practice. No one would have denounced such a proposal, under existing conditions, more strongly than Mr. Gladstone. I do not say that a military loan is everywhere unjustifiable. Were we on the brink of war, or were it the case that large military expenditure could only be met by incurring a deficit, or by imposing additional taxation which it was considered essential to avoid, then there might be a good case for a military loan. But with a full exchequer, and with a simultaneous reduction of taxation, I feel sure that every financier of repute would pronounce such a proposal to be without excuse. Moreover, it should be remembered that in England the National Debt is being steadily diminished by processes which are not adopted here: and that a military loan is there obliged to run the gauntlet of Parliament. The Government of India is sometimes taunted with its irresponsibility. Might it not be a serious thing if you encouraged that Government to shift on to future generations a burden which it was capable of bearing in its own time? Might you not aggravate the very irresponsibility which is sometimes deplored?

"I have now concluded my picture of some, at any rate, of the activities upon which we are or have lately been engaged. I ask myself, is this in truth an unsympathetic and reactionary *régime*? Is it likely that the individual who has allowed himself no rest or respite in his labours, be they successful or mistaken, for the Indian people, would endeavour to injure them or thrust them back? Is there a single class in the community who has been so injured? I will go further and say, is there a single individual? If there had been, should we not have heard of him today? Would a man who has devoted his whole life to preaching the lessons of the East, its history and traditions, who has often been rallied by his own countrymen for his enthusiasm for the religions and monuments and literature of the East, and who has, while in India, given such abundant

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proofs of his reverence for faiths and feelings that are not his own—turn round and assail what he had hitherto revered? These questions I must leave others to answer. As for reaction I console myself with the wise saying of Macaulay, 'Ever since childhood I have been seeing nothing but progress, and hearing of nothing but reaction and decay.'

"For my own part, as the last year of my work in India opens, I look back upon the past not with any self-complacency—because while much has been done, much also remains undone—but with gratitude that the opportunity has been vouchsafed to my colleagues and myself of giving so definite an impulse to all that makes up the growth and prosperity of a people, and the safety of an Empire, and with the sanguine conviction that none can sow as diligently and whole-heartedly as we have endeavoured to sow, without a harvest springing up—indeed the green shoots are already high above the ground—that will ten thousand times repay the exertion, and obliterate every scar."

The Council adjourned *sine die*.

CALCUTTA; }
The 31st March, 1905.

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