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ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of
ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS.
1880.

WITH INDEX.

VOL. XIX.

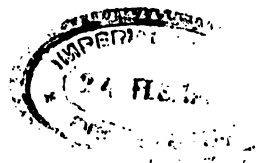
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*Abstract of the Proceedings of the Council of the Governor General of India,
assembled for the purpose of making Laws and Regulations under the
provisions of the Act of Parliament 24 & 25 Vic., cap. 67.*

The Council met at Government House on Tuesday, the 2nd March, 1880.

P R E S E N T :

His Excellency the Viceroy and Governor General of India, G.M.S.I.,
presiding.

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

His Excellency the Commander-in-Chief, G.C.B., G.C.S.I., C.I.E.

The Hon'ble Sir A. J. Arbuthnot, K.C.S.I., C.I.E.

The Hon'ble Sir J. Strachey, G.C.S.I., C.I.E.

General the Hon'ble Sir E. B. Johnson, B.A., K.C.B., C.I.E.

The Hon'ble Whitley Stokes, C.S.I., C.I.E.

The Hon'ble Rivers Thompson, C.S.I.

Major-General the Hon'ble A. Fraser, C.B., R.E.

The Hon'ble Sayyad Ahmad Khán Bahádur, C.S.I.

The Hon'ble T. C. Hope, C.S.I.

The Hon'ble B. W. Colvin.

The Hon'ble Mahárájá Jotindra Mohan Tagore, C.S.I.

The Hon'ble E. C. Morgan.

The Hon'ble J. Pitt-Kennedy.

The Hon'ble G. C. Paul, C.I.E.

The Hon'ble H. J. Reynolds.

LICENSE ACTS AMENDMENT BILL.

The Hon'ble SIR JOHN STRACHEY presented the Report of the Select Committee on the Bill to amend the law relating to the licensing of trades and dealings.

The Hon'ble SIR JOHN STRACHEY also moved that the Report be taken into consideration. He had so fully explained on a former occasion every thing that he had to say on this subject, that he thought it unnecessary to take up the time of the Council with any further remarks. The Select Committee had made no alteration in the Bill referred to it, and the Committee had recommended that the Bill be passed.

The Hon'ble MR. PITT KENNEDY said that he was slightly astonished to find, when he read the report of the Select Committee on the Bill to amend the law relating to trades and dealings, that they had made no alteration in it, except one trifling verbal amendment in section 13. He was still more astonished when he heard the Financial Minister repeat the same statement. So far as he was acquainted with the proceedings of the Council, no such Bill had ever been referred to the Select Committee. He held in his hand a Bill which bore the title of a Bill to impose a tax upon trades and professions. That Bill was referred to a Select Committee, and it was referred under circumstances against which he then felt himself bound to protest, and which now formed the subject of the report which they had laid before them, and he and those who protested thought they were fully justified in the protest which they then made. He did not say that the Select Committee had not power to change the title of the Bill—of course they had; he did not say that they had not power to make any alterations in the provision of that Bill; but the Bill which was laid before them was a Bill which, so far as he could see, was not in any one single passage the identical Bill which was referred to the Committee. The amended Bill which was placed in his hands late last night was a Bill which contained references to a multitude of sections in different Acts of the local legislatures which he had not had an opportunity of referring to, and whether substantially the provisions remained the same as those in the Bill originally drafted—

His Excellency THE PRESIDENT was sorry to interrupt the Hon'ble Member, but it was his duty to point out that the original Bill—the Bill to which the Hon'ble Member was referring—had been withdrawn. The Bill now before the Council was the Bill which was referred to the Select Committee, and it was a totally different Bill from the Bill which was originally introduced.

The Hon'ble MR. PITT KENNEDY continued—With great respect to His Excellency the President he might, perhaps, be permitted to explain what his position actually was. As he understood, no Bill was withdrawn. The precise objection which was raised by himself and other Hon'ble Members was that the Bill which had been pending before the Council had not been withdrawn, and a new Bill was not introduced.

His Excellency THE PRESIDENT again explained that, at the close of the Financial Statement made by his Hon'ble colleague at the last meeting of the Council, a motion was carried to cancel the reference of the former Bill to a Select Committee, and the Bill, the Committee's report upon which the Council was now considering, was at the same time introduced.

The Hon'ble MR. PITT KENNEDY continued—He was not aware that the Bill which had been originally referred to the Committee had been withdrawn. He was present certainly when much discussion took place, when the intention was stated of retaining the Bill, originally introduced, with a large number of changes. But a different course was adopted, and under the circumstances, certainly all the Members had not had an opportunity of consideration and discussion of the Bill in that Council. The reason why it seemed to him important to call attention to that was that matters of this kind, matters affecting the financial arrangements of the country, did seem to him to deserve more serious consideration and a larger publicity before they were finally adopted; that if the Bill, which was practically to impose for an indefinite period a system of taxation on the country, was to be considered, and the whole arrangements made for its being passed into law, at one sitting of the Council, surely the attendance of Members who wished, so far as they could, to put before the Council and the public views which they might entertain, was embarrassed by very considerable difficulty. It was difficult, without some opportunity of previous consideration, to know what the nature of the measure was to be with which one had to deal. In this instance, no further publication was considered necessary. Under the usual practice of obtaining leave at one meeting and introducing it another week, the Council was at liberty—

His Excellency THE PRESIDENT was sorry again to interrupt the Hon'ble Member. The Bill before the Council was no new measure; it introduced no new taxation; it simply revised a system of taxation which had already been introduced, and had long been existing, chiefly with the object of relieving a very large number of the poorer classes.

The Hon'ble MR. PITT KENNEDY continued—This was a Bill by which it was intended to fix on the country or portions of the country, for an indefinite period, a system of taxation which he submitted was not necessary. He would submit to the Council that it did a little more; it altered the incidence of taxation, and, further, they had in the Bill now before them a series of references to various Acts passed by local legislatures, making alterations and amendments upon them. That seemed to him at least an extremely difficult question, which might afterwards require to be discussed, namely, whether those legislatures could examine and deal with their own measures after they had been incorporated into an imperial measure. Therefore, to pass such an Act as this, was a very very serious thing. If this were a Bill for a limited period, to terminate in its own course in a limited time, one might see some prospect of relief, or perhaps the introduction at a future

time of a better method of taxation. But introduced as it was at one meeting, to be passed at the next, it certainly did occur to him that it was a measure which was brought to its consummation much more rapidly than could be desired. However, there were other reasons. The question at present was whether the necessities of the State required additional taxation. When the responsible Finance Minister stated that that was the case, MR. PITT KENNEDY for one could not attempt to deny it; and therefore it might be an absolute necessity that some such measure, whether one approved of it or not, should pass for the present; but when one had to consider all the circumstances of the case, one could hardly doubt that the necessity had been brought about by the modification of the cotton-duties—a measure, legislative in its effect, adopted by a narrow majority of the Executive without the assent of the Legislative Council. A very considerable portion, at any rate, of the present alleged deficit would not have existed if measures, which, some people at least, had thought not justified by the language of the Statute, had not been taken in the Executive Council for the remission of taxation. If one could see one's way to the aspirations of the Financial Member being ever fulfilled; if one could see any mode of taxation so little oppressive, so little likely to afford injustice, as the customs-duties; if one's experience of this country did not tell him that all these attempts at direct taxation produced the largest amount of inconvenience to the population with the least possible benefit to the State, one might regret with him the existence of customs-duties. But he feared that such a prospect was a very remote one, and that the political necessities of the State would prevent the abolition of the customs-frontiers which the country possessed. They were told that a great benefit was conferred by remitting taxation when it operated as a protective duty. The protection which might be afforded by small rates of duty hardly seemed to call for such a rigid application of economical law, especially when one remembered that in England one remnant of protection still remained to the great detriment of Indian productions. It might seem a small matter, but he believed almost the only remnant of protection left in England was the differential duty upon foreign-manufactured tobacco. Now, MR. PITT KENNEDY had little doubt that if that duty were removed the exports of this country in the way of manufactured tobacco would indefinitely increase. Indian tobacco, it seemed, was not so capable of undergoing further processes, by which it could be made capable of being worked up in English manufactories. The consequence was that Indian tobacco was, to a very large extent, excluded from the European market, notwithstanding that the cheapness of labour in the country did admit of Indian-manufactured tobacco being exported at a very low rate. That, he believed, was the only instance of a protective duty existing still in England, and which bore more hardly upon Indian production than on

that of any other country. He could suggest a mode of taxation which might have some effect, perhaps, on English-manufactured goods, if a tax were imposed upon the China clay and size contained in imported cloths. He doubted whether it would not be found the most complete check to importation which had ever been suggested. Unless its results were that the adulterations would no longer continue, and then it would not be a very lucrative source of revenue.

Those were the observations which he thought himself bound to make upon the Bill. It seemed to him that neither the Council nor the public had had any sufficient opportunity of discussing the Bill, and that at least its duration should be limited, so that the Council and the public should have some future opportunity of dealing with it.

The Hon'ble MR. MORGAN said: "My Lord,—It is a somewhat ungracious task to comment on the results of a financial year which has terminated so favourably as the one just closed, and I trust Your Lordship and the Council will recognise that the remarks I am compelled to make are made in no obstructive or hypercritical spirit, but are the necessary outcome of a very careful consideration of the Statement made last week by the Hon'ble Member in charge of the finances, and of the accounts upon which that Statement was based.

"Perhaps, the most important event, and certainly the most disturbing element, in the finances, which has occurred during the year, has been the Afghan war. As regards the political aspect of the war, I shall follow Sir John Strachey in giving no opinion. My object is merely to consider the subject financially.

"From the figures before the Council, it appears that the amount expended, during the year 1879-80, upon the war, directly and indirectly, has amounted to about £4,900,000. The amount which it is estimated will have to be spent, directly and indirectly, during the coming year is about £4,000,000, or a total, including the comparatively small amount expended during the year 1878-79, of close upon ten millions sterling. The whole of this very large amount of abnormal expenditure it is proposed to meet out of current revenue, and it is the wisdom and justice of this procedure that I take the liberty to question.

"It is not very long ago—three years only—when the condition of the finances of the country necessitated the imposition of a certain series of taxes to enable the Government to meet its obligations with respect to famine. At

that time the position of the finances was shown by the Hon'ble Member in charge to be such that, in order to establish an equilibrium between revenue and expenditure, and to provide a sum of £1,500,000, which was then considered to be necessary as a provision against extraordinary charges on account of famine, as well as £500,000 for a working surplus, fresh taxation was necessary. Had the position of the finances been such as to yield this surplus of two millions of revenue over ordinary expenditure, no taxation would have been necessary, and the natural deduction from these premises was that, as soon as the financial position of the country should have improved so as to yield the amount needed to provide for famine-relief, which was thenceforward to be considered as a regular charge on the country, to the extent of £1,500,000 per annum, and the working surplus of £500,000, the taxes then imposed would be repealed.

“The principle of the new taxes, very briefly stated, was this—that, where-as the agricultural and trading classes were those not only who suffered most by famine in those districts where famine was rife, but who also were gainers by the misfortunes of their neighbours, when it happened that they themselves were in the midst of plenty, these classes should be called upon to contribute towards the mutual insurance of each other. This principle was very open to question, and it was the subject of considerable criticism; moreover, the incidence of the tax was very unequal, not only as regards the classes to be taxed, but also as regards the individuals in those classes, for, in the Bill, as it first came before the Council, it was not proposed that any individual or firm, however wealthy, should contribute more than Rs. 200 per annum, whilst, upon small incomes, the contribution amounted to a sum not exceeding two per cent. The Mover of the Bill was at some trouble to explain that this was a deliberate intention, not only because small traders contributed next to nothing towards the support of the State, but also because those who contributed proportionately most would be the ones who would derive most benefit from the fund in the shape of pecuniary relief in times of distress. In consequence of hostile criticism on the publication of the Bill, the maximum contribution was increased, but that from the smaller incomes remained untouched.

“It is now proposed in the Bill before the Council to relieve traders whose incomes amount to less than Rs. 500 per annum, and I cannot better illustrate the importance of this measure than by a reference to a speech made by the Hon'ble Mr. Mackenzie in the Bengal Council, in which he stated that the numbers, in Bengal alone, liable to the amended Act, would stand at 66,668 as against 715,887. To relieve so large a number of persons from direct taxa-

tion is no doubt very desirable, but it is difficult to understand why traders alone should be selected, and agriculturalists whose income is less than Rs. 500 per annum should still be held liable to contribute. However, I shall not dwell upon this point, but, my Lord, I must say that, to my mind, the proposed change has destroyed whatever symmetry the original measure may have been thought to possess. There is now no mutual insurance, but one class, the agriculturalists, and a few of the wealthier people in another class, the traders, are selected, in a purely arbitrary manner, to pay a contribution towards the general needs of the State, to the exclusion of the rest of the community.

“This can hardly, I think, be considered satisfactory; but I have now to point out that the necessity for these taxes does not really appear to have existed subsequently to 1877-78. From Sir John Strachey’s Statement, it appears that, in 1878-79, the amount collected from assessed taxes was £1,227,891, and he proceeds to add—

“‘The standard at which, for ordinary times, the Government aims, namely, a surplus of £2,000,000, less any expenditure on famine relief and exclusive of extraordinary charges, such as those for great military operations, would have been attained if the accounts had shewn a surplus of only £1,010,199, or £1,034,192 less than the actual surplus.’

“It would, therefore, appear that the collections from the famine-taxes, save about £200,000, were not required to make up the surplus of £2,000,000, but constituted a separate and independent surplus over and above that figure.

“The figures of 1879-80 are even more remarkable. In that year, Sir John Strachey says—

“‘The true surplus of the year for comparison with the standard surplus of £2,000,000, at which we aim, will be about £4,160,000, towards which the famine-taxes have contributed £1,184,000.’

“Exclusive of the famine taxes, there was, therefore, an additional surplus of one million over what Sir John Strachey has called the true surplus.

“From these figures, it is abundantly evident that neither in the year 1878-79 nor in the year 1879-80, were the so-called famine taxes needed to make up the surplus of £2,000,000, and in point of fact the money collected from these sources would certainly not have been required for the ordinary fiscal operations of the country. It is not, however, my object to do more than point

out the actual state of affairs as regards the past, but I find the same thing as regards the future. Sir John Strachey states—

“ ‘But for the war-expenditure, the true surplus of the year to compare as before with the standard surplus of £2,000,000, would not have been less than four millions.’

“ He adds—

“ ‘The estimated revenue includes £982,000, obtained from taxes imposed in 1877 and 1878, to enable the Government to meet its famine obligations.’

“ To my mind, the foregoing statement conveys the impression that, but for war expenditure, the Government would have had enough to meet their famine obligations and two millions to spare, or, exclusive of the famine taxation, upwards of a million to spare, and I cannot therefore avoid the conclusion that the maintenance of the assessed taxes is not to meet the charges of famine, but to defray the cost of war. This I must consider altogether erroneous and unjust, for, whatever arguments may be brought forward to prove that the particular classes who are taxed are specially liable to contribute towards expenditure on famines, certainly no reasons can be adduced to prove that they of all others, derive any special benefit from the war now being carried on upon the frontier.

“ Sir John Strachey has in his speech alluded to the question as to whether the cost of the war should fall upon England or India, and upon this point I do not desire to express any opinion, but it is quite clear that if, as Sir John Strachey has urged, India should properly pay the cost, it is rather for prospective than for actual benefits, and consequently the entire burden should not fall upon the existing tax-payers. It appears that, up to the present time, about 5½ millions have actually been paid from funds in the hands of Government, and there would appear to be nothing either convenient, save in the sense of fitting, and certainly nothing cowardly, in spreading the balance of the expenditure over a term of years, especially when it is considered that the war expenditure includes a sum of upwards of 3½ millions for the construction of Railways which, though at present constructed for strategic purposes, will, as Sir John Strachey has pointed out, permanently benefit the country.

“ It would doubtless be inconvenient, if not impossible, for the Government to make any alteration in the financial programme for the coming year, but I urged when sitting in Committee upon the Bill now before the Council, that its operation should be limited to one year. My object in proposing this amendment was to insure the fullest reconsideration of the entire subject of the

assessed taxes as soon as the actual result of the coming year was known. I do not desire now to press the amendment, but I trust the public may receive Your Lordship's assurance that the views I have put forward, which coincide with those already expressed by the Hon'ble Mr. Inglis in the Bengal Council, and which I believe to be very generally entertained, will be duly considered by the Government when the finances shall again become the subject of discussion.

“ One other point I wish to mention with reference to the Financial Statement. Sir John Strachey stated in his speech, that he did not see how the Government were to know there would be a great improvement in the exchange, and it is no doubt a fact that, as long as the present system prevails, it must of necessity remain a matter of the greatest difficulty, if not of impossibility, to make an accurate forecast. But it is a proof of the viciousness of the present system, as regards the maintenance of any accuracy in the Government accounts, that so enormous a variation as one million can take place during a single year. The manner in which this subject should be dealt with, in order to obtain a more secure basis for the preparation of estimates, must of course rest with the Executive, but I trust Your Lordship will not consider that I am out of order in drawing the attention of Government to this subject. I have no hesitation in saying, that I consider the present system entirely faulty, not only because it imports an element of absolute uncertainty into the accounts of Government throughout the year, but because it is also calculated to entail upon the Government the maximum loss of revenue. There is no assimilation in the system now adopted to the natural expansion and contraction of trade which takes place at various periods of the year, so that, on the one hand, the Government is unable to take advantage of high rates when they exist, save to a very limited extent, and when there is little demand it is compelled to force-off bills much in excess of trade requirements, to the manifest detriment of the treasury.

“ Since the time when it was determined to adopt the plan now in vogue, great changes have taken place, the most important being the large increase which has occurred in the annual amount of the drawings, and I would urge that, as the figures now involved are so very large, the attention of the Government should at once be turned towards devising a change which would ensure greater stability, and be more suited to the existing state of affairs.”

The Hon'ble MAHARAJÁ JOTÍNDRA MOHAN TAGORE said :—“ My Lord, the country and the Government are no doubt to be congratulated on the prosperous state of the finances as shown in the Statement submitted to this Council last

week. But there are one or two points in it on which I beg to offer a few remarks with your Lordship's permission. In the first place, I would refer to the cost of the Afghan war. I do not mean to discuss the question as to whether India or England ought in equity to bear the whole or any portion of the cost; that, my Lord, is too large a question, and involves principles which I apprehend cannot authoritatively be decided here. What I would submit for consideration is, that since India has been made to bear the cost, whether the whole burden ought to be thrown upon the present generation, especially as the cost of the war includes charges for the construction of frontier-railways. If the war has been undertaken for the protection of India, the future generation is as much interested in its issue as the present; again, railways benefit posterity no less than ourselves, and it is on this principle that State-railways have hitherto been constructed out of loans. The Hon'ble Member in charge of the Finances has dismissed the question by saying 'Posterity will have quite enough to do in bearing its own burden'; on that ground, I submit, no present burden could possibly be thrown upon future generations.

"The next point, my Lord, is this, when the License-tax was first introduced, Sir John Strachey, in a speech which he delivered in this Council on the 27th December, 1877, said—

" 'So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against famine alone. In saying this, I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our revenues *will give to the country the protection which it requires*, we consider that the estimates of every year ought to make provision *for religiously* applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, *will tempt the Government to neglect this sacred trust.*'

"In fact, it was very generally understood at the time that the policy of the Government was to apply the proceeds of the tax to the construction of works which would give to the country protection from famines. Considering the humane purpose to which the money was intended to be applied, my countrymen did not complain of the tax; since then, however, instructions have come from the Home Government stopping all public works beyond a certain limit, and consequently these works for the prevention of famines could not have been proceeded with. Notwithstanding this, the tax has been collected all the same, and has been otherwise spent; and it is now proposed to continue it to add to the general revenues of the Empire, which, notwithstand-

ing the under-estimates made, seem at present to be in a prosperous condition, and do not stand in need of the continuance of the tax. Of this, my Lord, my countrymen do complain, and I think with good reason.

“Then, again, if the License-tax is to form a permanent part of the fiscal system of the country, I cannot understand why the burden should not be distributed over all sections of the community, and ‘an equitable adjustment of taxation,’ as had been originally proposed, should not be carried out. While the trader, earning a little over forty rupees a month, will have to bear his share of the tax, nay, while the poorest cultivator will have to pay his one pice in the rupee in the shape of the Public Works Cess, the professional and salaried classes, earning perhaps hundreds and thousands by the month, are not required to pay anything. This, my Lord, I submit, seems to me to be very anomalous. It has been said that this scheme has been abandoned because no more money is absolutely required; but at least relief could have been given to the other classes to the extent that the taxation of these two classes would have yielded, or perhaps the minimum of the five hundred rupees could have been raised to a higher figure, or, better still, a fair minimum limit for the assessment of the Public Works Cess, which is but a counterpart of the License-tax for the agricultural classes, might have been fixed. Such an equitable adjustment of taxation would have thrown the burden upon those who could well bear it, and would have afforded relief to those who most needed it.”

The Hon'ble MR. COLVIN said that he wished to make a few remarks on the objections which had been taken to the measure by his Hon'ble friends who had previously spoken. In the first place, he would notice the criticisms made by his Hon'ble friend Mr. Kennedy. Of these, the first to which he would advert was the allegation that sufficient opportunity had not been afforded, either to the Members of Council or to the public, for discussing the present measure. It seemed to him a sufficient answer to this criticism to say that the Bill now before the Council made no change whatever in the existing law, and, except that the fees on annual incomes below Rs. 500 would be remitted, that it left existing taxation exactly as it was. Moreover, the previous measure which had been introduced, and subsequently withdrawn, had, as it happened, given the fullest opportunity for discussion both of the principles and details of the present license-tax. Since there had been this opportunity, and since the law which it was proposed to continue had actually been in force for two years, he thought that no criticism could be more beside the mark than to say that there had been no opportunity of discussing the present Bill.

In the next place, it had been said by the Hon'ble Member that the Bill might possibly limit the powers of the Local Governments in a way that this Council never intended. He did not think that this would be the case; but if it were, the remedy would be very simple, namely, to convert the license-tax into an imperial measure, instead of leaving it, as now, to be dealt with by local Acts.

Then, again, the Hon'ble Member (Mr. Kennedy) had said that he accepted the necessity which the Hon'ble Member in charge of the Financial Department had asserted to exist for continuing further taxation, but he had gone on to say that this necessity would never have been felt if it had not been for the late repeal of the duties on cotton. Now, he would remind the Council that the total amount of money lost by the repeal of this duty in this year was less than $\frac{1}{4}$ million, and that the amount during next year would not exceed $\frac{1}{4}$ million. But $\frac{1}{4}$ million out of the surplus of 2 millions for which additional taxation had been imposed two years ago had been provided for administrative improvements and financial reforms, and the excess of revenue over expenditure on the ordinary account during the approaching year would probably be much over 2 millions. Provision enough, therefore, had been made to meet this charge out of the anticipated income of that year. Even if there had been no such additional charge of $\frac{1}{4}$ million to be met, it could hardly be said that the state of the finances would have been such as to justify the permanent remission of 1 million sterling of taxation. To repeal the license-tax would cost the Treasury not less than this sum; for it must be remembered that, if the license-tax were repealed, the famine-cess on the land must also be given up. The two taxes stood or fell together, and could not, with fairness, be treated differently. He would not follow the Hon'ble Member in his further remarks and suggestions for changes in those duties, as these were matters which were not before the Council. Whether such changes might be necessary hereafter, and whether future taxation should then be increased or diminished, were questions which had better be left to the future.

Turning now to the remarks made by his Hon'ble friend to the right (Mr. Morgan), his first charge was that the taxation of the commercial and trading classes was originally not very equitable, and, since it was now proposed to limit taxation to incomes exceeding Rs. 500, that not only had the symmetry of the edifice been destroyed, but its foundation, so to speak, had been taken from beneath it. Now, he could not at all understand this argument. He would admit that the commercial and trading classes had been selected as the classes upon whom this taxation should peculiarly fall, not because it had been considered an absolutely just or perfect measure to lay the whole

burden of the tax upon them, but because it had been necessary, either to draw the line more or less arbitrarily somewhere, or else to extend the tax to the whole community and make it an income-tax. The latter course had not been thought a proper one to adopt when the new taxes were introduced; and, that being so, he thought that the selection of the agricultural and commercial classes, as being the portion of the community to whom it might, with least injustice, be confined, could easily be justified; but he understood the Hon'ble Mr. Morgan rather to impugn the justice of the proportion in which the tax would now be divided between these two classes, than the propriety of their selection in the first instance. In reply to that criticism, he would point out that, according to the estimate, the agricultural class would pay £525,000 and the traders £535,000 during next year. He thought that these figures were sufficient to show that the balance did not incline unduly against either class, and that the burden was pretty equally distributed between them. Then, as to the argument that the foundation of the tax on the commercial class was destroyed when all incomes below Rs. 500 were exempted, it must be borne in mind that in taxing the commercial classes, a certain number of incomes under all circumstances must necessarily be exempted. The tax could not be paid by every trader, however small; it could not be argued that it was necessary to tax paupers in order to relieve paupers; a line must, in practice, be drawn somewhere in order to exclude the poorest traders. Whether that line was rightly drawn above incomes of Rs. 500 was a matter to be determined by expediency, and there might be much difference of opinion about it, but the exemption of a large number of petty incomes was an indispensable accompaniment of a tax of this nature, and did not destroy its foundation. He would not now notice the remarks of his friend about the application of the surplus created by the famine-taxes, because he (MR. COLVIN) thought it would be more convenient to deal with them in connection with the arguments which had been adduced on the same subject by the Hon'ble Mahārāja Jotindra Mohan Tagore. He would, therefore, revert to that subject hereafter. Mr. Morgan had gone on to argue that, granting for the sake of argument that it was right that India should pay for the entire cost of the Afghán war, still it was not fair that the existing tax-payers should pay the whole of the cost, but that some portion might, with justice and propriety, be shifted on to the shoulders of posterity. There must always be room for a good deal of argument about the extent to which war-charges should be debited to the people in whose time a war was carried on. He would leave that argument to be more fully dealt with by others, but he must say that he was not one of those who thought that the charges on account of war could fairly be transferred to posterity, unless they were clearly beyond our own means to pay. If, indeed, the question at issue had been that of impos-

ing heavy additional taxation to meet the present war-expenditure, a good deal might be said in favour of hesitating and looking further, before we undertook to pay the whole cost of it; but, seeing that no additional taxation was proposed, and that our present taxation, whatever objection might be urged against it, could not by any means be called excessive and beyond the power of the country to bear, it did seem to him that we ought to bear our own burdens, and not remit a million sterling of taxation, for our own benefit, in the vague hope that posterity might find it much easier to pay than we do.

He would proceed now to the remarks made by his Hon'ble friend the Hon'ble Maharájá Jotindra Mohan Tagore. He would not repeat what he had said on the cost of the war, but he would turn to the argument used by the Maharájá in regard to the application of the proceeds of the famine insurance taxation. He thought a few words of explanation on that subject might be of some use, because there was still a great deal of misapprehension in regard to it. The arrangement made two years ago, when additional taxation for famine purposes had been imposed, was that there should be a permanent surplus of $1\frac{1}{2}$ millions of ordinary income over ordinary expenditure, and that this surplus should meet the charge for famines. It was obvious that in arranging for this surplus, ordinary receipts and expenditure only had been taken into calculation, because no financier could promise that he would have a surplus in every year under all possible circumstances. He could not guarantee a yearly surplus when he had to meet extraordinary and unforeseen heads of expenditure of indefinite amount, unless he had *Fortunatus'* cap in his possession. All that he could do was to provide a surplus in excess of the ordinary annual charges, and to take care that those ordinary charges did not increase so as to absorb his surplus. Any such increase, made without due cause, would have given very just grounds for saying that the proceeds of this taxation had been misapplied. It was quite clear, however, from the figures which had been laid before the Council, that there had been no such increase, and that a permanent addition to the annual ordinary revenue of the country had actually been made to the extent of one and half millions. Now it had been fully explained at the time when this tax had been imposed, that this $1\frac{1}{2}$ millions were to be used in extinguishing or preventing debt. To quote the words of the Hon'ble Member in the Finance Department: "I think, my Lord, I have now made clear how we propose to apply this $1\frac{1}{2}$ millions, which we hope to provide as an insurance against famine. We shall apply it virtually to the reduction of debt." It was then explained that this $1\frac{1}{2}$ millions of surplus would enable Government to borrow $1\frac{1}{2}$ millions less in each year hereafter, so that, at the end of ten years, it might, if necessary, borrow as much as fifteen millions, without putting itself in a worse

position than it occupied at the commencement of that period. It had been shewn beyond dispute in the Financial Statement made the other day, that a surplus exceeding six millions will have been applied during the three years under review to the object contemplated. Financially, therefore, the engagements which were made in 1878 had been fulfilled. It had been said, however, by his friend to the right that the money which had been so added to the income of Government should have been applied, as was then promised, to productive public works. He (MR. COLVIN) would say, before going further, that this did not appear to him to have been an essential part of any obligation which the Government then undertook. So long as it diminished debt, it did all, in a money point of view, that it undertook to do. But it was true that, at that time, it was fully intended to apply this surplus of $1\frac{1}{2}$ millions to the construction of public works of a productive character, and that this intention had been strongly expressed. As he understood the matter, there were two reasons for so applying it. In the first place, in a year when the ordinary income exceeded the ordinary expenditure, no debt was usually contracted by the Government, except for one purpose, and that purpose was the prosecution of productive public works; secondly, because, by pushing on and completing works of this kind, the best possible precautions were taken against the disastrous effects of future famines, and against the recurrence of heavy charges upon this account hereafter. Now, we had seen in the Financial Statement that the debt will have been kept down during 1878-79-80, by a sum fully equal to the proceeds during those three years of the taxation for famine purposes. It could not be maintained, therefore, that those proceeds had been misapplied, even if productive public works had been neglected. There had, however, been no such neglect of them. Something like eight millions, if he remembered right, had been spent upon them during the last two years. In the approaching year, no doubt this sum would be considerably diminished, under orders which the Government of India could only obey, and no more than $2\frac{1}{2}$ millions would be expended on that account. He did not see, even if $2\frac{1}{2}$ millions only were expended upon productive public works, how it could be said that the famine-insurance-money had not been properly applied. As long as a sum equal to the proceeds of famine-taxation was applied to the reduction or prevention of debt, there was no such misapplication. Now, the annual proceeds of those taxes, as every body knew, were much less than $2\frac{1}{2}$ millions. They had never exceeded £1,350,000, and were now, in round figures, only about £1,000,000 per annum. Financially, therefore, the enforced reduction of expenditure during next year upon productive public works did not affect the question of famine-insurance at all. On other grounds, however, this reduction was very greatly to be deplored. It was impossible to deny that, after what had been said in the budget of 1878, the public

had good reason to expect that productive public works should be actively pushed on. Their vigorous prosecution was in itself a most desirable thing, because they afforded the best means of mitigating or averting the disastrous effects of future famines in India. Besides this, there was no mode in which capital could be more profitably invested. It had been shewn in the Financial Statement of last week that over 65 millions had been so expended during the last twelve years to the incalculable benefit of the public, and without costing them a penny of interest. He thought that every body might well join in the hope that the limit of $2\frac{1}{2}$ millions during the present year would soon be increased.

In the last place, his Hon'ble friend had remarked on the exemption from taxation of the official and professional classes. He had understood him to say that, if taxation was to be equitable, it ought to be extended to these classes also. MR. COLVIN quite agreed with him that, if taxation for famine purposes was to be perfectly equitable, it should be extended a good deal further than it went now; but, in that case, he did not see, as he had already said, how any line was to be drawn which would not be open to criticism, unless it embraced the whole community. That was the only equitable way of extending the tax. No doubt, if more money were needed, the tax might, on grounds of necessity rather than of equity, be made to include some classes who were now exempt. It had, indeed, been proposed a short time back to include the professional classes; but that proposal was avowedly made because more money was believed to be necessary, not because there was any special propriety in taxing the professional classes, who neither received relief in times of famine, nor derived profit under any circumstances from it. He thought it would be difficult to give any equitable reason for taxing professional persons and exempting fund-holders. Nevertheless, if a further contribution to the treasury had been needed, he thought that there were grounds other than those of strict equity on which it would have been justifiable to take that contribution from the official and professional classes. But when there was no need of further taxation, he could not see that there was any greater fairness in extending the incidence of the tax to the professional classes than in leaving it as it was. He believed that the feeling which lay at the bottom of much of the desire to extend this taxation to the official and professional classes had found expression in a memorial which had been circulated that morning to Members of Council. That memorial said—

“ Rightly or wrongly, men are apt to endure, with a comparatively light heart, burdens common to all. * * * For the general run of tax-paying humanity, the question is no doubt, as has been confessed, one of feeling, and a far from generous feeling. For them misery loses half its sting when it is universal. They are apt to regard it as among the ills

that flesh is heir to. A general calamity, like the well-known 'one touch of nature,' makes the whole world kin."

He supposed that the writers meant that general suffering from an income-tax was better than partial suffering from a license-tax, and if they meant that, he was not at all inclined to disagree with them; but he did not think the feeling there expressed should be gratified by extending taxation to any one particular class, when no extension of taxation was otherwise called for.

The Hon'ble Mr. HOPE said:—"My Lord, the Hon'ble Sir John Strachey, in his recent Financial Statement, alluded to the scheme for saving a considerable portion of our customs-revenue by substitution of registration-fees for customs-duties. He gave no opinion of his own, or on behalf of the Government, but he said that the scheme deserved to be considered, and he made allusion to myself, as having lately given it my attention. It will probably be expected that in response to this invitation, I should over to the Council and the public some explanation on the subject.

"This explanation I must preface by two very distinct provisos. I have no intention of discussing the propriety of the policy which the present Government has followed regarding the cotton-duties and other items of the Tariff, and I beg that nothing which I may have to say in elucidation of my subject may be taken as even indirectly raising such an issue. Moreover, I do not to-day come forward as the proposer of registration-fees: my position is not that of an advocate, but analogous to that of an enquirer giving an account of his investigations, or a Judge summing up evidence for the consideration of a jury.

"The discussions consequent on the Tariff Act of 1875 naturally led me to look into the whole history and structure of the Indian Tariff, and to consider all possible changes and alternatives. The idea of registration-fees, which is, as the Hon'ble Sir John Strachey has told us, a very old one, then had its share of attention, and I again examined it in 1876, when an opinion that many of the main heads of the Tariff did not yield enough to justify their retention was first emphatically urged on the Government of India. The matter, however, had no present importance until 1878, when the notification of March 13th abolished the duties levied on certain coarse cotton-goods, and under twenty-seven main heads of the Tariff. In this practical declaration that a duty was indefensible if it either was at all protective or did not yield a sum absolutely as well as relatively large, together with the important exposition of customs-policy contained in the Financial Statement of that year, was clearly foreshadowed the end of the bulk of the import-duties. At the same time, the financial difficulty of dispensing with such an important item in the Indian revenues was obvious, and I therefore, after my return from England

a year ago, obtained Sir John Strachey's permission, with full official aid, for investigating the registration-fee question in a more thorough manner than I had hitherto found practicable. I may here acknowledge the valuable assistance I received from Mr. J. D. Maclean, the Collector of Customs at Calcutta, from Mr. O'Connor, the Assistant Secretary in the Department of Finance and Commerce, and also from the Head Appraiser at the Custom-house, Mr. Phipps. A few days ago, too, Mr. J. W. O'Keefe, a member of the Committee of the Bengal Chamber of Commerce, and recently my colleague on the Tariff Valuation Committee, kindly placed at my disposal some very interesting and useful calculations and suggestions, drawn up by himself a couple of years since. But though I have been told that the registration-fee idea has been more than once mooted in India, I have been unable to discover on record one single line, official or demi-official, about it, and have therefore had to work it out, *ab initio*, on what I suppose to be its first principles.

"Registration-fees I understand to mean a charge upon *all* articles of import and export (except a few otherwise dealt with on special grounds), imposed primarily with the view of covering the cost of registering and publishing statistics of trade and navigation for the benefit of the commercial public, but enhanced for revenue-purposes slightly beyond the actual cost of such statistics. The excess charge is in reality a customs-duty, laid on quite irrespective of protectiveness or other general considerations, and defended on the ground, first, that it is needed for revenue, and, secondly, that it is practically inappreciable by trade.

"I will now relate my working out of the scheme on this basis. To be practically inappreciable by trade, it is evident that the form in which the fee is levied must be that which puts trade to the least possible trouble, delay and indirect expense, and that the rate of the fee must be extremely low.

"As to form, existing commercial practice might be largely followed. The denominations under which various descriptions of goods pay freight, dock-dues, quay-fees, landing and other charges are the gradual outcome of long experience, and will be found a valuable, though not infallible, guide. In other words, weight, number, measurement, customary package (*i. e.*, bale, chest, case, bundle, &c.), and the like, will each be found to have its peculiar appropriateness for certain goods, which may be charged accordingly. Again, wherever goods already pay dues to Port Commissioners, the registration-fee might be included in their bill, so that one payment would cover everything, and the merchant would be saved all separate dealing with customs-officers. In many cases the fee might be paid in stamps affixed to a bill, manifest, port-clearance or other document.

“As to rate of fee, it would seem that one per cent. is the very highest which could be imposed consistently with the principle. As to whether one per cent. would be ‘practically inappreciable by trade’ or not, I have received very conflicting opinions from mercantile men. Some contend that ‘one per cent. is one per cent.,’ and that in these hard times everything tells: others rejoin that the one per cent. duty on iron, for instance, and many even heavier private trade-charges, have not the slightest effect on the market. I must hasten to explain, however, that I do not mean that any goods, excepting possibly some few for which this would be the fairest course, should be charged the fee *ad valorem*, but merely that the fees fixed per ton, package, &c., should not have a higher incidence than this on the value of the goods.

“To draw up schedules of fees suitable in form and amount to the different classes of goods would evidently be a task of some difficulty, to be performed only by a Committee of experts, in which the mercantile community must be largely represented. The fees would have to be convenient round sums, and owing to this, and to fluctuations in value, there might often be an inequality in their incidence on different articles. But such inequality necessarily accompanies Tariff-valuations under the present system; the maximum being one per cent., it could here only extend to some petty decimal, and it would be redressed periodically by revision such as Tariff-valuations now undergo. Whether such a Committee could produce satisfactory schedules or not has been disputed. I am not prepared to affirm that it could. But I have been assured by excellent mercantile authority that the thing is quite feasible, and would incidentally produce much greater equity in Port Commissioners’ and similar charges, and I am inclined to think so.

“The next point presenting itself is, what branches or classes of trade should be subjected to the fee? It has been strongly urged on me, by both official and commercial authorities, that the coasting-trade should pay it; but I am totally unable to concur. The coasting-trade could not be made liable without subjecting it to a vast amount of restriction from which it is now free, and reversing the policy of liberating it as much as possible which I followed in the Sea-customs Bill, now Act VIII of 1878. I cannot see why goods moved by sea from one part of British India to another should pay a fee any more than goods so moved by land, and we surely are not going to re-establish transit-duties throughout India. Moreover, goods moved from port to port would pay over and over again. As to other branches, it would be highly objectionable to levy a fee on treasure; and re-exports, which now get the benefit of drawback, should perhaps be exempt. Another exception to the registration-fee-system would be the case of articles on which it was necessary, for special

reasons, to maintain the existing duties—that is to say, arms, bearing a high duty for political reasons; salt and liquors, on which we levy an excise; opium, nominally, but for the maintenance of our monopoly; and rice. The case of rice is a peculiar one, but I need not discuss it as it has just been fully explained by the Hon'ble Sir John Strachey. In short, the fee-system, if introduced at all, might fairly apply to the whole external import and export-trade excepting the classes I have just mentioned.

“I will now turn to the financial aspect of the measure. From the Trade and Navigation Statements for 1878-79 calculations have been made, distinguishing every sub-head of the Tariff, and applying to the known quantities and values fees expressed (provisionally) in the denominations used for the statements, and not exceeding one per cent. in incidence. The result thus arrived at cannot be far different from that which fees, according to schedules eventually prepared by a Committee, would yield.

“The total receipts in 1878-79 from import and export-duties, excluding salt, were £2,273,000. Deducting £200,000 for loss by reduction of cotton-duties in 1879-80 and £56,000 for indigo and lac just made free, we have a customs-revenue of £2,017,000, from which further heavy loss through importations of free cotton-goods is anticipated. Deducting from this, again, the duties to be retained, namely, £5,600 for arms, £361,900 for liquors, and £570,300 for rice, we arrive at a balance of £1,079,000 derived solely from duties which would come under the registration-fee scheme. The fees are calculated to produce on imports £388,000, on exports £420,000, and by saving in customs-establishments about £80,000, total £888,000. This shews a loss of £191,200, compared with the £1,079,000 just mentioned. But this loss would be a final loss, and the fee-revenue would increase in future with the trade of the Empire; whereas, as things now are, the Financial Statement contemplates a loss of £50,000 in 1880-81 from importation of grey duty-free goods alone, and the ultimate disappearance of £615,000 more for cotton-duties, if not the abolition of the whole import-tariff.

“Such are, roughly speaking, the aspects which a registration-fee system, supposing I rightly understand it, would present if applied to British India.

“Those who approve of the system would probably support it by some such considerations as the following. Whatever may happen to customs-duties in general, some customs-establishment must be maintained to levy duty on salt, liquors and the other special items. The quantities, value and other particulars of all the seaborne trade, whether free or not, must always be collected and tested for statistical returns, such as the Board of Trade compiles and publishes in England, and a charge may fairly be made for this. Port Commissioners, who

levy certain fees on all goods, now exist at Calcutta, Bombay and Rangoon, and will probably soon be constituted at Karachi—four ports which engross between them 88 per cent. of the whole trade of India. It is just as easy for a clerk to levy four annas in one bill as two annas. Why not utilise all this inevitable machinery for a registration-fee-system, securing a large sum for revenue-purposes, and at the same time getting rid of a mass of customs-officials and restrictions, with all the friction they involve? Again, this system will practically, as has been said in a Calcutta newspaper, ‘lay for ever the phantom of protection.’ Theoretically, it of course will not do so, since articles imported which can also be produced in India will be weighted with the fee, but the fee will be so light as to have no practical effect. Mr. Laing in 1861, and many high authorities since, have argued that an import-duty was justifiable on articles similar to any produced at home, if its amount was so moderate that it could not seriously affect trade, and that the establishment of a corresponding excise was not worth while. If this argument was good for anything when used, as it was, in support of a duty of five per cent. and upwards, it is infinitely stronger in support of a fee of only one per cent. At any rate, the system may well be accepted by all parties as an eirenicon, removing all grounds of bitterness and ill-will between India and Manchester, and as substituting an unexceptionable source of revenue, ‘expansive in proportion to the progress of the Empire,’ for a heterogeneous mass of duties open to, and destined to fall before, numerous economical objections.

“On the other hand, the advocates of a total remission of customs-duties may be expected to produce obvious objections. ‘One per cent. is one per cent.,’ they will say, a burden on trade and a protection of home-industries, just as bad in principle at one per cent. as at five per cent., but not so productive, and reaching numberless articles now absolutely free. Again, the fee can never be absolutely equal and equitable unless charged *ad valorem*, which would be very vexatious. Round sums must be fixed, which will vary in real incidence according to market-prices. Inequality of incidence *ad valorem* is justifiable in wharfage or Port Commissioners’ charges, because packages occupy space, or cause labour in hoisting and removal, quite irrespective of their value, but to the case of a fiscal fee this does not apply. Moreover, £200,000 out of the proposed fees on imports will be derived from cotton-goods, so the whole remaining import-trade will be taxed for the paltry sum of £188,000! No duty; fee, or whatever else you please to call it, is worth the trouble of collecting if less than five per cent. Finally, the export portion of the scheme is especially obnoxious. Export-duties, excepting where there is virtually a monopoly of the foreign market, are equally condemned by economists and politicians. Sir

William Muir denounced them emphatically in 1875, with the concurrence of Lord Northbrook, and no one pretending to education or common-sense can say a word in their favour. It is no use in this case to talk of the lightness of the fee. The Indian export-trade (except in rice) lives 'by the skin of its teeth,' and cannot bear the slightest fiscal impost. Quick and easy communication, with competition, have so cut down profits that one per cent. often makes all the difference between gain and loss on a shipment.

"To this attack, the rejoinder may be offered that we cannot regulate practical questions by the theories of doctrinaires, and *de minimis non curat lex*: that one per cent. is inappreciable in all trade not of a purely speculative and unsound character; that on exports the fee might be only a half per cent., though this concession is not really necessary: that the 'inequality of incidence' objection to the fee applies equally to tariff-valuations, which are used by all nations as an unobjectionable convenience; and that as we must make some charge for keeping trade-statistics, the opportunity of aiding the revenue by a slight enhancement of it should not be thrown away.

"I must not ignore another class of objectors, who will demur to the entire proposition that the whole cotton-duties, much less the other import-duties, are either 'dead' or dying. They will contend that the recent reduction of cotton-duty has gone entirely into the pockets of Manchester instead of benefiting the Indian consumer, that the cotton-duties remitted should be reimposed, and that even if they should eventually be removed, the other duties should be maintained on revenue-grounds, as they are collected easily and without pressure. They will be for sacrificing nothing except upon compulsion, and for living on in hope of a change of policy. But regarding such objections I can only note their existence, for to do more would be to raise the whole question of policy from which I began by declaring my intention to abstain.

"My Lord, I have now stated to the best of my ability the case for and against the project of registration-fees. It is fortunately not necessary for me to draw any conclusion, and I do not mean to do so, or to point at any. The subject in its principles and details needs general discussion and consideration by the public, and after that, a decision could be formed only in full view of the doom of the existing duties and of the alternatives presented. In the abstract, I presume that almost every one would prefer no duties. I myself, when moving the consideration of the Sea Customs Bill in February, 1878, expressed the following opinion:

"The second step by which custom-house restrictions might be further and very largely relaxed is by alteration of our Customs-tariff. If it were possible in lieu of the fifty or sixty

main heads of the Import-tariff, to have duties on only six or seven important, well-defined and readily distinguishable articles, the relief afforded in the matter of preventive scrutiny, check, stoppage, seizure and the like, and informalities, would be enormous. It is, of course, no part of my duty to indicate or suggest any policy of this sort on general grounds. What I say is said merely in connection with the subject of customs-procedure now before us.'

"Whether the alternative to a registration-fee is to be absolute freedom, or the substitution of some other specified form of taxation, is a consideration material to the issue, and until the time has arrived, if it ever does arrive, when the Financial Member and the Executive Government think it necessary to present the question in a complete form, no final opinion can be satisfactorily arrived at."

His Honour THE LIEUTENANT-GOVERNOR said:—"My Lord, in common with all those who feel an interest in the welfare of this country, I congratulate the Government of India on its financial position as it was described in the statement of my honourable friend Sir J. Strachey, and I must congratulate the Government almost as much on having at length discovered how good its financial position really has been for some time past. I cannot too strongly express the gratification which I feel that the Government of India is now in a position to give unanswerable proof of the absolute groundlessness of the mischievous panic which has of late been started on the subject of the insolvency of India. But my congratulations would not, I am sure, be so valuable to my honourable friend if they were unaccompanied by such criticisms on his statement as should indicate the sincerity of the spirit in which I am dealing with the subject, for my honourable friend is well aware that there are certain financial points on which I am not altogether at one with him. Nothing is further from my mind than to make any disagreeable comments on the policy of the Government of India, and indeed it would be very unbecoming that I should do so. What I wish to do is simply to raise a voice of warning against a tendency to lose sight of some of the real causes of that anxiety, under the feeling of intense relief at our release from a position of embarrassment and anxiety.

"What I have to say is to a great extent in the interests of the Local Governments, because I think that we have been placed in a position in which we should not have been placed if a little more foresight and confidence in the elasticity of the revenue of this country had been shown. We have been exposed to a process of what is commonly called squeezing, and as a consequence, we have had to suspend all progress in administration and public works for a whole year. If that was all, I should not have so much to say; but

what I do complain of is that the same process is apparently to be continued for another year, when nobody can, I should think, hold that anything of the sort is necessary. In May last the Government was led to take a most alarming view of its position—a view which has now been shown not to have been warranted by the facts. So far as we are now told, there was nothing whatever to justify the scare which possessed the Financial Department in May. I am not among those who hold that the scare was not real: I fully believe that my honourable friend was suffering from the apprehensions which were then expressed. But though I am quite prepared to accept to the fullest possible extent Sir J. Strachey's assurance that this want of foresight on the part of the Government led to a searching examination into every branch of the public expenditure, which has been very useful and very satisfactory, I believe that this examination might have been just as well carried out without such violent measures. I greatly regret the entire abandonment of that great scheme for the development of public works and for the material improvement of the country which was put forward by your Excellency only two years ago, and which has been justly described by Sir J. Strachey as one of the noblest programmes ever planned by a Government. I do not care to enter into a discussion as to how far the Government was pledged, or how far it was not actually pledged, to devote the increase of public income which it received during 1878 and 1879 to public works. Whatever its actual pledges may have been, I think nothing can be clearer than that its intention was to invest the money in this way, and that it did lead every one to believe that the money would be so invested. It is quite certain that the public were induced to look upon these schemes for fresh taxation with comparative favour, on the ground that the proceeds would enable the Government to carry out at once, and without that constant change of policy which has hitherto been so mischievous to India, a grand scheme of public works; and therefore when the public see that if it had not been for expenditure on the war, the Government might in this one year have had four millions more to spend than it has spent on public works, and that this great increase of revenue, so far from leading to the promised development of public works, has been accompanied by such a contraction of expenditure on railways and irrigation as to make it impossible to look for any progress in the material improvement of the country for years to come, there is naturally a feeling of disappointment. What I complain of is, not any breach of pledges, but the unnecessary abandonment of an admirable policy.

“If we set aside the fact that the Financial Department might have foreseen this increase of revenue, and if we suppose the Government suddenly to have tumbled into this vast surplus, then I should say that my honourable

friend is perhaps justified, on suddenly finding himself in possession of a large and unexpected surplus, in devoting that surplus to paying for such extraordinary charges as the Afghan war; but if, on the other hand, other ordinary spending departments were starved in order to procure a surplus which might be devoted to the war, then I cannot admit that my honourable friend has been proceeding on a sound principle. He has impressed upon us the soundness of the doctrine that, to the utmost of our ability, we ought to provide for the expenses of every year out of the year's income. But this doctrine requires to be taken with a limitation to the effect that, in order to do this, the whole administrative machinery of the country should not be thrown out of gear, and that the Government should not for such a purpose depart from a policy of developing public works to which it has distinctly pledged itself when endeavouring to convince the people of the necessity for fresh taxation. Saying nothing, however, more about last year, I must say that I cannot approve of the proposal to meet the cost of the war in the coming year from revenue, so long as I find that, in order to do this, the Government of India is again compelled to starve public works, and let another year pass away in inaction. The Committee of the House of Commons, which recommended a reduction in the expenditure on public works, did so under an entire misapprehension as to the real financial condition of India, and clearly recognised that, when the financial position was shown to be better, a larger expenditure should be provided for. I believe it to be true, as my honourable friend has said, that the suspension of public works is a policy which is deplored by the Government of India as much as it is by every one interested in this country. I came out to this country in 1876 with my honourable friend, and I am able to say that the chief idea by which his mind was possessed—always of course excepting the abolition of the cotton-duties—was the carrying out of a great scheme of railways for India; but I cannot agree with him that the failure to carry out the programme of public works is a matter for which the Government are not responsible. If they had seen that the revenue was increasing steadily and enormously as it has done, they would not have taken such a desponding view of their financial position, and their despondency would not have spread to England. I do feel, in the face of these facts, that I am only doing what is right in urging in the strongest possible manner that the money obtained from the Local Governments under mistaken impressions should be returned to them, or at all events that the deduction in provincial assignments should not be continued, as my honourable friend proposes it should be, for the coming year. I trust that no time will be lost in setting matters right as regards the capabilities of India, and that even now some portion of the war-charges may be met by a loan in order to provide funds for pushing on public works. I shall then

see more hope for the future. I am sure that the Government have only to urge upon the Home Government the importance of carrying out the expectations encouraged when the new taxes were imposed to induce them to reconsider the present limit on public works. I can imagine no policy more shortsighted than that of starving public works; it is to them that we are indebted in a great measure for the steady growth of our revenue, and it is just as bad economy to starve them, as it would be for a man to starve the horse by which he earns his living. Railroads have added enormously to the general prosperity of the country, and in addition to the direct revenue they yield, no one really can fail to see how enormous are the indirect benefits which the country is receiving from them.

“When I look at the marvellous growth of our railway-receipts in our small Bengal railways alone, I am surprised that any one should doubt whether railways, if properly conducted and worked, will pay in India. The Gya railway, starved as it is, unballasted and unstocked, carrying passengers in goods-wagons, because it is not allowed money for carriages, is paying a profit of six per cent. in the first six months of working, and the goods carried by the Northern Bengal Railway were as nearly as possible double what they were last year, and yet with all the excellent schemes which have been prepared for a system of cheap lines throughout Bengal, the construction of railways is absolutely suspended.

“My Lord, I will now take up the only other subject on which I have any difference of opinion with my honourable friend: I mean the cotton-duties. Sir J. Strachey has given it as his opinion that the cotton-duties are virtually dead. Here I hope and believe that he is mistaken; but if they are not, it is certainly no fault of his. In spite of every warning that could be given, the Finance Department has so handled these duties, that the revenue lost was much in excess of their professed anticipation, and the confusion which they have caused has led to what Sir J. Strachey calls an anomalous and objectionable state of things, his only remedy for which is to leave the wounds which he has inflicted on our customs-system to fester and putrify till they become so unbearable that extermination shall be demanded by common consent. This is what he means by saying he believes the duties to be dead. I can only liken my friend to a not very scrupulous physician called in by greedy and unprincipled heirs-expectant to attend a sick relative. In his first visit, he administers the strongest dose of deadly poison which he dare give; at his second visit, he expresses great concern at the mischief caused by the first dose, and gives another of double strength to see if that will remedy matters; at his third visit, he expresses the greatest consternation at the entire break-up of the vital

system which his treatment has caused, and, rubbing his hands, turns to his constituents with an unmistakable smile and says—‘I think our patient’s case is now quite hopeless; my treatment has unfortunately caused such entire derangement of the system that I fear she is virtually dead, and I therefore prefer to leave her to nature.’ If in addition to these facts it could be shown that such a physician had in his youth staked his reputation on a theory that a patient suffering under such a disease as that he was asked to treat ought to die, I am quite sure that any Coroner’s jury would find him guilty of wilful murder, and my honourable friend need not therefore be surprised if the public find a verdict of this nature against him when charged with the destruction of the cotton-duties. Indeed, I do not believe that he would raise any objection to a conviction under this head. We can all see how the ‘convictions of a lifetime’ are being realised. This spontaneous destruction of the cotton-duties is, it seems, only a part of another prophetic vision, which is to be realised later on, under which the whole of the customs-duties are to be repealed, and all Europeans living in India, and enjoying the benefits and protection of a civilized Government, are to be absolutely released from the only contribution they now make towards the expenses of Government. This may truly be said to be prophecy made easy. The proper remedy for the confusion and anomalies which have been caused by the measures of the preceding year undoubtedly is that suggested by the Chamber of Commerce of Calcutta, namely, to bring all cotton-goods under a uniform duty, and to make that duty so low that no one can pretend, however brazen they may be, that the duty is protective; and I entirely differ with my honourable friend in thinking that the Government of India is in the slightest degree barred by the Resolution of the House of Commons from doing what is right in a matter so seriously affecting the revenues of India, and the interests of the people under his charge.

“I am sorry to see the prophetic eye of my honourable friend turned towards the abolition of the rice-duty. If ever there was a customs-duty which is alike productive and harmless, it is this. I will not go into a detailed statement of my reasons for thinking this, for I had an opportunity of doing so before this Council in 1875, and I had hoped that the matter had then been set at rest for ever. No one asks for the reduction of this duty; no one pretends for a moment it is mischievous; the merchants chiefly interested in the trade have deprecated its abolition, and I cannot conceive what possible grounds there are for meddling with this highly productive duty, unless it is that England hopes to obtain still cheaper the material with which she adulterates and makes heavy

her cotton-goods for Eastern consumption. The soft rice is not used for food anywhere in Europe, and it is the soft rice from which the duty is chiefly raised. It is simply used for making starch for cotton-manufacturers and spirits for Germany. As to the abolition of the duties on indigo and lac, I do not suppose that anybody will object to it, as my honourable friend has money to give away. The remission will certainly not benefit the trade in these articles of export in any tangible degree. It may, on the other hand, encourage the production of inferior indigo, and thus help the scientific discovery of an efficient substitute for indigo, which is so much feared.

“As regards the salt-revenue, I will only say that I believe that the increased consumption of salt in Bengal is not in any way attributable to the reduction of duty. The price of salt at the great markets in the interior has not been affected by the reduction. The money surrendered by Government went into the pockets of the traders. The increased consumption of salt is partly due to returning prosperity after years of scarcity and pinching, and partly to improvements in the means of communication. Salt is carried now with safety in a few hours to markets which before it only reached after a journey of some weeks, accomplished with much risk and wastage. These are among the indirect benefits of our railways which are so constantly ignored. Take the Northern Bengal Railway alone. In 1878 it only carried 2,000 maunds of salt, while in 1879 it carried over a lăkh and seventeen thousand maunds. No doubt the differential duty which now exists to the disadvantage of Bengal is mischievous, and the Liverpool salt is being driven out of the Bihār markets by Northern India salt, but the remedy for this is, not to sacrifice still more revenue by a heavy reduction in Bengal, but gradually to level the other Provinces upwards, and make them pay what Bengal pays. No impartial man can believe that there is any reason why this should not be done, and why Madras, Bombay and Upper India should not pay what the people of Bengal pay without a murmur, and with a constantly increasing consumption.

“An allusion has been made by my honourable friend to the work of the Army Commission over which I had the honour to preside. I am sorry to find that he has not been able to take credit for any part of the savings proposed by the Commission during the current year; but I am quite aware that the subject is a great one, and that among the Commission's proposals are some on which a very speedy decision is

not perhaps to be expected; on the other hand, there are some of the Commission's proposals which might in my opinion be carried out at once with gréat advantage. I have no hesitation in saying this, because, if there is one merit more than another which I desire to claim for the report of the Commission, it is that it does not contain a single original idea—certainly I cannot pretend that it contains a single original idea—of my own. All we did was to exhume and examine the opinions of able soldiers and statesmen which have from time to time been laid before the Government, to invite the opinions of soldiers of the present day, and to put them in such a shape as we hoped would enable the Government to come to an early decision on reforms regarding which there has been a most remarkable consensus of opinion for years past. I look upon our proposals as of very much less importance from an economical than from an administrative point of view; and when I think that the report contains the views of the most experienced officers of the army on such questions as the formation of reserves, a system of transport, the officering of the army, the reorganization of the Native army, its territorial distribution, and the substitution of strong efficient battalions for the present weak and expensive cadres, I cannot agree with those who say that this is not the time for the consideration of such a subject.

“ My Lord, there is no part of my honourable friend's able and exhaustive statement in which I concur more heartily and more completely than that which lays stress on the wisdom of maintaining the financial independence of India. I think with him that the greatest misfortune which could happen to India would be that England should accept financial responsibility for the Indian Empire. Although I know that many of my Native friends think otherwise, I do feel that it would be a change which India would never cease to regret. It might no doubt be easy to make out a case showing that European interests are involved in the Afghan war, but I am quite sure that, if this principle was acted upon, not a year would be allowed to pass in which it was not shown that heavy expenditure in England was connected with Indian interests, and that India should be made to pay. We have had examples of this already, and if the principle of financial reciprocity be once admitted, these charges against India would be the rule and not the exception. If India was bankrupt, I could understand her selling her independence in order to obtain the necessary relief, but when she is flourishing and prosperous in the highest degree, such a wish is to me unintelligible.

“ My Lord, I will not take up the time of the Council any further. I do hope that your Excellency's Government will take immediate measures to

obtain permission to expend more of the steadily increasing revenue of India on the improvement of India. We may hope that this may be done without greatly disturbing the budget-estimates; the last opium sale of this year, which took place yesterday, having given prices which will, if maintained, bring opium up by £1,300,000 over the estimates which were presented to us last week."

The Hon'ble MR. COLVIN said that, if he was not out of order, as he believed he was not, he wished to say a very few words by way of explanation, and to correct an error into which his honourable friend the Lieutenant-Governor of Bengal had fallen. What MR. COLVIN had said to-day was that, as he understood the arrangement under which the present taxation for famine-purposes had been introduced, it did not commit the Government of India necessarily to its expenditure on productive public works. His Honour had quoted, as if it had been contradictory of this, a passage from a speech uttered by MR. COLVIN three years ago, in which he had said that certain measures of which he was then speaking had been framed "solely with a view to the extension of provincial responsibility for public works." He wished to remind the Council that the speech from which these words had been quoted had no reference whatever to the question of famine-insurance. In 1877, no idea of providing for famine by special taxation had been conceived. The purely local measures to which MR. COLVIN had referred on that occasion were not intended for the prevention of famine, but for the transfer of responsibility on account of public works to the Government of the North-Western Provinces; they had absolutely no relation at all to the question upon which he had just been speaking.

The Hon'ble MR. RIVERS THOMPSON said:—"I do not think, my Lord, the Government of India can take any exception to the general character of the discussion which has passed this day upon the Financial Statement of the year. Indeed, in the presence of a budget which, above all that has gone before it for the last five or six years, is so unprecedentedly satisfactory (and perhaps its great charm lies in its unexpected refutation of anticipated difficulties), satisfactory not only in established results, but in its promising out-look for the coming year, and especially in this, that it seems to me to controvert the theories of professors as to the bankruptcy of India and as to the inelastic character of its fiscal system—I say in the presence of such facts, while we could scarcely have expected any expression of serious disapprobation or dispraise, we cannot be disappointed that a free discussion has taken place upon points which are considered open to objection. These appear in the speeches of my friend the Hon'ble Member who represents so ably and temperately the commercial interests of Calcutta, and of the Hon'ble Mahārājā who is a large landholder and

in deservedly high estimation among the Native community of the Lower Provinces; and they both speak to us with an authority which claims, I may say for the Government, our patient attention. I would add, speaking as a Member of that Government, that we welcome in every way the fullest and freest discussion of any topics of interest to India, which the debates in this Council permit, and especially so in the matters of such wide concern and magnitude as those which are raised in the annual Statement of our Hon'ble colleague the Financial Minister. The immediate question before the Council is simply as to the passing of an Act to amend the License Acts of 1878. My Hon'ble and learned friend (Mr. Kennedy) who spoke first in the debate, looking round upon us with great indignation, asked what justification there was for the introduction of heavy taxation upon the people in such a time of financial prosperity, and he seems altogether to have overlooked, till rightly corrected by your Excellency, that so far from imposing extra taxes, the Bill before us really contemplates the exemption of large numbers from the operation of an Act which has been two years in existence, and that, in fact, we are surrendering between three and four hundred thousand pounds by this measure. Simple and short however as the Bill is, the issues which are raised upon this question are great and diversified, involving matters of policy so vast as that concerning the prosecution of the war in Afghanistan, the liability of England to a share of the expenses, the measures connected with the insurance against famine, the action taken last year in a partial repeal of the cotton-duties, the prosecution of public works of a remunerative character, and the general question as to the applicability of direct taxation in a country like India.

“ I am not going to inflict upon the Council a review of all these measures, I will ask your Lordship's permission, however, to say a few words upon the Afghan war, because it seems to me that the position and prospects of our finances depend to a large extent upon that war; and outside the Council, if not to-day within these walls, the policy of the Government has been unjustly censured and misunderstood. The work of a Member of Council is so little before the public, that it gives rise occasionally to impressions that the Members of the Government are not united in their action, and that grave dissensions on matters of public concern exist in the Government. I can appeal to your Lordship in the presence of my colleagues in the Government whether, as regards this war in Afghanistan, there has been the slightest difference as to the justice of its policy or as to its general conduct. We have been taunted with the declaration of an unnecessary war, and the prosecution of it in a cruel and costly manner. To all such I would recall the circumstances of the first intimation of the

arrival of the Russian Embassy at Cabul in September, 1878. At a time of peace throughout the Empire in India, when the Government were exercised by no greater considerations than those connected with the ordinary civil administration of the country and the prospects of the harvest after a somewhat adverse rainy season, we received the intelligence that a Russian Mission was established in Cabul. No one had dreamt of the possibility of such an event, and the fact that had been accomplished seemed to me always to prove two things very clearly, namely, the utter unreliability of our Native agency at Cabul, and the ease and secrecy with which a Russian advance on Cabul could be effected. This was not done in a manner which would have the character of a complimentary visit on some special occasion, under which the Russian Embassy would simply discharge its duty and retire. It must have been the work of long preparation and of secret understanding, and confidential accord between the two powers. The one wishing to come and the other welcoming an accepted guest. Triumphal arches and special demonstrations received the visitors, and such knowledge as we have of the secret conclaves which ensued and the whole conduct and proceedings of the Russian officers in the capital, prove to us beyond dispute that the object of the mission was one of active hostility to the English power in India. It may be said that everything is fair in love and war, and though we were not at war with Russia, I lay no particular stress upon the fact that she took such a step under the strained relations between England and Russia at the time. It must be remembered, however, that Russia had always declared, declared repeatedly, declared with all solemnity, that Afghanistan was a country beyond the sphere of her operations in Central Asia; and it may be, if the fact was truly known, that the Government of St. Petersburg had no intention of violating that promise. It makes it, however, as far as our position in India is concerned, none the less dangerous that irresponsible agents of Russia can assume to themselves the power of making such a demonstration as that of September, 1878, in Cabul, and when it came upon us with its startling announcement, I venture to say that no man who had the interests of India and England at heart, unless he was blinded by the exigencies of party-requirement or annoyed at the discomfiture of a personal policy of inactivity, would have hesitated for a moment what the action of the Government of the country should have been in such an emergency. I am not going to follow the fortunes of that war. I believe history will record that it has been conducted as humanely as it has been prosecuted with vigour and bravery and tenacity of purpose, and that, with no covetous desire of annexation of territory, our only aim as a Government has been to attain the establishment of a safe frontier under conditions which shall secure the protection and progress of the vast interests which lie behind that

frontier. It is to the cost of that war, commenced and carried on in behalf of these interests, that a great deal of hostile criticism has been directed, not in this Council but in many places outside of it, and it is in connection with this as affecting the financial administration of the country, that such a digression as that I have made is pardonable. But this point seems to me to be beyond dispute, that, if we had not interfered for the expulsion of the Russians, a Russian Residency would have been an accomplished, an established and a permanent fact at Cabul. All past experience of Russian progress among the Central Asian States confirms this opinion. A non-interrupted Residency in that capital would have led eventually to facilities of communication over the Hindu Koosh and beyond the Oxus, and as each year confirmed and consolidated that position, I ask those who condemn our policy either on political, on administrative, or financial grounds, what would have been the cost to the people of India, and what the security of their privileges and possessions under English rule, if we had stayed our hands in the presence of so grave an insult, and been indifferent to our responsibilities ?

“ It is impossible to deny that the conduct of these extensive military operations has largely disturbed our financial arrangements—a disturbance which was greatly aggravated by the loss on exchange; and in the course of the present discussion, it has been argued by Hon’ble Members that the course which the Government has taken in an admitted difficulty arising from these circumstances, has been an improper course, and unjustifiable. Not only has the Minister been by implication condemned for a want of statesmanlike prevision, as if unprovoked wars and an extraordinary fall in the value of silver in relation to gold in the short period of a few months were of daily occurrence; but a breach of faith has been charged upon the Government for an unjust application of the money raised under the famine-taxes. Now, my Lord, I am aware that it was said in last year’s budget-statement that the famine-insurance had ceased to exist. I trust my Hon’ble friend Sir John Strachey will excuse me for saying that I have always thought it an unfortunate expression; but however, that may be, it was made at a time when, from causes unavoidable or altogether uncontrollable, the financial position was overshadowed with gloom, and when definite forecasts as to the future were absolutely impossible. With the cost of, as I maintain, a just war, thrust upon them, the Government had the option of either opening a loan or extending the taxation of the country to meet the expenses of the war, or the course it adopted, of using the money which the taxation of the previous year gave as a part of the general revenues for the financial safety of the country, and exempting the people from further demands. I was not a Member of the Government when the License Acts were introduced, but

if the debates of the time are consulted, it will be seen that, while the Government in view of the increased obligations imposed upon it by the constant occurrence of famines, adopted an increased taxation upon the land and the trading classes for the relief and prevention of famines, it never bound itself by any promise that the moneys so raised should be constituted a separate and distinct fund which should be exclusively devoted to such an object. In the nature of things it was impossible that such an obligation could be accepted; and the accounts of the year now put before us have shown how the money not only raised under this taxation has enabled the Government not only to meet famine-expenditure but to prevent debt to the amount of nearly three millions.

"It has been urged by many, not only in this country but at Home, that in the character of this war which we were waging on our frontier, there was justification for England bearing a large share in the cost of that undertaking, as a war in a great measure in the interests of England, and in consideration of the financial difficulties of this country. I hope, my Lord, the interests of India and England will always be identical and inseparable; but I see no greater reason in the argument for English help in money for the Afghan war, instigated as it was by Russian design, than a war which, in the defence and maintenance of its rights, India should undertake against any other independent State on its borders, encouraged and supported by any other foreign power. We hear a great deal very often of the alleged subservience of India in the present day to the dictates of English rulers or the interests of particular politics. I can conceive no greater evil to India than her subjection to such a position, and I know no surer method by which that subjection could be brought about than her permanent obligation to and dependence upon the money of English tax-payers. We all remember the well known-saying of Sir C. Metcalfe that, if India is ever lost to England, it would be lost in the House of Commons; and the right to control and interfere in every detail of administration would be absolutely established were it ever accepted that England had such a claim upon us. We should be in the position of the familiar illustration of the shuttlecock between the battledores of rival competitors. The game might be interesting enough to spectators, but the process would be one in which we should before long suffer the loss of all our feathers. The character of India as a resource and support to the mother country, and as the brightest jewel in Her Majesty's crown, rests upon her independence. I trust that independence, within legitimate limits, will never be forfeited, and certainly not by any act of our own.

"But perhaps, my Lord, the most important suggestion, as being the most direct in its application to the Bill before us, is that which emanates from my

Hon'ble friend Mr. Morgan, that the License Act should be limited in its operation to one year. It was made, as he has stated, in the Select Committee, and was successfully resisted; and though no formal motion has been submitted upon that proposal now, I am not sorry that the Hon'ble Member has raised a discussion upon the point. He based his argument upon the general good prospects of the year, which promise again a considerable surplus at the end of it. I hope, as sincerely as my Hon'ble friend, that his anticipations will be fulfilled; but whether there be a deficit, an equilibrium, or a surplus, and whether that surplus be small or large, I object, for more than one reason, to the suggestion that this Act should be limited by specified provision to a single year's duration. In the first place, in the presence of a war, in the unsettled condition of Burma, and in the uncertainties of the season, the Government would be most unwilling to give such a pledge to sacrifice a revenue which amounts to more than a million pounds, for it is indisputable that, as a measure of taxation, the license-tax is but a supplement of the taxes which impose the cesses upon land. If one goes the others must fall with it. The Government has in no way departed from its resolution that a million and a half for famine-expenses and half a million for extraordinary demands must, for the solvency of the State, be included in our ordinary obligations; and it seems to me that it would be in the highest degree an act of incaution and presumption, if, with the first touch of returning financial prosperity, we surrendered a principle which is as sound in theory as it is necessary for our financial safety. Again, though I have said that I sympathise in the hope of the Hon'ble Member (Mr. Morgan) that at the close of the next twelve months we shall be able gratefully to look back upon a year of agricultural prosperity and extended trade, and with their blessings shall possess a considerable surplus for future needs, I dissent altogether from the conclusion, which the Hon'ble Member accepts, that it would be the duty of the Government to remit the particular form of taxation which the License Act provides. I do not pretend that it is a perfect measure, or that it does not present many anomalies, inherent in some sense in all systems of direct taxation, appertaining more or less, with all the long experience, to the income-tax in our own country; and I trust the coming year will afford us the opportunity of giving consideration to those anomalies and of modifying and rectifying their inconveniences. But this I do maintain that, for a sound fiscal system throughout our Indian Empire (and I would say in the Lower Provinces of Bengal in particular), some measure of direct taxation is absolutely necessary. It is contended that direct taxation is unsuited to India, and especially on the ground that the agency employed in realising such taxes is corrupt and rapacious, and the incalculable advantages

of an insensible indirect taxation are advocated with vehemence. I would ask, in the first place, to what cause primarily is the defective agency, on which such stress is laid, traceable? Ever since the days succeeding the mutiny, when the financial position of the country was most disordered, successive efforts have been made by successive Governments to establish a system of direct taxation, which shall secure the result that those who are rich and affluent and possessed of goods, deriving large benefits from their trade and commerce in the peace and order of British rule and development of the country's resources, shall bear their legitimate share in the State's burdens. No one would deny that such classes exist—no one will deny that the principle is sound which imposes such a liability upon them. But the unfortunate thing has been that, from the days of Mr. Wilson, license-taxes have succeeded our income-taxes, and certificate-taxes have followed upon license-taxes, in various forms and shapes and standards; and each in turn has been abandoned from an entire absence of settled continuity of administration in our finances. No agency could be perfected under such constantly recurring changes, and for myself I hope that, if the stamp of permanence can be given now to the principle which I have asserted, every day's experience will tend to lessen, and eventually to extirpate, those abuses, the effects of which have been already largely minimised where careful attention has been given to the working of the Acts, and which will be still further facilitated by the amendment which this Bill proposes of exempting from taxation under it all the poorer class of traders, all those whose annual earnings are estimated at less than Rs. 500; and though I express only an individual opinion here, I should advocate and support with satisfaction that, with a view to the permanency of our efforts in this direction, and a more equitable distribution of such taxation, the official and professional classes should be included in its provisions. It is only so, I believe, that a right financial system can be established throughout this country.

“I do not stay to dilate upon the rich openings to the wealth of the country and the happiness of the people which a wise system of provincial productive works is extending throughout the length and breadth of the land. I trust and believe that the restrictions which have been placed upon it are but temporary and accidental. We are but in the day of small things in this matter. The time cannot be distant when they will be resumed with increasing energy and effect, with results which, though we cannot calculate them all at present, will secure, we may be certain, the prosperity and contentment and loyalty of the people of this magnificent Empire.”

The Hon'ble SIR ALEXANDER ARBUTHNOT said :—“ My Lord, I wish that the Standing Orders admitted of Hon'ble Members speaking in a different order from

that prescribed. Under the present system of speaking from left to right, the Council has first a continuous wave of criticism, which is followed by a wave of reply, broken to-day by the ripple of comment introduced by my Hon'ble friend the Lieutenant-Governor of Bengal. I propose to offer a few remarks, with reference to some of the points which have been noticed by my Hon'ble colleagues, and it is possible that, in the observations which I shall feel it my duty to make, I also may slightly vary the wave of reply by a ripple of criticism. But before I proceed, I wish to add my congratulations to those which have been addressed by Sir A. Eden to your Excellency and my colleagues in this Council, and especially to the Hon'ble the Financial Member, for the exceedingly prosperous budget which he has been able to bring forward on this occasion.

“During the past year, I may say during the past eighteen months, the Government of India has passed through an anxious time, darkened as it has been by a costly war, and by a condition of our currency which, though it has slightly improved of late, has still constituted an excessive burden on the resources of the State; and had that double calamity been accompanied by deficient harvests and unexpanding or deficient revenues, I need hardly say that the present situation would have been a most serious one. But, by the mercy of Providence, the country has been blessed with an abundant harvest, with a remarkable rise in one important branch of revenue, and general prosperity in the remainder, so that the deficit which this time last year was estimated at one million and a third, has been converted for the current year into a small surplus, notwithstanding the resumption of the war and its heavy direct and indirect expenses; and we have a prospect of a surplus of nearly half a million for the coming year, after taking into account the continued expenditure which still may have to be incurred for the war, and notwithstanding the relief which is to be given by the Bill now before the Council to a number of persons, which has been estimated to be not less than $1\frac{3}{4}$ millions. This is a state of things which it would have been impossible to predict a year ago, and for which we cannot be sufficiently thankful, and notwithstanding what has been said by my Hon'ble friend the Lieutenant-Governor of the want of foresight which has been displayed, it seems to me that it would have been out of the power of the most prophetic vision to assume that the state of things which now exists, was at all likely to take place. It was impossible for my Financial colleague to foresee that the gross revenue from opium would, during the year, be increased by $1\frac{1}{2}$ millions; it was, perhaps, more impossible to predict with certainty that the unfortunate and calamitous loss by exchange from which the country has so long suffered, would be reduced in comparison with the then anticipations by $\frac{1}{2}$ million.

“ My Lord, it has been urged by some of my Hon’ble friends at the other end of the table, that the expenses of the war ought to have been met by a loan, and that, if that had been done, the surplus of two millions, which it has been deemed necessary to provide with reference to the normal liabilities of this country to meet the cost of famines, would have been provided, and a good deal more besides. In the course of the remarks I am about to make, I will refer presently to the question of meeting war-expenses by a loan; but before turning to that subject I wish to observe that, in a great deal which has been said by Mr. Morgan and the Hon’ble Maharájá, as to the imperfections and incompleteness and inequality of the system of taxation which the Bill before the Council is intended to continue, I very cordially concur. I am fully sensible of those imperfections; I am alive to the invidious exemptions for which that Bill provided; and I earnestly hope, though I shall not be here to see it, that before another year is over, the consideration which your Lordship and my colleagues will be able to give to this important question, will, if it shall then be deemed requisite to continue a system of direct taxation, enable you to place it on a basis which is more fair, more equitable, and which can be continued on a more permanent footing. And it appears to me that the remedy is not far to seek; that, in order to do what is necessary, we have only to revert to the system of direct taxation which was abolished in 1873; in other words, to revert to a light income-tax with a high minimum of income liable to the tax. The more consideration I have given to the subject, the more I have read about it, the more discussion I have heard, the more convinced I am that, if there must be direct taxation, an income-tax with a minimum so high as not to fall on the comparatively poor—a tax which shall compel the wealthy and the comparatively wealthy to bear their fair share of the burdens of the community—is the only right and equitable system of direct taxation, and the only one which can be permanently maintained; and when I speak of permanency, I wish to say that, in what has fallen from the Hon’ble Mr. Thompson, as to the evils and mischief of the constant shifting of this system of direct taxation, I most cordially concur. My hope is that, in the consideration which I trust will now be given to this question, a plan may be devised which can be adhered to without change, and without any material deviation. I am aware that by many persons such a step will be deemed to be retrograde. It will be said that the reasons which led the Government of your Excellency’s predecessor to dispense with an income-tax as a part of the financial system of India, are not less cogent now than they were seven years ago. And while I think that, if the Government must have a system of direct taxation, an income-tax is the right and proper tax, I feel bound to say that I concur for the most part in the views which have been held, and which are

still held, by many, of the evils of such a system in its application to this country. In my opinion the course taken by the Government of Lord Northbrook was, in the circumstances of the time, a wise course, although it was opposed by three very eminent members of the Government, including the then Financial Member of the Council. It was opposed by Sir R. Temple, by Lord Napier of Magdala and by Sir Barrow Ellis; but notwithstanding the opposition of those eminent men, I believe that, politically, the abolition of the income-tax in 1873 was a wise measure. It was certainly a very popular measure, and it will be long before the grateful recollections by which it is connected with Lord Northbrook's Government of India are blotted out of the minds or the hearts of the people of this country. We must remember that the world is not governed by logic, and the sentiment, in deference to which it was deemed at the time to which I allude, inexpedient to continue the income-tax, was a sentiment which it might well be argued that it would have been unwise to ignore.

“But, my Lord, the financial position and the circumstances of the country are, in more respects than one, very different in 1880 from what they were in 1873. In the financial year 1872-73 our customs-duties yielded a revenue of considerably over $2\frac{1}{2}$ millions, or nearly $\frac{1}{2}$ million more than that particular source of taxation is estimated to yield during the ensuing year, the difference being very little below the amount of the income-tax which was levied in the financial year 1872-73, and which, at that time, at the reduced rate of 1 per cent., amounted only to £575,000. At that time, the agitation—and this is an important fact to which I would invite the special attention of the Council—the agitation which has since arisen against the continuance of the cotton-duties, had not commenced. The cotton-duties in 1873 yielded a revenue of, I believe, £845,000. Our Hon'ble colleague, the Financial Member, has told us very plainly what the results of that agitation have been; he has told us that, in his opinion, the days of the cotton-duties are doomed; and he has also told the Council—though whether his prediction on that matter will be fully verified still remains to be seen, but to my apprehension the prediction is a very grave one,—that the extinction of the greater part of the customs-duties, of duties which in 1873 yielded an income little short of $2\frac{1}{2}$ millions, is merely a question of time.

“My Lord, there is another important difference between the financial situation in 1873 and the financial situation in 1880. At the earlier period, the financial responsibility which the Government has since accepted in connection with famines, had not been fully recognised. The famine which shortly

afterwards ensued in the western districts of the Provinces under the Government of the Lieutenant-Governor, had not commenced; the calamitous famine which, a few years later, desolated the Southern and Western Presidencies of India, was still hidden in the dim recesses of the future. It was merely suggested as an object which ought to be aimed at, but with regard to the accomplishment of which there was no certainty, that, if possible, the Government should provide a surplus to meet charges of that kind and other unforeseen expenditure of a million a year.

“Moreover, in 1873, India was at peace, and although at the time to which I allude, an event had happened which might have warned the Government of what afterwards took place; although we might all have known, after the occupation of Khiva, that the breaking out of troubles, and possibly of war, on the North-Western Frontier was merely a question of time, the contingency was not seriously kept in view either by the Government of India or by any party in the State. As a matter of fact, the last thing that anybody thought of was, that, in less than six years, the Government of India would be engaged in a costly war.

“In 1873, again, the great calamity—for I can characterise it by no less serious a term—of the depreciation of the currency, which had put the whole of the finances out of gear, although it had commenced, had not attained anything like the dimensions it has since assumed. In 1873, the loss by exchange was a little more than half a million. For the ensuing year, my Financial colleague has been obliged to estimate for a loss by exchange of £3,174,000, and if we are to judge of the uncertainty of the question by the fall which has occurred even during the past week, the Government cannot be at all certain that the estimate will prove to be sufficient.

“I think my Hon’ble colleagues will see, in the circumstances to which I have drawn attention, that very important changes have occurred, which make the situation and prospect in 1880 very different from the situation and prospect in 1873; and that a tax which it was wise to dispense with in 1873, may prove to be a measure of absolute necessity in 1881. Therefore, my Lord, while speaking as an individual Member of this Council, I deeply regret the policy which has deprived the Government already of a portion of their indirect revenues, and which threatens to exterminate an important branch of those revenues altogether; while I view that policy with the gravest apprehension; I cannot but recognise the fact that, as a result of that policy, a permanent system of direct taxation may prove to be inevitable. And if it shall so prove, if events shall so turn out that the Government of this country shall deem it necessary to retain

such a system as a permanent part of their fiscal system, I feel bound to say that, in my opinion, it will be incumbent upon the Government of India to place that taxation on such a basis that it will touch not only the trading community, but all the comparatively wealthy, and especially all possessors of realised property, and to discard the present license-tax, which, notwithstanding the remedy afforded by the Bill before the Council, still falls unduly on the comparatively poor, and too exclusively on one class of the community.

“My Lord, it has been said during the debate to-day, and it has been often said outside this Council, that the Government of India are dealing unfairly and unjustly and unwisely in not imposing a tax, which was at one time contemplated, on the official and professional classes. I cannot help remarking, when I allude to this topic, that the proposal, when it was made three months ago, did not receive the welcome which might have been anticipated; and I may remind Hon’ble Members how it was then pointed out, as to that proposal, that it was only a partial mode of restoring the balance of taxation, that it still left the system of direct taxation imperfect and incomplete, and that it still left room for unfair and invidious exemptions. I trust that, in the further consideration that may be given to the subject, any such partial measure as that will not be thought of. I hope that the official and professional classes, as well as the trading classes, and all classes of the community who possess realized property, will be called upon to bear a fair share of the burdens of the State.

“I may be asked why, holding these views, I am prepared to vote for a continuance of the license-tax, the amendment of which is now before the Council. In the first place, no motion has been made against the Bill which provides for that amendment; but I feel bound to say that, if the Council had been divided, I should have felt it my duty to support the motion of my financial colleague. The Council must remember that such a thing as the resumption of an income-tax, after all that has been said and done on that subject, after all the denunciations of it which have taken place, is not a thing which can be hastily resolved upon. It is not a measure which the Government could resolve upon without the sanction of the Secretary of State, and I think that, notwithstanding the unexpectedly prosperous figures which characterize the budget now before us, it will be apparent to those who examine the figures in connection with the facts to which I have alluded, that if the Government were now to dispense with the whole of the direct taxation which has been enforced during the last two years, and if we omitted to provide a substitute for it, we should land ourselves in a deficit. It may seem to those who entertain more sanguine expectations than I venture to entertain in regard to the condition and prospects

of the revenues, that for such a deficit the Government of India might well be prepared, that the risk would be so light that it would do no harm to run it. But it appears to me that, at the juncture in which we are now placed, the Government would require a great deal of justification, and would find it very difficult to justify their incurring the risk of a deficit amounting to not less than a million a year; for if the license-tax were to be dispensed with, in common fairness Government would be compelled to remit that portion of the additional direct taxation which is borne by the land; and at such a time as this, he would be a bold man, after all that has happened during the past few years, who would venture to predict what is likely to happen in the future or even a few months hence. We all hope, and no one more earnestly than I do, that the war in which we are at present engaged, will speedily be brought to a close; but the burden which that war, or perhaps I should say the events which brought about that war, will impose upon the Government of India, is not a burden from which we shall be entirely relieved. We may hope that a considerable portion of the war-expenditure now being incurred will be got rid of; but we cannot expect that we shall be able to maintain what is called our rectified frontier, without a considerable and permanent increase to our military charges; and when I say this, I do not forget the recommendations which have been made in the able report presented by the Commission, of which Sir A. Eden was the president. Those recommendations will, I have no doubt, enable the Government to effect some economies; but I very much fear that these economies, right as some of them may be, and innocuous as some of them may prove, will be more than counterbalanced by the additional burdens that will be imposed upon us by the great change which has taken place in our military situation.

“And, my Lord, when I turn to the receipt-side of the budget, I must venture to say, notwithstanding all that has been affirmed to the contrary, that it is possible to take—and that if we are guided exclusively by the figures of the present budget, we shall be pretty certain to take—an unduly sanguine view of our future prospects. We must remember that one of the principal causes of the very favourable aspect of the finances at the present moment, is the great increase which has taken place in the opium-revenue. According to the budget-estimates, the nett opium-receipts are estimated at not less than $7\frac{1}{2}$ millions. That is an estimate exceeding by more than one million, the actual nett average receipts from opium for the last ten years. Now, it may be said that there is no reason why the present increasing and expanding revenue from opium should not be maintained, and still further expanded. But I think we should recollect that the very nature of this opium-revenue—the very nature of the sources from which this revenue is derived—renders

it a very precarious item in the revenues of India. It is an item of revenues which is liable to incidents over which the Government of India can exercise no possible control. It may be that, for a series of years, the opium-revenue will continue to be maintained at its present high standard; it is possible that it may continue to expand; but, on the other hand, it is equally possible that a serious diminution may take place.

“My Lord, I have referred to the anticipated decrease in the customs-duties. Of that loss of revenue only a very small portion has been provided for in the present budget; but if the anticipations of my Hon’ble colleague Sir John Strachey shall in any degree be realised, a great part of the surplus which, if there were no war to deal with, would be yielded by the revenues of the present year, will then completely disappear. In these circumstances, I cannot but think that the Government of India will exercise a wise discretion, if we hesitate, without the most careful consideration, to part with any existing source of revenue without supplying its place by an equivalent.

“My Lord, it has been argued, I believe by my friend Mr. Morgan and the Maharájá, and something to the same effect has been said by the Lieutenant-Governor, that either the whole or a portion of the existing war-expenses ought to have been met by a loan. It has also been said, in other quarters, that the cost of the war ought to have been shared by England. I have just expressed my dissent from the policy which has been adopted by your Lordship and my financial colleague with regard to one branch of the finances, and on certain other financial matters, not in this Council, but in the consultations of the Government of India, I have at different times felt it my duty to dissent from your Lordship’s policy. But, as regards this matter of a loan for defraying the expenses of the war, in what has been said by my financial colleague and by my Hon’ble friend opposite, as to the inexpediency of throwing any part of the charges of this war on the Government of England, it is impossible for any Member of this Council to concur more heartily than I do. When I remember how enormously during the past twenty-three years, during the period which has elapsed since the mutiny, the debt of India has been increased; when I consider the heavy burden of interest which now weighs upon the country; when I regard the present political situation; when I consider the possibilities of the political future; and when I bear in mind the demands for improvement in every branch of the administration, demands involving additional expenditure, however great may be the economy with which the administration is conducted, my feeling is, that to add to our debt in a time of unusual financial prosperity, even to meet the cost of a war, would be to take a course, which not only

it would be impossible to justify, but which it would be difficult, in my opinion, too emphatically to condemn."

His Excellency THE COMMANDER-IN-CHIEF said that he had not intended to offer any remarks on this occasion, but those of the Lieutenant-Governor regarding the immediate measure of relief which might be expected from the recommendation of the Army Commission, he thought, demanded some little comment. Every one knew with what delight a father looked upon his infant; but when the young gentleman was presented to the world, he was not always received with a uniform meed of admiration; therefore, HIS EXCELLENCY must observe, that the Commission over which Sir Ashley Eden presided had produced a very symmetrical work at all events, and so far he deserved immense credit for it, whatever might be said regarding the details when discussed. But as regards the immediate financial relief, he thought His Honour would admit, and he considered it right that the Hon'ble Members should know, that from the statements made by the Commission itself, the recommendations made by it could not possibly have an immediate result. The position in which the Army now stood was not that contemplated by the Commission, when the reductions involved in their recommendations were brought forward. Who could say that the Army would ever again occupy the position it held in September last? He did not think such an idea could, even for one moment, be entertained, and therefore, he said, that neither Sir Ashley Eden, nor the members forming his Commission, could possibly forecast the future, or say that the Army would ever revert to the position in which it was when they felt themselves justified in bringing forward the measures they had. Sir Alexander Arbuthnot had touched upon this point, and also referred to the advance upon Khiva. HIS EXCELLENCY was always one of those who looked upon Khiva as a mere prologue to Merv, and consequently to Herat, and that he believed was now working itself out. Who could say what military complications might be brought about, and he hoped, consequently, that Government would not anticipate any immediate relief from the army reduction.

His Excellency THE PRESIDENT said :—"The Financial Statement, which gave rise to the Motion now before the Council, was so full and clear, that I should be reluctant, at this late hour, to delay the vote by any lengthened remarks, were it not that this is my only opportunity of personally noticing various criticisms on the financial administration of the Government I have the honour to represent. Those we have heard in the course of to-day's discussion, I will endeavour to answer with all possible brevity. Others which have emanated from leading English statesmen, I feel bound to notice at greater length.

"In the course of his interesting speech, my Hon'ble colleague, Sir Alexander Arbuthnot, explained his personal views on the general subject of direct taxation, with special reference to the reasons which would, in his opinion, not only justify, but necessitate, recourse to an income-tax, if a larger revenue from that source were actually required by the Government of India. As this is not at present the case, I will not pause to discuss the recommendations of my Hon'ble colleague ; but I freely admit that the present very limited direct tax upon trades and callings is not strictly scientific, or completely logical. I believe that no form of direct taxation short of an income-tax could be made wholly free from these objections. It is, indeed, this consideration which has influenced my concurrence in the decision not to supplement the license-tax by taxation based on any different principle, and not to seek, from the extension of that tax to the salaried and professional classes, the recovery of the revenue sacrificed by exemption from it of all incomes under Rs. 500 derived from trade. In the present favourable condition of our finances, I do not think we could justify to ourselves any measure which would have the effect of increasing taxation merely for the sake of scientific re-adjustment. It will be time enough to discuss the principles which should regulate such re-adjustment whenever the occasion for making it arises. It would not, in my opinion, be expedient, and for myself and the Members of this Government it is, in any case, impossible, to set forth now what the Government may, or will, do whenever it is called upon to deal either with a large deficit, or a large surplus. In the former eventuality, the considerations set before us by my Hon'ble colleague, Sir Alexander Arbuthnot, would certainly demand, and doubtless receive, most careful examination. But I think it right to say, at once, that if, in the latter eventuality, we were enabled to contemplate a large remission of taxation, it seems to me very doubtful whether it would be by the remission of the license-tax that we should commence the enjoyment of our good fortune. Not to mention other taxes to which objection might reasonably be made, we should, for instance, have to consider the still existing taxes upon salt. Our policy of equalising the salt-duties throughout India has been carried out, thus far, with great financial success ; and it has largely increased the consumption of salt. But this policy may still require, for its completion, some temporary sacrifice of revenue.

"The success of our efforts to effect the early removal of the great salt-cordon is largely owing to the friendly and enlightened spirit in which our representations have been received by the Native States concerned, and also to the intelligence and loyal exertions of our own political and fiscal officers. Of the former, my acknowledgments are due to Mr. Alfred Lyall, a gentleman of

rare intellectual gifts and attainments, to whose efficient assistance in the administration of our Foreign Department I am greatly indebted ; and also to General Sir H. E. Daly, and Colonel Bradford, for their cordial co-operation with Mr. Hume, the value of whose labours in this matter have been repeatedly acknowledged. Of the latter, I must mention, with special gratitude, our late colleague in this Council, Mr. George Batten, who was one of the earliest and most enlightened apostles of the policy it has been my privilege to promote ; and also Mr. Halsey, who has energetically assisted the prosecution of it. The Council will, perhaps, allow me to mention here that, on my way from Simla to Calcutta, I recently took occasion to visit the most important of the salt States of Rájputána and Central India, with the object of ascertaining, from personal observation and enquiry, the practical effect of our late measures in the States thus visited. So far as regards the rulers of those States, I ascertained that they are perfectly satisfied with the arrangements we have made with them. These arrangements, indeed, have everywhere largely benefited their revenues. As regards the populations of the States concerned, so far as I can judge from the assurances I received from their Native representatives, and from the statements of our own local officers, the necessarily increased price of the salt consumed by them has nowhere given rise to discontent, or caused any serious discomfort. In some parts of the country, where the Bunjara traffic had been temporarily disorganised, salt, I found, was dearer than it should be. But the formation of depôts for the sale of it at a distance from the places of production, and the extension of railways still in progress, will, I feel assured, rapidly remove this only drawback to the advantages of a reform which, in its essential consequences, has proved eminently beneficial to all concerned. I may add that the practical working of the new system has been wonderfully free from friction. I was not without anxiety, lest, in practice, it should have encountered difficulties not adequately provided for by our agreements. But, so far as I could ascertain, no such difficulties have occurred, and certainly the practical success, thus far, of our recent arrangements with the salt-producing States, has surpassed my most sanguine expectations.

“I must now ask leave to notice briefly the chief objections I have heard since last Tuesday, and more especially in the course of to-day's discussion, to the financial policy of the Government, as explained by my Hon'ble colleague in his Statement of last week. The first of these objections is that the inutility and impropriety of our reductions in public works establishments, and other useful branches of administrative expenditure, is now clearly demonstrated by the satisfactory result to which, I must take leave to say, those timely reductions have not slightly contributed.

"It is certain, however, that, but for the reductions complained of, the present year would have ended in a deficit amounting to the by no means contemptible sum of at least three quarters of a million. And next year, also, we should have had to estimate for a deficit, a smaller one no doubt, but still a deficit, in lieu of a surplus of £417,000. I shall presently have occasion to point out that the contraction of our expenditure on *productive* public works, which occasioned a great portion of these reductions, was a measure not under the control of the Government of India, and about which we had no option. The grant on account of *ordinary* public works is not less for next year than the amount actually spent on those works in any previous year, although the official machinery for the prosecution of them has been considerably cheapened. These so-called ordinary works are of great utility; and many of them are of a reproductive character. In other branches of the administration, there has been no sacrifice, and in some there has been a decided increase, of efficiency. The reductions and economies, for which we are responsible, have undoubtedly been facilitated by the recognised uncertainty of our financial prospects, which justified caution and stimulated economy. But they were, in my opinion, requisite and salutary, without any reference whatever to the present or future condition of our finances. I hope we shall steadily continue the good work thus commenced: for I consider that we shall be grossly neglecting our duty to the State, if, even when we have converted our small surplus into a large one, we were, on that account, to relax our efforts to reduce all expenditure not clearly needed for the efficient service of the State, or to improve the economic administration of all expenditure which is necessary for that purpose.

"My Hon'ble friend the Lieutenant-Governor, who has criticised our budget in a candid and practical spirit which I gratefully appreciate, told us that, experience having shown how unnecessary it was for us to call on the Local Governments for special contributions from their balances to the imperial treasury, we ought now to refund to them the sums needlessly taken from them; thus furnishing them with the means to carry out useful works which, in their present impoverished condition, they are unable to undertake. Now, I fully share the views expressed by my Hon'ble friend as to the great importance and value of useful public works; and I shall regret no less than His Honour any unnecessary or unduly prolonged stoppage of them. But from a financial point of view, I think the Local Governments cannot fairly complain of their treatment or present condition. The fact is that, after making these special contributions to the imperial treasury, amounting altogether, in the last few years, to £670,000, the Provincial balances of the Local Governments will actually be larger by nearly half

a million than the sum at which they were estimated at the commencement of the year. In Bengal more especially, the budget-estimate of the Local Government for 1879-80 showed, as the closing Provincial balance of the year, the sum of £357,000; the amount which the Local Government will actually have in its possession, after making a special contribution to the imperial treasury of £200,000, will be no less than £524,000, and its closing balance for next year is estimated at £562,000. Thus, the Bengal Government is very much better off now than it was before its special contribution was made. Of course, no doubt, the reason why money is there, is that it has not been spent: but I am not now discussing the expediency of public works expenditure, whether provincial or imperial. I merely wish to point out that these contributions have not impoverished the local treasuries. As regards the imperial treasury, however, I must remind Hon'ble Members that, but for these special contributions, we should show, for the present year, instead of a small surplus, a deficit of nearly a quarter of a million sterling; and that, for next year, our estimated surplus would very nearly disappear altogether.

“ And this consideration leads me to follow the example of His Excellency the Commander-in-Chief, by making a few remarks on the military Commission, whose valuable labours were so admirably conducted, and have now been so effectually concluded, by its distinguished President, my Hon'ble friend the Lieutenant-Governor of Bengal. The report of that Commission is still under the consideration of Government; and, until it has been laid before the public, it would not be proper for me either to refer in detail to its recommendations, or to express, from this chair, any opinion upon them. But there is one result of that Commission which I am free to mention, and which I desire to point out. My Hon'ble friend the Lieutenant-Governor and his fellow Commissioners have succeeded in collecting from all parts of India an immense body, not only of information, but also of opinion; representing the official experience and personal views of all the most competent practical authorities, both civil and military, on every question submitted to that Commission for examination and advice. These materials are invaluable. So far as I am aware, no such copious and detailed information, no such collection of authoritative opinion, on the organisation and administration of the army has, at any previous time, been in the possession of the Government; nor do I think it will, at any future time, be in the power of the Government to augment the mass of materials thus collected. These materials, which are very voluminous, the Commission has annexed to its report, which bears conspicuous evidence of the conscientious care and labour devoted by it to the examination of them. It is now, therefore, possible for the Government, and, ere long, I trust it will also be possible for the public, to compare the

recommendations of the Commission with the evidence on which they are based. All who read the report can thus judge for themselves how far its conclusions are sound, or its recommendations wise; and to what extent they are in accordance with verified fact or practical experience. That being the case, I must certainly say that both the Government of India and the Government of Her Majesty would gravely neglect their duty, and incur a most serious burden of responsibility on behalf of the increasingly important public interests, financial, military and administrative, which are involved in the result, if they failed, or delayed, to give to this report the most impartial and practical consideration. I cannot too highly express my lasting sense of our great obligation to my Hon'ble friend Sir Ashley Eden for the astonishing industry with which he has devoted his great intellectual powers to the accomplishment of one of the most arduous, and one of the most important, tasks ever undertaken by an Indian statesman. I wish also to express my appreciation of the work done by the able and distinguished officers who assisted Sir Ashley Eden in the labours of the Commission. There is one of those officers whose services in connection with that Commission were the latest but not the least of the many he has rendered to the Government of India. I refer to Sir Peter Lumsden; and I cannot refrain from making special mention of his services on that occasion, because they were given without stint, at a time, during the greater part of which he was simultaneously discharging the honourable and onerous duties of Chief of the Staff; a post of great importance during the progress of military operations, to which I had much satisfaction in appointing him in compliance with the strong recommendation of His Excellency the Commander-in-Chief.

“The second objection I have heard made to our financial policy, of which the results were shown by Sir John Strachey in his Statement of last Tuesday, is curiously derived from the unexpectedly reassuring character of that Statement. It has been said that, if our financial prospects are so bright to-day, they could not have been, three months ago, so gloomy as we supposed or represented them to be. In short, that we ought to have foreseen from an earlier date the financial results which were announced last Tuesday; and that, if we did not foresee them, we have been singularly deficient in foresight. I am unable to perceive how we could have foreseen the sudden and unprecedented expansion of our opium-revenue, for which we had estimated at a higher figure than it was ever estimated for before; or the partial recovery of our exchanges, upon which no cautious financier could have ventured to base any important calculation, or the other causes which have led to so remarkable an improvement in our financial position. But ‘How does it happen,’ we are asked, ‘that, only two months ago, the Government was doubtful whether it

could afford to remit taxation to the amount of £340,000 upon the poorer classes of traders and artisans without recouping itself by the extension of taxation to other classes ?' Well, in reply to this inquiry—and I do not say that it is by any means an unnatural inquiry—I wish to make one observation. The Government was certainly, and I venture to think rightly, anxious not to close the present or the coming year with a deficit, if it could legitimately avoid doing so. A deficit, whether small or great, brings with it a certain amount of dissatisfaction to the community and discredit to the Government, even when it is susceptible of explanation upon grounds that will satisfy all reasonable persons. There is much practical wisdom in a well-known remark by Mr. Micawber, whether that remark be addressed to individuals or nations. Mr. Micawber, as Hon'ble Members are aware, was a gentleman who had large experience about deficits. And on the subject of them he laid down the following golden precept. I will repeat it in his own words, which cannot be improved. 'Annual income, twenty pounds: annual expenditure, nineteen, nineteen, six. Result, happiness. Annual income, twenty pounds: annual expenditure, twenty, ought, six. Result, misery. The blossom is blighted; the leaf is withered; the God of Day goes down upon the dreary scene, and—and, in short, you are for ever flooded.'

"Now, let me apply this maxim to our own position. With a revenue of 67 millions, it is obviously impossible, even in the last three months of the year, to foresee, with any certainty, whether or not a sum of less than a quarter of a million will be required to avoid deficit. As a matter of fact, this sum of £340,000 would have turned the scale between deficit and surplus; in other words, the part played by the license-tax in our calculation was that of Mr. Micawber's sixpence. Relatively indeed to the vast amounts of revenue and expenditure with which we are dealing, it would be more difficult for us, even when approaching the close of the year, to be certain whether we require £340,000 to balance our account, than for Mr. Micawber to calculate *his* account of £20 to a sixpence. And we had not only to provide for this year, but also for the next. As soon, however, as we were fairly assured of a surplus, we decided, for the reasons already explained by Sir John Strachey, not only to persevere in our resolution to reduce the license-tax by exempting from its operation all trade-incomes under Rs. 500, but also not to seek the recovery of the income thus abandoned, by the contemplated taxation of the professional and salaried classes; although, in our opinion, such taxation would have been perfectly justifiable, when, last November, we were seeking to protect the State from loss on the remission of the tax upon the poorer traders, by shifting the burden of it to stronger shoulders. Nor, indeed, am I

prepared to maintain that, from any other point of view than that which I have endeavoured to explain, the exemption from taxation of any class which does not at present pay its fair contribution to the necessities of the State, is free from the animadversions we have heard to-day. By some, however, who do not dispute the point on which Sir John Strachey laid stress last Tuesday,—namely, that the license-tax and the land-cesses are so closely associated in principle and object that they must stand or fall together; and that, if the Government cannot afford to give up the one, it must not give up the other,—it has been urged that we have weakened this obvious reason for maintaining the license-tax, by our very endeavours to free that tax from its most objectionable feature; that, in short, the exemptions we have made on behalf of the poorer class of traders demand similar exemptions on behalf of the corresponding class of agriculturists; and therefore that, unless the whole of our famine-taxation can be thus re-adjusted, it ought to be entirely abandoned. I am unable to follow that argument. The reasons which led the Government to exempt the poorer class of traders are clearly inapplicable to the corresponding agricultural classes. Of these latter it has never been alleged that they were made the victims of mal-administration and oppression in the assessment and collection of a tax which, if not improperly levied and collected, is neither unjust nor injurious to either of the two classes concerned.

“I must now say a few words about the cotton-duties. They shall, however, be as few as possible. My Hon’ble friend the Lieutenant-Governor of Bengal has, with much pathos, reproached us for our barbarous maltreatment of those suffering and now perishing duties. Well, I must admit that our pathology has not been conducive to the longevity of the patient. But our position in this matter has not been that of physicians who have bungled young Hopeful, or perhaps I should say old Hopeless, to death. It has been rather that of engineers laying siege to a hostile stronghold, with the avowed object of breaching its fortifications, when the prosecution of that object is restrained and retarded, partly by lack of powder, and partly by consideration for the terrified women and children who have taken shelter within the walls of the fort. In such circumstances, the engineers concerned would carry out with caution the orders of attack. They would extend their parallels slowly; and, trusting to time, patience, and their knowledge that the enemy’s position could not permanently hold out, they would regard the spontaneous capitulation of the garrison as a result preferable, even if less rapid, than any which might have been obtained from the premature delivery of a general assault. That, at least, is the light in which I have always regarded my own position, and, apparently, we may now expect, ere long, the spontane-

ous capitulation of the fortress. I have purposely laid stress on the fact that this has been from the first not only our deliberate, but also our unconcealed, object; for, however highly I might approve the object itself, I trust I should be the last member of this Government to approve, or justify the insidious or deceitful attainment of it. I must, however, remind the Council that in every one of our Financial Statements for the last three years, the complete abolition of the cotton-duties has been openly avowed as the ultimate aim of the policy we have been pursuing, in accordance with repeated resolutions of the House of Commons, and repeated instructions from the Secretary of State. Every step taken by myself towards the attainment of this object has been restrained only by considerations of time, opportunity and expediency; never by disapproval of the goal to which, at every stage, those steps were tending, and to which, from the outset, they were addressed. On the question of the cotton-duties, I have always, when speaking in this Council, or on behalf of the Government of India, been careful to avoid controversial discussions to which I was not directly challenged. But I have never disguised my opinion about these duties. Speaking on the subject of them, and speaking from this chair, in 1877, I said—‘I have the misfortune to differ on this subject from many able and honourable gentlemen. Some of them have wide experience on fiscal and commercial questions, and not a few of them are my esteemed personal friends.’ I explained why, partly for this reason, I refrained then, as I refrain now, from all unnecessary discussion of the points on which we differed. ‘But’ I added—‘There is one view of the question to which I must demur. It is that which assumes, on the one hand, that those who advocate the maintenance of these duties, do so regardless of their obligations as English statesmen to English interests; or, on the other hand, that those who, like myself, desire their removal, are recklessly indifferent to the duty which, as Indian legislators, they owe to Indian interests. I do not accuse our opponents of disregarding the interests of England; but I am not prepared to concede to them a monopoly of disinterested devotion to the welfare of India.’ Well, I do not now wish to defend the views then expressed, in any controversial or aggressive spirit. I will not stop to discuss whether the consumers of the goods we have already cheapened are Englishmen or Indians. But what is the present practical effect, upon Indian interests, of the continued duty upon English cottons? Why, they are tempting, or driving, the English manufacturer in one direction, and the Indian manufacturer in another direction, to the manufacture of cloths which neither of them would wish to make, were it not that the one desires to escape the duty, whilst the other desires to produce goods protected by it. From those who still suppose that the pressure of a five per cent. duty upon cotton-imports is too light to have any appreciable effect, let me

solicit consideration of the serious extent to which the whole character of the trade has already been actually changed by it.

“But on other points of more immediate moment our financial policy has been recently criticised by eminent and influential gentlemen whose statements call for serious notice. Mr. Forster, a distinguished Member of Her Majesty's late Government, is reported to have stated at Leeds that ‘the expenditure of the Indian Government in 1840 was £22,000,000 sterling; and in 1878, £62,000,000 sterling.’ Furthermore, that ‘the taxation of India per head is now more than double what it was in 1840.’ Now I am quite satisfied that, in making this extraordinary statement, Mr. Forster had no desire to misrepresent fact, or mislead opinion. But his statement is a startling illustration of the scant study given to the facts of Indian administration and history even by Cabinet Ministers when in office, and of the disturbing and obscuring influences under which those facts are studied by them when out of office. Since the year 1840 the following five great Provinces have been added to British India :—Sindh, the Panjáb, Oudh, and the greater part of British Burma, and the Central Provinces. This additional territory represents an area of about 350,000 square miles; and comprises a population of 42,000,000. The number of the population is nearly equal to, and the extent of the area is nearly double, that of the whole German Empire. It seems inconceivable that any man, especially an ex-Cabinet Minister, who has participated in the joint responsibility of Her Majesty's Government for the administration of Her Majesty's Indian possessions, should attempt to compare the expenditure of this Empire before and after such vast extensions of its territory and population, without any reference to their acquisition, or the least allowance for their financial consequences. That Mr. Forster should have done so, and done so in good faith, as I sincerely believe, is an illustration of the danger of forgetting Indian history in the hurried study of Indian finance, under the heavy pressure of party claims on the leisure or the labour of English politicians. Mr. Forster, however, did not stop here. He went on to say that the debt of India in 1840 was less than £30,000,000, and that now it is close upon £140,000,000. I am not personally concerned to defend the administration of India during the past forty years; but as every honest administration has a great public interest in preventing the propagation of error, I must ask the Council to allow me to make a few observations upon this increase of our debt. The burden practically thrown upon any country by its debt must be measured by the annual charge for interest upon that debt. By no other means can the actual weight of it be correctly ascertained. Now, in the year 1840, the amount of the annual interest paid by India on her public debt was one and a half million sterling.

The estimates presented last week to this Council show that in 1880-81, our liabilities for interest on debt will amount to 5½ millions. The analysis of this estimate, however, yields very remarkable, and I venture to think very satisfactory, results. Of the 5½ millions at which we estimate the present amount of interest payable on our public debt, 1½ millions is on account of productive public works; and this sum will be completely covered by the revenue derived from the works on account of which that portion of our debt has been incurred. The actual amount of our liabilities for the repayment of debt is thus reduced to four millions sterling; that is to say, since the year 1840 the necessary annual provision for interest upon debt has been increased to the extent of two and a half millions. Now, I must ask the Council to remember that, during the last forty years, the Government of India has had to meet the cost of the Afghán wars carried on under the administrations of Lord Auckland and Lord Ellenborough, the cost of the Sindh war, the cost of the two Sikh wars, the cost of the second Burmese war, the cost of the suppression of the mutiny in 1857, the cost, thus far, of renewed hostilities in Afghánistan, the cost of several severe famines, and, lastly, the heavy losses incurred by the fall in our exchanges during recent years. Furthermore, that the Government of India during this period has been compelled, in the highest interests of the country, to construct numerous and costly public works which are not of a productive character; such, for instance, as barracks, forts, jails, military roads, civil buildings, and the like. Now, in explanation of the causes of this expenditure, and as an illustration of its results, I shall ask the Council to allow me to read a few passages from a memorandum communicated a few years ago to a Committee of the House of Commons by my Hon'ble friend and colleague Sir John Strachey. Speaking of the condition of India between thirty and forty years ago, he then wrote:—

“It is not too much to say that there was then, comparatively speaking, little in India of what we now think the first necessities of a civilized Administration. When I went from Calcutta to my first station in the North-Western Provinces, I was carried about a thousand miles in a box on men's shoulders; there were no other means of travelling through the richest and most advanced and most important parts of India. Speaking broadly, roads and bridges had but begun to appear; there were no canals to save the people from destruction by famine, or those that existed were on a very small scale; there were few barracks in which English soldiers could live with tolerable health and comfort; there were few jails in which a sentence of imprisonment did not carry with it a serious probability that it would prove a sentence of death. The country at that time was entering on a phase of rapid change. The firm establishment of order was followed by improvements in all directions.

“Ten thousand things were demanded which India had not got, but which it was felt must be provided. The country must be covered with railways and telegraphs, and roads and bridges. Canals must be made to preserve the people from starvation. Barracks must be built and every sort of sanitary arrangement be carried out.

““This was not only true in regard to matters of imperial concern. Demands for improvement, similar to those which fell upon the Central Government, cropped up in every city and in every district of the country.

““Twelve or fifteen years ago, in Calcutta, there was no drainage. The filth of the city rotted away in the midst of the population in horrible pestilential ditches, or was thrown into the river, there to float backwards and forwards with every change of tide. To nine-tenths of the inhabitants clean water was unknown. They drank either the filthy water of the river, polluted with every conceivable abomination, or the still filthier contents of the shallow tanks. The river, which was the main source of supply to thousands of people, was not only the receptacle for ordinary filth,—it was the great graveyard of the city. I forget how many thousand corpses were thrown into it every year. I forget how many hundred corpses were thrown into it from the Government hospitals and jails alone, for these practices were by no means confined to the poor and ignorant; they were followed or allowed, as a matter of course, by the officers of the Government and of the municipality. I wish the Committee could have seen the sights which were to be seen in Calcutta in those days in the hospitals, and jails, and markets, and slaughter-houses, and public streets. The place was declared by myself in official reports which I sent to the Government, when Sanitary Commissioner in the year 1864, of which the language, although strong, was not, and could not be, stronger than the truth required, to be hardly fit for civilized men to live in.

““Only about a year ago, in the great city of Rangoon, containing more than 100,000 people, with half a million tons of shipping, there was not a single public lamp, no supply of wholesome water, not a single drain except the surface-drains at the sides of the streets, and no proper means of removing the night-soil and filth out of the town.

““When I say that, to a great extent, the requirements of civilised life and of modern administration have had to be provided for India, for the first time, within the space of a few years, I do not speak only of material objects, of roads and railways, and canals, and barracks and city improvements, and so forth. The demand for improved administration has been so strong that it is not too much to say that the whole of the public services have been reorganised.”

“Well, I venture to think that, if all these facts are fairly and impartially taken into account, the surprisingly small addition of two and a half millions to our annual liabilities, on account of debt, since the year 1840, cannot be reasonably regarded as matter for severe reproach to the Government of India. Reproach! Why, good heavens! the debt of England was increased to the extent of no less than 121½ millions sterling by the American war of the last century; and to the extent of 601½ millions by the war with France during those twenty-four years of unavoidable military expenditure which were closed by the peace of 1816; involving extra annual burdens on the country for the interest payable on its debt, amounting, in the first case, to five, and in the second case to 22½, millions sterling. The present annual charge on account of India's public debt, exclusive of that portion of it which is covered by our Public Works revenue,

represents only one-sixteenth or seventeenth of our annual income; whilst the corresponding charge for which England is taxed, on account of *her* public debt, amounts to no less than one-third of her annual income.

“Mr. Forster, however, is not the only one of Her Majesty’s late advisers who has recently turned his attention to the finances of India for the purpose of enlightening the constituencies of England, and with very remarkable results. In the month of November last, Mr. Gladstone addressed a large public meeting at Edinburgh, and on that occasion he is reported to have made the following statements:—‘The expenditure of India,’ he said, ‘during our time (that is to say, during the time of the late Liberal Ministry) was £50,400,000 on the average; it was £49,200,000 for our last year in office, and I know it has now risen to £58,970,000 or very nearly £60,000,000.’ Now, I do not know whence Mr. Gladstone obtained his figures. At any rate, they are not those recorded in our accounts. The last year of the Liberal Ministry was the year 1873-74. The total recorded ordinary expenditure of that year was £51,405,921. The last year for which the accounts had been closed at the time when Mr. Gladstone spoke was 1877-78. The expenditure in that year was £62,512,388. Thus, although Mr. Gladstone’s figures do not agree with those recorded in the accounts of the Government of India, still no doubt the fact remains that an increase of eleven millions is shewn in the accounts of our expenditure. My Hon’ble colleague Sir John Strachey has already explained that of these eleven millions no less a sum than eight and a half millions is due to entries on both sides of the account under the heads of Railways, Provincial and Local Expenditure; and that, consequently, to that large extent the increase is purely nominal. There remains, then, an actual increase of two and a half millions; and this remaining increase is due to two causes, for which, I must be allowed to say, neither the Government of India, nor any English Ministry, can fairly be held responsible. These causes are famine, and the depreciation of silver in relation to gold. Famine-expenditure and loss by exchange amounted, in 1873-74, to £4,851,203. In 1877-78, they amounted to £6,999,152, constituting an increase of more than two millions sterling. I am, therefore, unable to find in the ascertained facts and verified figures of the two periods any foundation for the inference drawn by Mr. Gladstone from his comparison between them, namely, that the expenditure for which the present Ministry is responsible exceeds by ten millions sterling the amount of the expenditure incurred in India under the late Liberal Government. I have not, however, allowed myself to be hastily satisfied with this conclusion. Mr. Gladstone, speaking on questions of finance, whether Indian or English, speaks with the undoubted weight; and I must be allowed to add with the serious re-

sponsibility; of an unrivalled authority on such questions. Not only my respect for the eminent position and splendid talents of that Right Hon'ble gentleman, whose high reputation must be precious even to his political opponents, but also, I will frankly add, my reliance on the fairness and generosity of his character, have induced me to examine with great care the facts and figures in dispute between us. And as these do not concern my personal reputation only, but also the interests of India and the character of her Government, I shall not be deterred from recording the result of that examination by the unavoidable invidiousness of presenting comparisons between the Government of India under my own administration, and under that of my distinguished predecessor, the Earl of Northbrook. I feel assured that the noble Earl will acquit me of any intention to disparage his great services and high character; and, indeed, I expect his sympathy in the distasteful task imposed upon me by his illustrious political leader. Lord Northbrook assumed charge of the Government of India on the 3rd of May, 1872; and he relinquished it on the 12th of April, 1876. Her Majesty's present Ministry came into office on the 22nd February, 1874. I have therefore taken, for the purpose of comparison, the actual expenditure of this country for each year from 1872-73 to 1878-79, and the estimates for the years 1879-80 and 1880-81; and I find that, excluding expenditure incurred on account of famine-relief and loss by exchange, two items obviously not under the control of any Indian administration, the total nett expenditure of the Government of India during the four years of Lord Northbrook's administration, that is to say, from 1872-73 to 1875-76, amounted to the sum of £146,940,546, and the total nett expenditure of the Government of India during the four years of my own administration, that is to say, from 1876-77 to 1879-80, has amounted to the sum of £147,469,508. It will thus be seen that the total nett expenditure during the last four years exceeds the total nett expenditure of the four preceding years by only £528,962, that is to say, little more on the average than £130,000 a year. And this excess is much more than accounted for by the growth of our military expenditure, to which I shall presently advert. For the estimates of the year 1880-81, I take no credit. My noble friend the Earl of Northbrook will, I feel sure, be just as little surprised as I am myself at the proof furnished by the figures I have mentioned, that the accession of a new Viceroy cannot practically impart any immediate impulse to the ponderous wheels of the administration of this great Empire, even should that impulse assume the acceptable and unwonted form of an access of extravagance. Speaking for myself, I will only say that, though duly conscious of this obvious fact, I was not prepared to find, from any comparison of the last eight years, so satisfactory an illustration of the steadiness of our financial administration as a whole. It gratifies me, and I trust it will

equally gratify the Right Hon'ble gentleman who has afforded me the opportunity of recording these facts, to find in them proof so conclusive, and so reassuring, that the good administration of the finances of India is not dependent on the political opinions of Her Majesty's Government for the time being. Doubtless the Right Hon'ble gentleman was misled by that change in the form of our accounts which Sir John Strachey has already explained. The only other point to which I need further refer in connection with the Right Hon'ble gentleman's remarks at Edinburgh is the increase in our military expenditure. That increase is unquestionable, and by no one is it more regretted than by me. It began under Lord Northbrook's administration. The estimates for 1876-77, prepared by that noble Earl before his departure from India, provided for a nett expenditure upon the army of £15,101,000. The actual nett expenditure, however, turned out to be only £14,866,639; which was, nevertheless, an increase of £603,791 over that of the previous year. This increased expenditure has, since then, been somewhat further, though not largely, augmented by the high prices due to famine. In the present year, the charge for it is £15,487,000, and for the coming year, it is estimated at £15,330,000, thus barely exceeding the actual nett charge in 1869-70. No one knows better or appreciates more highly than I do the constant personal attention devoted by the Earl of Northbrook to the reduction of military expenditure: and, without now troubling the Council with any detailed explanation of its increase in the estimates framed by the Government of the noble Earl, I can confidently assert, that those causes were beyond the control of the Government of India.

"Mr. Gladstone, however, in a recent pamphlet has recapitulated and specified his accusations against our Financial administration. I quote them in his own words—'I have alleged,' he says, 'as follows:—

"1. That if for a few years more—say through a new Parliament, for which the Ministry are inviting a renewal of their power—the finance of India is to be handled as it is now handled, the people of this country will probably have to undertake, themselves, the charges of Indian Government, and the 134 millions of the Indian debt.

"2. That to match the deficit of six millions for this country, the Ministry already show another deficit of (about) six millions for India.

"3. That at a time when, owing to whatever cause, there had been a vast increase in the expenditure of India, and its finance was most critical, the Ministry chose that time for a policy both of dishonour and of wanton and destructive war in Afghanistan.

"4. That having created by severe taxation a fund of famine-insurance (one million and a half), with the most definite and solemn pledges to the people of India as to the exclusive application of it to the relief of famine, they have diverted the great bulk of it to the prosecution

of this destructive war, and have applied £200,000 or more to the remission of duties upon imports.

* * * * *

“ 6. That there is now a widespread belief that the real cost of the Afghán war has not been made known to the country ; among other things, that stores and *materiel* have been largely consumed and not replaced ; and that I mentioned the allegation in order that it might be contradicted from authority.’

“ Well, the Right Hon’ble gentleman’s first sinister prediction has been, I trust, sufficiently refuted by the Statement to which we listened last Tuesday, and I cordially re-echo Sir John Strachey’s repudiation of any desire on the part of this Government to throw the burdens of India, or of India’s administration, on the people of England. The question whether India or England should pay the expenses of the present Afghán war must be considered in connection with the far wider question whether the British rule is or is not beneficial to India. If England is ruling India for the advantage of British interests only, and without any reference to India’s own welfare, then unquestionably England alone should pay for the protection of her Indian possessions. But, if the British rule is maintained with due regard to the interests of India, and if that rule is presumably more advantageous to India than any other rule which could be substituted for it, then India, if she has the means, should assuredly bear all the charges which are requisite for her maintenance and preservation as a great State, including the cost of wars for the security of her frontiers. To distinguish between paying for the maintenance of an army and paying for the employment of that army in the performance of the duties for which it is maintained is not only unreasonable but impossible. It is the frontiers of India, not the shores of England, that have been threatened by the advance of Russia and the hostility or treachery of the two last Amírs of Cabul. It is for the safety of India’s Provinces, not for the defence of the British Isles, that war is being waged. My Hon’ble colleague has pointed out that circumstances might conceivably occur, in which India would, perhaps, be required to take up arms for a cause in which she had no special interest of her own ; and that, in such cases, England would be rightly liable for the cost of India’s armed co-operation. But, in a war undertaken solely for the security of India’s own frontier, no one can justly affirm that the interests involved are exclusively English, or that they are not directly and materially Indian. This, at least, can only be affirmed with any show of reason on the assumption that the downfall of the British power in India would be either beneficial or immaterial to India. All argument as to the justice or expediency of the war, and all remarks about the people of India having had no voice in it, are absolutely and obviously beside this question. The acts of a Government are the acts of

the State, whether the administration of that State be republican, monarchical, absolute, national or alien. Those who affirm that India should not pay the expenses of the Afghán war, because that war was the unjustifiable act of a wicked Government, or because her people have had no voice in the matter, might as reasonably urge that the people of France should not pay the cost of the Franco-German war, because the Government of France unjustifiably attacked Germany; or that the people of Russia should not pay the expenses of the war lately waged by their Government against the Sultán of Turkey, because Russia is ruled by an absolute sovereign, and her tax-payers have no voice in the conduct of his policy. It is, I trust, scarcely necessary to point out that, if England profits by her association with India, India also profits by it, at the very least, to an equal extent. That association gives both England and India a nobler place among the nations of the world than either of them could separately hold; but, so far as regards the purely domestic and material advantages of their union, it is assuredly India that is the greater gainer by it. Her peace at home and security abroad are guaranteed by it. And what constitutes this guarantee? It is not the comparatively small garrison of British and Native troops maintained in India—a force which, in proportion to the population, is less than the force maintained for similar purposes by any known State,—it is the vast reserve of military power and appliances of all sorts, war-material, arms of precision, &c., which India owes to her connection with England. And if we regard from a purely monetary point of view the benefits which this connection confers upon India, be it remembered that India is at this moment reaping in peace and security (for the development of her steadily expanding resources and the satisfaction of her growing commercial requirements) all the advantages derived from many thousand miles of railway, which, under any Asiatic Government—such, for instance, as that of Persia or China, or the old Mogul Power—she would have either gone without altogether, or obtained only by paying for them the ruinous rates of interest at which alone Asiatic Governments can raise money. The only ground, therefore, on which India could ask England to pay the expenses of the Afghán war would, I repeat it, be the ground of charity. Her position would be that of a poor country appealing to a wealthy one for eleemosynary aid in dire distress. I can imagine nothing more unjustly humiliating to India; nothing more degrading to the dignity of her Princes, more corrupting to the character of her people, more destructive, as my Hon'ble colleague rightly pointed out, to all ideas of self-reliance or self-respect. Nor can I imagine anything more certain, in the end, to subject India to incessant English interference of the most vexatious and mischievous character. She would soon become a *corpus vile* for the ruthless experiments of administrative quacks, or an arena for the reckless antagonisms of political parties. No, the

suggestion to transfer to the English tax-payer the burden of this Indian war, however admirable may have been the motives in which it originated, has, I am convinced, been used insidiously by many whose real object is, not to relieve Her Majesty's Indian subjects, but to embarrass Her Majesty's English Government.

“ The deficit of six millions assigned to us by Mr. Gladstone is a purely imaginary deficit. It is, I am aware, maintained by some persons that our expenditure on productive works should be charged against revenue, and that if it were so charged, our finances would be in a constant condition of deficit. I regard this proposition as unreasonable, and I think that the calculations on which preceding Governments (including that of Mr. Gladstone himself) founded their decision that the Government of India could safely and advantageously borrow a certain sum annually for the construction of *bonâ fide* productive works were thoroughly sound calculations. I am not, indeed, prepared to deny that the exclusion of expenditure on productive works from ordinary charges was, at first, extended to some works which ought not to have been constructed out of borrowed funds. But I can truly say that the present Government of India, and the present Government of Her Majesty, have strenuously endeavoured to maintain the principle we approve, by including in our charges against revenue every public work which cannot, with confidence, be expected to pay both its working expenses and the interest on the capital invested in its construction. Reference to the Abstract No. II attached to my Hon'ble colleague's Financial Statement will show that, whilst the interest and working expenses on productive public works amount in the regular estimates for 1879-80 to the sum of £8,676,000, the revenue derived from those works is £8,090,000, whilst for next year we estimate that revenue at an amount which will exceed the expenditure on these works by £313,000. Thus, no permanent burden is thrown upon the tax-payers of India on account of public works constructed for the development of her resources; and the exclusion of the capital-expenditure on their construction from charges against revenue has been, I think, fully justified. My own confident expectation is that, not only will these works involve no permanent burden on the Indian tax-payer, but that they will also yield ere long, a surplus-revenue, which may facilitate the further reduction of taxation. Fairly excluding, therefore, this expenditure from charges against revenue the result is—that after meeting all extraordinary charges for war, inclusive of frontier-railways, to the amount of £9,250,000, extraordinary charges for famine amounting to £14,607,000, and loss of revenue from famine amounting to £3,000,000, that is to say, after meeting extraordinary claims upon it to the total amount of

£26,857,000, our revenue for the ten years ending 1880-81 will have been, only £967,000 less than our expenditure, as shewn in Sir John Strachey's Financial Statement. But, if we exclude from the account this extraordinary expenditure on account of war and famine, including loss of revenue from famine, it will be seen that we should have had a surplus-revenue, of £25,890,000, while, again, if we exclude loss by exchange, that surplus would have been swollen to no less a sum than £43,165,200, that is to say, more than £4,000,000 a year.

“ Now, I am not here concerned with the wisdom or the wickedness of the steps taken by this Government, in consequence of the hostile alliance formed by the Court of Cabul with the Russian Power. Nor will I discuss the question whether it was practically in our power to choose our own time and opportunity for hostilities forced upon us by the Amír's rejection, first, of our Mission, and then, of our ultimatum; but I think I have shown that, in any case, the war in Afghánistan was not deliberately undertaken at a time when our expenditure had largely increased, or when our finances were in a most critical condition.

“ Mr. Gladstone's allegation that the additional revenue created by severe taxation has been diverted from the purpose to which we had solemnly pledged ourselves to apply it in all circumstances exclusively, is founded on a misconception which has, I grieve to say, been so general that, much as I may regret, I cannot certainly resent, the ready credence given to this charge by that Right Hon'ble gentleman. The copious explanations contained in the Financial Statement made to this Council last Tuesday were not before Mr. Gladstone when he re-echoed this indictment against us. I can only now repeat that, even previous to the reductions which have been made in it, the taxation referred to by Mr. Gladstone was not, in my opinion, severe. But that it is now severe, it seems to me impossible for any one to assert with seriousness. Those who object to all direct taxation may reasonably object to these taxes on that ground, and others may object to them on the ground that they are unscientific or illogical; but I am unable to perceive how any man can fairly object to them on the ground that they are severe. As regards the alleged diversion of our famine-surplus from the purpose for which it was raised, I think that my financial colleague has sufficiently shown that there has been no such diversion of it. The Government of India, when defining that purpose, distinctly repudiated any intention of regarding, or treating, the proceeds of famine-taxation as a separate fund, or a branch of the revenue in any wise differing, as regards the financial conditions of it, from the funds required for the administration of justice, the maintenance of military establishments, the provision of public education, or any other recognised permanent claims upon the revenues of the

State. It is true, indeed, that the construction of certain kinds of preventive works indicated by me in the speech referred to last Tuesday by my Hon'ble colleague Sir John Strachey, has been checked,—I trust not permanently checked—by orders from the Secretary of State to which I will hereafter more fully refer. But I maintain that there has been no breach of faith in our employment of the revenue raised either from the land-cesses or from the license-tax; no diversion of this revenue to any purpose other than that to which the Government was pledged to apply it; and no failure, financially speaking, in the complete accomplishment of the object for which these taxes were imposed.

“And now I come to Mr. Gladstone's last allegation. It is that we have deliberately falsified our military accounts, in order to conceal the real cost of the Afghán war. Now, I need not remind this Council that the Government of India is not a party Government. I hope it will never become a party Government, and in the interests of this country I cannot too strongly deprecate attempts to treat Indian questions as party-questions. But, even with every allowance for the invariable, and doubtless unavoidable, exaggeration of party-oratory addressed to large popular audiences, I must really express my astonishment that a Statesman whom we all know to be himself incapable of deliberately sanctioning or abetting financial dishonesty, should have stooped to pick up, and fling, such a charge against the Government of India. Had that Right Hon'ble gentleman been the object, instead of the exponent, of it, I should not, for my own part, have hesitated to denounce it as an incredible calumny. When Mr. Gladstone endorsed this allegation, he must have been aware that it was not then in the power of the Government of India to show on its accounts the actual and yet unascertained cost of its military operations. Our estimates, so far as it has hitherto been possible to verify them, have proved to be remarkably accurate; and for this we are greatly indebted to our able Accountant General in the Military Department,—Major Newmarch. One fact, however, these estimates already place beyond question. So far from seeking to conceal the real cost of the Afghán war, we have not only included in our military accounts all stores, and *materiel*, the amount and value of which it has been possible to ascertain, but we have also, under orders from the Secretary of State, actually charged as war-expenditure the cost of frontier-railroads, lines of telegraph, postal communications and other similar items of expenditure, much of which we had contemplated in times of peace and should probably have been in any case obliged to incur at no distant date,—expenditure which will, I trust, be of permanent benefit to the country.

“So much for these accusations. The facts and figures which illustrate the

comparative financial position of India at different periods are open to any one who will take the trouble to examine them. My Hon'ble colleague was fully justified in the observation he made last Tuesday, that few countries now publish such full and accurate accounts as India. Not only do our abstract-statements of account contain an unusual amount of financial information, but they are also accompanied by elaborate and detailed explanations of the more important variations in every item of revenue or expenditure, together with a mass of other statistical information bearing on the finances of the country. In point of fact, what is, I believe, most commonly complained of in our financial accounts, is that they contain more information than the public cares to receive. I am far from saying, however, that a perfectly correct comparison of our financial position, during different periods, and under different administrations, is an easy task. On the contrary, I believe, that in such comparisons absolute accuracy and completeness are rendered almost impossible by the nature of the case. A mercantile company or firm, for instance, or any owners of property involving the annual receipt and disbursement of money, when desirous of comparing their present with their previous position at any particular period, would take account, not only of their incomings and outgoings, but also of the amount and quality of their stock, in other words, the present value of their property at such particular periods; and this they would include in the comparison. Now, a great Empire cannot take stock like a private firm; yet, without such a comparative valuation of the national stock at different periods, it is impossible to form any correct idea of the comparative wealth of this Empire during those periods. To estimate correctly our present financial position as compared with that of ten, twenty or forty years ago, it would be necessary to ascertain the comparative value now, and then, of that splendid property which we call the Indian Empire. Every railway, every canal, every road, every telegraph, every military work for the protection, and every civil building for the better administration, of the country is an asset of this great national property. Were it possible to make the comparison thus completely and correctly, the Government of India would assuredly have no reason to shrink from it. The increase during the last thirty years, in the value of India as a State property, is incalculably great; and it could not have been effected without the investment of public money either derived from the revenues of the State or borrowed or guaranteed by Government for the purpose. In this respect, India differs essentially from every other country possessing a civilised Government, and it is this feature peculiar to her administration which is so frequently ignored by the superficial critics of Indian finance; yet, without the most careful recognition of it, Indian finance is unintelligible. Where will you find any parallel to the case of a Government which, in the shape of a rent-

charge, rather than a tax, receives more than twenty millions as its share in the produce of the land; nine millions of revenue from public works constructed at its own cost, and ten millions from the monopoly of one of the great staples of the country; a Government which is therefore called on to expend annually vast sums of money on the direct improvement of the land and its resources, and to undertake, as public services, expenses usually provided in all other civilized countries out of private funds.

“ Now, in the course of these remarks, I have said more than once that, before concluding them, I should take occasion to refer to that programme for the rapid and uninterrupted prosecution of works specially designed for the mitigation or prevention of famine, which I explained to this Council in connection with the Financial Statement of 1876-77, and to which reference was made last Tuesday by my Hon’ble colleague Sir John Strachey. It was certainly my hope that, by this time, I should have been enabled to announce considerable progress made in the prosecution of that programme, with the assistance of the Provincial Governments on whose intelligent co-operation its successful completion must always be dependent. It is with great and deep regret that I acknowledge the disappointment of that hope, but its disappointment is not due to any change in the public works policy of the Government of India, or to any want of sympathetic co-operation from the Provincial Governments in what I still regard as an undertaking of the highest and most pressing importance. It has been caused by orders from the Secretary of State; which, in any case, it would have been our duty to obey, but which, in the present case, have been rendered doubly binding on our obedience by the fact that they are in accordance with the conclusions arrived at by the Committee of the House of Commons lately appointed to enquire into the subject of Indian Public Works. The Secretary of State has largely reduced our authorized expenditure on productive works, coupling that decision with very stringent conditions as to the character of the works which this Government is allowed to construct by means of borrowed capital,—conditions which exclude from that category a great number of the preventive works I conceive to be most requisite as insurances against famine. I do not think the Government of India can fairly complain of these restrictions on its public works expenditure, *provided* they are temporary *only*, and conditional on annual revisions of the financial resources, as compared with the agricultural requirements, of the country. I trust that they will not be permanent; for I regard public works, if well selected and constructed in accordance with sound financial conditions, as the greatest national benefit which British rule can bestow upon India. But for the present, at any rate, these temporary restrictions have at least facilitated the improved organization

of our public works expenditure, and the reduction, not a day too soon, of our overgrown public works establishments. Nor, in spite of these restrictions, has the preparation of our programme of preventive works been abandoned. Projects for the construction of light cheap railroads have been, and are being, prepared. Some of these railroads are already commenced. Others have been surveyed and estimated; and we shall continue our preparations for an extended scheme of cheap railway-communication, so that it may be ready for execution whenever we are in a position to undertake it with the sanction of the Secretary of State.

“I think that the Government of India may still record with satisfaction the results which, in these circumstances, it has already achieved. The country at present possesses 8,721 miles of railway, which by the end of next year will, we anticipate, be increased to 9,712 miles. It has been furnished with 17,971 miles of completed telegraphic communication, which will, next year, be increased to 19,108 miles; while the area directly served by artificial irrigation will then be not much less than ten millions of acres. For future years, we have under preparation a programme suited to our restricted expenditure, but capable of immediate expansion whenever the limit is enlarged. Up to the end of the year 1880-81, the capital-expenditure on railways, telegraphs and canals will have been as follows :—

“On railways, under the Government guarantee of a minimum rate of interest, £66,816,000 will have been spent. From what is called productive public works grants, we shall have spent £64,800,000; and this sum includes the purchase-money of the East Indian Railway. A sum of £4,651,000 will have been spent on railways from the ordinary annual revenues; and as regards telegraphs, we shall have spent upon these £4,792,000, also from ordinary revenues. Upon canals, £12,680,000 will have been spent from the productive works grant, £7,619,000 from ordinary revenues, and £1,000,000 of guaranteed capital, besides £600,000 lent to the Madras Irrigation and Canal Company. Thus, the total expenditure on these classes of productive works has been close upon £163,000,000 sterling. The burden on the tax-payers caused by this enormous expenditure is, as I have already shown, rapidly disappearing.

“The saving we expect to make by recent reductions in Public Works establishments, together with travelling allowances and other contingent charges, will amount to nearly half a million sterling per annum. I may here mention that the Central establishments of the Imperial Government have not been exempted from these reductions. The reductions effected in the Public Works Secretariat of the Government of India, and in the office of railway-

administration, is not far short of £7,500 in the pay of officers alone; whilst another £8,000 will be saved by not filling up the vacancy caused by the retirement of the Public Works Member of Council. To these amounts must be added the saving in contingencies which necessarily accompanies reduction of establishments. As a complement to the statistics of our nett expenditure presented to this Council by Sir John Strachey, I have requested Mr. Chapman to lay upon the table a statement of our nett revenue during the years 1868-69 to 1880-81. I will not now trouble the Council with all the details of that statement; but I may say that it shows in every branch of our revenue an elasticity not commonly attributed to the financial resources of this country. The only items in which there is any noticeable decrease are the assessed taxes, the inland sugar-duties, which we have abolished, and the customs-import-duties. The revenue from land has increased by one million; that from opium by about a million and three quarters; the excise on wines and spirits by nearly three quarters of a million; salt by nearly a million and a half; stamps by three quarters of a million. Altogether, the average nett revenue of the two years 1878-79 and 1879-80 exceeds by more than six and a half millions the average nett revenue of 1868-69 and 1869-70; and the average nett estimated revenue of the three years 1878-81 exceeds by more than five and three quarter millions the average nett revenue of the three years 1868-71. Nor does a detailed examination of this statement suggest any misgiving that this great improvement in our revenue is the result of oppressive taxation or a scourging fiscal system. Although there has been, since the year 1860-70, a great increase in the public revenues, it is undoubtedly due to a steady growth of national prosperity, largely resulting from improved administration, and healthfully exhibiting itself in the even expansion of all the great sources of income. It has not been caused by the imposition of new taxation. The salt-tax, no doubt, has been increased to some of our population, but it has been simultaneously reduced to an immeasurably greater number of that population; if provincial rates have been imposed, customs-duties have, on the other hand, been taken off, which yielded a larger revenue; and, in lieu of an income-tax, which in 1869-70 produced a million, and in the following year nearly two millions, sterling, we have now a license-tax, expected to produce next year only half a million.

“ Now, when this Government is charged with having, in wanton and criminal disregard of the great interests committed to its care, insidiously sought occasion for that war which we first undertook, God knows, in reluctant recognition of its unavoidable necessity, and solely for the preservation of the splendid national heritage I have now endeavoured to describe,—a war of which the

renewal has been forced upon us by the flagrant violation of most solemn treaty-obligations, and the cruel massacre of our whole Mission at Cabul,—when, I say, this odious charge is made against our character as Englishmen, and our conduct as Indian administrators,—I am content to ask all those whose common sense is still unbiassed, to consider, first, the startling magnitude of the war-power and material which Sher 'Alí, as the world now knows, had long been accumulating and organising on our immediate border, at a time when we commanded not a single one of its mountain-passes; and then, to reflect on the ruinous condition of chronic panic and unrest, the intolerably increased burden of permanent military expenditure, which we should have bequeathed to India, if, when fully warned of her danger, we had left this great and growing war-machine planted on the very threshold of her Empire, not only at the uncontrolled command of a Prince avowedly hostile to her, but also under the established influence, and undisputed direction, of that despotic and aggressive military Power which has for years been steadily advancing to her gates.

“In the presence of His Excellency the Commander-in-Chief, whose personal organization, and constant supervision, of all its operations have so greatly contributed to the successful results, thus far, of a war which will soon, I trust, be satisfactorily finished, it would be presumptuous in me to make any comment on the military conduct of it. But I esteem it nothing less than an imperative, though it is also a congenial, duty, to take this, the earliest opportunity in my power, of vindicating, from the cruel aspersions lately cast on it, the high character of that fine soldier, and true gentleman, Sir Frederick Roberts. To all who have the privilege of being intimately acquainted with General Roberts, the marked humanity of his character is well known. The armed mission on which that officer went to Cabul was primarily, and essentially, one of stern retribution. He has been accused of indiscriminate severity in the discharge of the painful task imposed on him. The number of those who instigated the massacre of Sir Louis Cavagnari and his companions, we shall probably never know. The number of those who participated in that crime we cannot accurately estimate, but it may certainly be reckoned by hundreds. The total number of persons tried at Cabul, under the authority of General Roberts, for that crime, and on other charges, was 163. The total number of persons executed under his authority was 87. But it has been alleged that some of the persons thus executed were *bouá fide* combatants, punished by General Roberts under a cruel and fictitious charge of rebellion, for no worse deed than the defence of their country. It is with great satisfaction that, on behalf of General Roberts and this Government, to which he has rendered a strict account of his proceedings, I deny the truth of that

allegation. The fact is, that no combatant, or non-combatant, has been put to death by General Roberts on any mere charge of rebellion, or for openly bearing arms against us; no man has suffered death under any charge not punishable with death by the ordinary practice of civilized warfare, or without the fullest trial compatible with the inevitable conditions of martial-law in a barbarous country under hostile occupation. General Roberts has explained that his reason for offering rewards for the apprehension of the men who fought against him at Charasiah, and who were declared by the Amír to be traitors to himself, was the knowledge that the assailants and murderers of the Embassy were to be found in their ranks. But not one of those men has been executed unless, and until, the Court which tried him was satisfied by the evidence before it that he had either participated in the attack on the Residency or committed some other crime to which the recognised usages of war apply the penalty of death. To rummage amongst the refuse of hearsay for every crooked pin, dropped there by the recklessness of rumour or the rancour of personal spite, and then to employ these ignoble little weapons in scarifying the character of men who are labouring to serve their country in conspicuous positions of constant anxiety and tremendous responsibility,—this, I must be allowed to say, is not merely cruel, it is essentially cowardly. Neither a swaggering patronage of the public conscience, nor ostentatious professions of a superior personal morality, never tested by the dread conditions of responsible public action, can mitigate or conceal—in my opinion they seriously aggravate,—all that is either frivolous or despicable in such conduct.

“I have but one word more to say about the Afghán war. It is with astonishment that I read, four days ago, the assertion reported to have been made in Parliament by a noble Duke, that the Government of India, or some of its members, had communicated to the Press confidential orders received on the subject of this war from the Secretary of State with the ‘object of raising excitement in India,’ and ‘exciting the Indian Services against the decision of Her Majesty’s Government;’ and that I myself, with a similar object, had circulated in England ‘an elaborate document recommending measures much more severe and violent than those approved of’ by the Queen’s responsible advisers; furthermore, that an article lately written by Sir Henry Rawlinson on the subject of the Afghán war, was written in communication with the Viceroy, as a manifesto on my behalf against Her Majesty’s Ministers, whose policy it is my clear duty, as it is certainly my earnest desire, to carry out in this matter. Had I been guilty of any such conduct, I should, indeed, have been unworthy of the high office which I hope to transmit uninjured and unsullied to my successor. But, whilst giving to these incomprehensible asser-

tions the most unqualified contradiction on behalf of my colleagues and myself, I now declare that neither between the members of the Government of India, nor between this Government and Her Majesty's Ministers at home, is there any conflict of opinion or purpose respecting our relations with Afghanistan, or the prosecution and objects of the war imposed on us by the condition in which we found them. It has been, it is, and it will, I feel sure, continue to be, our unanimous desire and unceasing effort in loyal co-operation with each other, and complete concurrence with the Government of Her Majesty, to bring this unsought war to the earliest conclusion compatible with the honourable and secure attainment of the purely defensive objects for which it is being waged."

The Motion was put and agreed to.

The Hon'ble SIR JOHN STRACHEY then moved that the Bill as amended be passed.

The Motion was put and agreed to.

TRADE-MARKS BILL.

The Hon'ble MR. STOKES presented the Report of the Select Committee on the Bill to provide for the registration of Trade-marks.

FACTORIES BILL.

The Hon'ble MR. COLVIN presented the Report of the Select Committee on the Bill to regulate labour in Factories.

The Council adjourned to Friday, the 5th March, 1880.

D. FITZPATRICK,

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

CALCUTTA ;
The 2nd March, 1880. }