

*Tuesday,
29th March, 1910*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. XLVIII

April 1909 - March 1910

ABSTRACT OF PROCEEDING
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS,

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Proceedings of the council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 to 1909 (24 & 25 Vict., c. 67, 55 & 56 Vict., c. 14, and 9 Edw. VII, c. 4).

The Council met at Government House on Tuesday, the 29th March 1910.

PRESENT :

His Excellency THE EARL OF MINTO, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*,

and 58 Members, of whom 53 were Additional Members.

OATH OF OFFICE.

The following Additional Member, before taking his seat, made the prescribed oath of his allegiance to the Crown :—

The Hon'ble Mr. W. Maxwell.

QUESTIONS AND ANSWERS.

The Hon'ble BABU BHUPENDRA NATH BASU asked :—

“ Will the Government be pleased to lay on the table a statement of accounts detailing the initial and recurring expenditure involved in the reduplication of the administrative machinery consequent on the partition of Bengal ? ”

“ Will the Government be pleased to state if the expenditure, both initial and recurring, incurred on account of the partition of Bengal has not exceeded the original estimates made for the purpose by the Government of Lord Curzon, and, if so, by how much ? ”

The Hon'ble Sir HARVEY ADAMSON replied :—

“ It is not possible to answer the first part of the question with precision, as other factors affect the accounts besides the increase of administrative staff which was directly consequent on the formation of the new province. I lay on the table, however, two statements* showing :—

- (1) the cost of the administrative offices affected by the formation of the province of Eastern Bengal and Assam in 1904-05, the year before its formation, and in 1906-07, the year after it ;

* *Vide* Appendices C and D.

[*Sir Harvey Adamson; Mr. Chitnavis.*] [29TH MARCH 1910.]

- (2) an estimate (for the work is not yet complete) of the special non-recurring expenditure incurred, chiefly at Dacca, in connection with the formation of the new province.

"In the first statement the increase of expenditure shown in the two years is roughly 12 lakhs. Some part of this is due to the normal growth of recurring charges which would have taken place even if there had been no change. But the increase directly attributable to the creation of the new province has no doubt in some measure exceeded the estimate framed by Lord Curzon's Government, which was 8.59 lakhs. The greater part of the excess occurred before the new province was actually formed and was due to three additions to the original scheme:—(i) the Secretary of State's decision to substitute a Board of Revenue for the proposed Financial Commissioner (Rs. 42,000); (ii) the appointment of a Commissioner of the Surma Valley (Rs. 36,000); and (iii) the appointment of a Legal Remembrancer (Rs. 46,000).

"For non-recurring initial expenditure no regular estimate was prepared by Lord Curzon's Government. A telegraphic rough estimate of 10 lakhs was furnished to the Secretary of State for the building of a Government House and Secretariat. This was prepared at very short notice, before an opportunity occurred of considering the requirements of the new province in consultation with its officers. The estimate which I now lay on the table includes large sums for improvements of a general character such as roads, water-works and sanitation. It also includes 8.92 lakhs for residence for Government officials. This is capital expenditure upon which interest and depreciation charges will be realized in the shape of rent from the occupants of the houses."

"For temporary buildings the original estimate was Rs. 1,85,000. The actual expenditure has been Rs. 2,68,527 to end of January 1910, or an increase of Rs. 83,500."

The Hon'ble MR. CHITNAVIS asked:—

"Is Government aware that it has been held by the Judicial Commissioner of the Central Provinces that a plaint cannot be admitted unless it is signed by the plaintiff himself, even when the plaintiff lives away and cannot sign the plaint without considerable trouble, inconvenience and loss of time? Is Government aware that suitors experience difficulties owing to this view of the law? Will Government be pleased to amend order VI, rule 14, of the First Schedule to the Code of Civil Procedure, 1908, so as to make signing of plaints by agents legal and valid?"

[29TH MARCH 1910.] [*Mr. S. P. Sinha; Raja Partab Bahadur Singh; Sir Harvey Adamson; Mr. Robertson.*]

The Hon'ble MR. S. P. SINHA replied :—

“If on enquiry the Government of India are satisfied that hardship is caused by the interpretation put upon rule 14 of order VI of the First Schedule to the Code of Civil Procedure, 1908, by the Courts of the Central Provinces, they will represent the matter to the Local Government with a view to the removal of such hardship by the amendment of the rule in question by the High Court for the Central Provinces.”

The Hon'ble RAJA PARTAB BAHADUR SINGH asked :—

“Will the Government be pleased to state the total amount of Government expenditure on Primary and Higher Education in the different provinces of India, and what is the amount per head of the population in respect of each one of the provinces?”

The Hon'ble SIR HARVEY ADAMSON replied :—

“A statement* giving the information asked for is placed on the table.”

The Hon'ble RAJA PARTAB BAHADUR SINGH asked :—

“Is the Government aware that considerable inconvenience is caused to the public by the new rules of the Telegraph Department in the case of second class telegraph offices that are kept open only at stated hours? If so, what, if any, action is intended to be taken thereon?”

The Hon'ble MR. ROBERTSON replied :—

“Government are not aware that considerable inconvenience is caused to the public by the new rules of the Telegraph Department in the case of telegraph offices that are open only at stated hours.

“Considerable changes have been made in the working hours of such offices since 1908, but the requirements of the public were considered in every case, and the working hours have not been curtailed in any instance except where the traffic returns showed that this could be done without inconvenience to the public.

“The principle which has governed the fixing of the working hours in telegraph offices is that an office should not be kept open when there is practically no traffic offering. To keep offices open for longer hours than this would generally mean a disproportionate increase in the working expenses. The ‘late fee’

* *Vide* Appendix E.

[*Mr. Robertson: Mr. Dadabhoy; Sir Guy Fleetwood* [29TH MARCH 1910.]
Wilson.]

system, by which, on payment of an extra charge, a telegram may be sent during the hours when an office is closed, is intended to meet the case of occasional telegrams.

“Superintendents of Divisions have standing instructions to keep themselves informed of the suitability of the working hours of all offices in their Divisions to the public requirements and to alter the working hours where required.

“If the Hon'ble Member will inform the Director General of Telegraphs of any particular instances in which the public are inconvenienced, enquiry will at once be made into the circumstances.”

The Hon'ble MR. DADABHOY asked:—

“Having regard to the Hon'ble Sir Edward Baker's statement in this Council of 27th March 1907, anent compensation from the British Exchequer for the loss of the opium revenue of this Government, and to the actual loss of revenue necessitating the imposition of fresh taxation, will the Government be pleased to state what action, if any, has been taken by it or the Secretary of State to secure a substantial grant by way of compensation from the British Exchequer?”

The Hon'ble SIR GUY FLEETWOOD WILSON replied:—

“The matter is one on which the Government of India are not in a position to make any statement.”

The Hon'ble MR. DADABHOY asked:—

“In view of the official statement in reply to a recent question in the House of Commons about the suggested amendment of the law relating to life assurance in India, will the Government be pleased—

- (a) to make an early declaration of its intentions;
- (b) to consult the public bodies besides Chambers of Commerce before taking final action; and
- (c) to lay on the table all correspondence on the subject?”

The Hon'ble MR. ROBERTSON replied:—

“The Government of India have under consideration the question of amending the law relating to Life Assurance in India on the lines of the English law.

[29TH MARCH 1910.] [Mr. Robertson; Mr. N. Subba Rao.]

Local Governments and Administrations have already been consulted on the subject, and with their replies they have submitted the views of the Chambers of Commerce and other representative commercial bodies. The Government of India have considered these replies and have found that there are likely to be practical difficulties in applying certain of the provisions of the English Act to Indian conditions. The difficulties are for the most part of a technical nature and will require careful examination. Amongst others I may mention the question of obtaining from Indian Companies a statement of valuation of liabilities similar to that required by the provisions and schedules of the English Act. This can be properly prepared only by a qualified actuary, and, so far as the Government of India are aware, there is only one actuary in the whole of India. At the same time the Government of India have as yet at their disposal no organization similar to that which the Board of Trade possess for scrutinising the statements and returns. There is further the question of distinguishing between companies which actually transact life assurance business and those which are in fact nothing more than Provident Societies, though they describe themselves as Life Assurance Companies. It is clear that the two classes cannot be brought under one common regulation. Any cautionary deposit, for example, which it might be deemed advisable to require from Companies doing life assurance proper would probably be excessive in the case of the smaller Provident Societies. Again, it may be necessary in the case of the latter to limit the liability for which each society may engage itself in respect of any individual policy and to restrict the class of business undertaken by such societies. The above are not the only points that have been raised, but I mention them to show that the application to India of the English procedure is a matter which requires a good deal of consideration. The Government of India are at present in consultation with experts at Calcutta and Bombay as to the best method of dealing with the whole question.

“With regard to the second part of the Hon'ble Member's question, I may say that public bodies will have an opportunity of putting forward their views on any measures that may be finally proposed before they become law.

“The Government of India do not consider it desirable at this stage to lay the correspondence on the table.”

The Hon'ble MR. N. SUBBA RAO asked:—

“Will the Government be pleased to state—

- (1) whether it is aware that Provident Funds under various names have been started in the Presidency of Madras, under cover of which

[Mr. N. Subba Rao; Mr. Robertson.] [29TH MARCH 1910.]

promoters make large sums of money at the expense of subscribers and members, and ignorant people have been deluded by false promises and cheated of their monies;

- (2) whether its attention is drawn to the judgment of the High Court in the Bapatla Provident Fund Criminal Appeal in which their Lordships Mr. Justice Benson and Mr. Justice Abdur Rahim, on the 2nd February last, held that the Fund in question was more in the nature of a lottery and set aside the conviction and sentence passed on the accused—the Directors of the Company—by the Sessions Judge of Guntur; and to the remarks of Sir Ralph Benson therein that the Legislature should take into consideration cases of this sort and protect the ignorant and unwary from the snare set up by the promoters of such Companies;
- (3) how far this evil is prevalent in other Provinces, and to place on the table reports, if any, received on the subject from Provincial Governments;
- (4) whether it will take steps to introduce legislation to check the evil and extend the protection of law to *bond fide* Companies started for mutual benefit on the lines of Friendly Societies in Western countries?"

The Hon'ble MR. ROBERTSON replied:—

"The Government of India have recently received a communication from the Government of Madras urging the desirability of legislation to control the operations of Provident Societies which undertake life assurance business. No reports on the subject of such societies have of late been received from other Local Governments. But I may state that the question of undertaking legislation for their control was considered in consultation with all Local Governments in 1900, and the decision arrived at was that the necessity of such legislation had not at the time been established. So far as the Government of India are aware, the evil referred to by the Hon'ble Member does not prevail to the same extent in any other part of India as in Madras. The judgment of the Madras High Court alluded to by the Hon'ble Member has not been brought to the notice of the Government of India officially, but they have seen a report of the case in the public Press. As it appears from the reply which I have just made to the Hon'ble Mr. Dadabhoy, the question of undertaking legislation to control the operations of these societies is closely

[29TH MARCH 1910.] [*Mr. Robertson; Mr. Madge; Sir Guy Fleetwood Wilson; Mr. Graham; Mr. Macpherson.*]

connected with that relating to Life Assurance Companies. The whole subject is at the present time engaging the attention of the Government of India, and they do not consider it desirable at the present stage to lay the correspondence on the table."

The Hon'ble MR. MADGE asked :—

"Will the Government be so good as to state whether, in the reply of the Under Secretary of State to a question from Mr. Rees, that it has been decided in future to aim at recruiting for Indians one-half of the vacancies occurring in the Enrolled List of the Finance Department, the word 'Indians' includes or excludes 'Statutory Indians' as defined by an earlier decision of the Secretary of State; and, if it excludes them, whether the Government will take steps to remove the barrier thus thrown up against the domiciled community."

The Hon'ble SIR GUY FLEETWOOD WILSON replied :—

"What has been decided is to recruit Indians, in the sense of persons of pure Asiatic descent, for one-half of the future vacancies in the Enrolled List. But this new decision throws up no new barrier against members of the domiciled community. They will still remain eligible, as at present, for admission by competition in India or by promotion from the subordinate ranks. Their position is in no way affected."

The Hon'ble MR. GRAHAM, in the absence of the Hon'ble MR. ARMSTRONG, asked :—

"Are the Government of India aware that the amendment of the Bombay Port Trust Act, 1879, made by the Bombay Repealing and Amending Act, 1909, which recently received the assent of the Governor General, has created great dissatisfaction amongst that part of the mercantile community of Bombay which is represented by the Bombay Chamber of Commerce?"

"Have the Government of India replied to the memorial of the Bombay Chamber of Commerce of the 31st July 1909, praying that assent might be withheld from the Act in question?"

The Hon'ble MR. MACPHERSON replied :—

"The Government of India are aware that the amendment of the Bombay Port Trust Act made by the Bombay Repealing and Amending Act, 1909, has been received with dissatisfaction by the Bombay Chamber of Commerce.

[*Mr. Macpherson; Mr. Ghuznavi; Sir Harvey* [29TH MARCH 1910.]
Adamson; the President.]

"The memorial of the Chamber to which the Hon'ble Member refers was carefully considered by the Government of India before His Excellency's assent was given to the Act, and they were of opinion that it was contrary to precedent to refuse assent to an Act passed by the Legislative Council of a Local Government on grounds such as were set forth in the memorial. The Government of India regret that a reply was not sent to the Chamber of Commerce with regard to their memorial at the time when the decision of the Government of India on that memorial was communicated to the Government of Bombay."

The Hon'ble MR. GHUZNAVI asked :—

"Will the Government be pleased to state the number and the names of the students from the different Universities who proceeded to England as State scholars under Home Department Resolution Nos. 1—45-57, dated the 12th February 1886, and No. 9—269-81, dated the 23rd August 1882? Will the Government be pleased to state generally the nature of their occupation since their return?"

"Will the Government be pleased to state the number and nature of studies of the scholars who were selected for technical education in Europe under Home Department Resolution No. 41, dated 20th January 1904, and the nature of their occupation since their return? Also whether any Muhammadan was selected for any of these scholarships?"

"Will the Government be pleased to state whether they have under consideration any scheme for a special scholarship, general or technical, tenable in England for Muhammadans similar to the special scholarship for Eurasians and Anglo-Indians instituted by Home Department Resolution Nos. 22—238, dated the 19th March 1907?"

The Hon'ble SIR HARVEY ADAMSON replied :—

"In answer to the first and second questions, the statements* placed on the table give the information asked for by the Hon'ble Member, so far as it has been possible to obtain it. Several of the scholars whose names are included in the statements have not yet completed their studies abroad. The answer to the third question is in the negative."

DISCUSSION OF THE BUDGET FOR 1910-11

His Excellency THE PRESIDENT said :—"I should like to inform Hon'ble Members, before the discussion on the Budget begins, that, as I told them the

* *Vide* Appendix F.

[29TH MARCH 1910.] [*The President ; Mr. Dadabhoj.*]

other day, I propose to limit the speeches to 20 minutes with the exception of those of Members in charge. But as I am anxious not to interrupt Hon'ble Members in the middle of a sentence, I have arranged that a bell of warning should ring one minute before the time is up. I hope that will assist Hon'ble Members as regards their speeches."

The Hon'ble MR. DADABHOJ said :—“ My Lord, the general features of the Budget do not call for any special comment. But for the taxation and the loan, necessitated principally by an alarming growth in expenditure, it would perhaps have evoked popular applause. Even as it is it affords proof of the care and skill with which the Hon'ble Sir Guy Fleetwood Wilson has worked out the whole thing. I only wish he had made more strenuous efforts to keep down expenditure, both civil and military. It seems we are progressing too fast in the matter of expenditure. The main increase has been in the civil departments. The public have their suspicions about the utility and the necessity of all this heavy expenditure. A fuller explanatory note on the point would have been welcome, and would have helped us to form a correct estimate of the administrative value of the Government liberality.

“ My Lord, the decision of the Government about the inquiry into the whole subject of high prices, mooted first by my friend the Hon'ble Mr. Chitnavis, is disappointing to a degree. In 1908 the Government undertook to consider the suggestion of a joint Commission of officials and non-officials “ should they decide that inquiry was advisable.” In 1909, in answer to my question on the subject, in explanation apparently of the delay in taking action, Government stated: “ It is, however, a question of much complexity, involving a number of other issues of much moment.” In the course of the Budget debate of last year the Hon'ble Finance Member announced in effect the Government decision to inquire into the subject, and his remarks induced the belief that an open inquiry by a Commission would be sanctioned. He observed :—

‘ Nor can I make any announcement yet regarding an inquiry into prices, for the manner and agency of the inquiry are still under the Secretary of State’s discussion. . . . We are prepared to ascertain the facts with the utmost care and to give our best consideration to any suggestions which are based on knowledge and accurate data.’

“ Suggestions . . . based on knowledge and accurate data,” consideration of which was promised can only be made to a Commission taking evidence at important centres ; the ascertainment of “ the facts with the utmost care ” is best effected by such a Commission of officials and non-officials. But a single officer is expected to do this work in disregard of the fact that a departmental inquiry of the sort can never be expected to elicit the facts bearing on a matter of “ much complexity ” and pregnant with various momentous issues. The terms of the reference would clearly shew that the subject lies more in the line of a first-rate economist than the cleverest officer, however experienced

at figures. What is an office head to know of "world factors," of the permanent or temporary nature of the rise in prices, and of its "probable economic effects on the country as a whole and on the different sections of the community," which he is asked to report upon? The principle which the Finance Minister lays down of diagnosis preceding treatment, is exceptionable. We all are in cordial agreement there. But in my humble opinion proper diagnosis of the particular evil can only be made with the help of an open commission. The ascertainment of facts and the reasons underlying them is peculiarly within the province of a commission. That is by common consent the function assigned to commissions. Why should then the satisfactory method of an open inquiry by a commission be abandoned in a matter which is unusually complex and difficult, and in an examination of which all the help which economists of experience can give should be courted? The order has been reversed, and the idea seems to be that the "treatment" and not the "diagnosis" can be referred to a commission. This treatment, on the contrary, could be left, as it must in the end be, to Government.

"My Lord, the subject of the financing of Protective Irrigation Works finds a suitable place in a review of the Financial Statement. The present arrangement is precarious, and satisfactory provision for such works is a matter more or less of chance. The policy being to finance them from the revenue, a source of supply dependent upon various fortuitous circumstances, the initial outlay on them must necessarily be somewhat uncertain. The past history of the works supports this view. The Secretary of State, with a statesmanlike appreciation of the importance of irrigation, has been pleased to fix the maximum expenditure on Protective Works at 100 lakhs of rupees, but that figure has so far not been worked up to. Last year's principle of economy and retrenchment does not inspire the allotments in the Budget under discussion, and the Finance Minister has set forth his position in clear language :

'Though I view with grave anxiety the steady growth of our expenditure, yet I realise that, without a general recasting of our scale of public charges, we cannot extend indefinitely those retrenchments of a temporary and emergent character which have been forced upon us in the last two years.'

"The "inevitable" "permanent strengthening of our resources," which the Finance Minister thinks necessary, has been effected by the imposition of fresh taxes. And yet the allotment for Protective Irrigation Works is less than the former maximum of 75 lakhs by about $5\frac{1}{2}$ lakhs. Unless, therefore, Protective Irrigation Works are placed on the same footing as regards Capital outlay as Productive Works, and are financed out of loan funds, as recommended by the Scott-Moncrieff Commission, there is not much prospect of their being pushed on with vigour.

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[*Mr. Dadabhoy.*]

“The utility of these works is best proved in the province of which I am one of the humble representatives. In the scheme recommended by the Irrigation Commission there was not a large provision of productive works for the Central Provinces. Most of the works for that province were what are known as protective, as the prospective return was calculated to fall below the normal standard of $3\frac{1}{4}$ per cent. They were recommended for their protective value, a very great thing in itself which, in my humble opinion, would justify a liberal allotment even in years of financial stress. How popular these protective works are will appear from the remarks of the Local Government in the Resolution on the Administration Report on the Irrigation Branch of the Public Works Department for the year 1908-09 :

‘The agricultural year 1908-09 under review was marked by a heavy monsoon and a good harvest. The rainfall was generally above the average, yet the area irrigated, 34,808 acres, was very little short of the figure, 37,357 acres, for the year 1907-08, which was one of very short rainfall. This is most satisfactory, as it confirms the opinion repeatedly expressed in connection with the projects recommended for sanction that irrigation will be required and prove beneficial to crops even in years of good or normal rainfall, owing to the fact that the distribution of the rainfall is seldom exactly suitable.’

“This of itself would warrant a more vigorous programme of construction. The history of the Chhattisgarh irrigation works will make it abundantly clear that there is no cause for nervousness in expenditure on these protective works, and that the strong condemnation of the present classification of irrigation works into Productive and Protective by the Irrigation Commission is just. The following extract from the same Resolution explains the position :

‘Now that the great advantage of irrigation has been realised by the cultivator in Chhattisgarh, and that the water-rates there are being raised, a better forecast can be made of the probable return that may be expected from these works. At present the areas irrigated are largest in the Raipur and Drug districts, because the protective works elsewhere are not yet sufficiently advanced to irrigate large areas. The water-rate charged in Chhattisgarh during the year was only Rs. 0-12-0 per acre on most of the area irrigated, yet five of the works there have given a net direct return of practically one per cent. The water-rate has already been raised to Rs. 1-4-0 and will soon be raised to Rs. 2. This should send the net return up to 27 per cent. and the indirect return may be estimated at about two per cent. But transplanted rice is beginning to replace broadcasted rice, and the water-rate in the case of this crop will eventually rise to Rs. 2-8 or even Rs. 3 per acre. These works therefore give every promise of becoming productive, and if this should prove the case in Chhattisgarh, there is no doubt that those in other parts of the Province, where transplanted rice is the chief crop, cannot fall behind.’

“My Hon'ble friend Mr. Jacob, in spite of his experience and high authority as one of the most capable and distinguished engineers in the service of the Crown, will thus see that the Swat, River - Canal is not solitary proof of the arti-

ficial and misleading nature of the distinction now made between Productive and Protective Works. The estimated return in Chhattisgarh, with a water-rate of Rs. 2 per acre, is 27 per cent.; with the expected increased rate of Rs. 2-8-0 and Rs. 3 per acre, the yield should be much larger. The distinction is the more to be regretted in that it influences the method of financing the two different classes of works. The exigencies of the situation require that Protective Irrigation Works should be financed out of loan funds and not left to the tender mercies of the monsoons, which to a large extent determine the amount of available revenue. My Lord, a change of policy in the treatment of Protective Irrigation Works should now be carefully considered in view of the East India Loans Bill that has just passed through Parliament. The Secretary of State will have under the measure large borrowing powers for the support of Railways and Irrigation, and it will be a matter of regret if the increased financial ability is not utilised for the construction of these very necessary and valuable works. Larger and more liberal allotments are clearly required for the Central Provinces. The execution of the Tendula project, costing 95 lakhs of rupees, can no longer be delayed with justice to the province, and the Mahanadi Canal should also be taken in hand as soon as it is sanctioned. I earnestly hope the facts I now place before the Council will engage the sympathetic attention of Government, and at least the maximum expenditure of 100 lakhs a year on Protective Works sanctioned by the Secretary of State will be provided for in the Annual Budget, irrespective of the amount of surplus.

“ My Lord, it is a matter of the deepest regret that no provision is made in the Budget for the separation of judicial and executive functions. The Hon'ble Finance Member is silent on the subject. There is thus little chance of the reform being introduced even next year. Need the Government be reminded that delay in the introduction of this urgent reform is capable of misconstruction? “ Hope deferred maketh the heart sick.” Two years ago the Hon'ble Home Member in this Council explained the details of a scheme this Government undertook to refer to the Governments of the two Bengals and the High Court of Bengal for examination and criticism. The reference must have been made soon after. In February last year I was informed in this Council that replies had not been received, and when they were, further consideration of the scheme and a further reference to the Secretary of State would be necessary. Nearly fourteen months have elapsed since then, but the subject does not appear to have passed beyond the initial stage of discussion. Nor is it expected that the scheme would be fit for introduction during the coming year. Why there should be so much delay over the settlement of the details of a small measure is a matter of surprise to the country. An early declaration of the intentions of Government in this respect will remove much misapprehension. Surely the tentative introduction of a change of this nature in the district administrative machinery is not a reform of such magnitude or complexity as to elude settlement, if tackled with vigour by Government. The public hope,

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[*Mr. Dadabhoy.*]

notwithstanding absence of Budget provision, the Government will see its way to put the scheme into practical operation next year. The experiment cannot cost much, and such as it is, the bulk of it, if not the whole, will be met from Provincial revenues.

“ My Lord, the Hon'ble Mr. Harvey's statement last year of the Government policy of financing improvements in the existing Railway lines with borrowed capital, unsupported as it was by detailed reasons, is, to my mind, inconclusive, and has failed to convince the people of either its necessity or its wisdom ; and I regret I have to repeat my complaint on that head. I shall be glad to know the special reasons which prevent the adoption in Railway finance of the same salutary method of effecting improvements out of revenue as is followed with such conspicuous success in private commercial and industrial undertakings. Improvement in such enterprises is provided for by a Depreciation Fund, and unless a thorough overhaul becomes necessary, the arrangement is found satisfactory. New machinery, new buildings, and additional facilities are provided for from the revenue, and on exceptional occasions by temporary loans. Private companies do satisfactory business that way. It is doubtful economy to appropriate to general account any portion of the revenue, and leave the cost of the improvements to be defrayed out of Capital Expenditure. The existing arrangement is unsatisfactory, especially because it does not give the public an accurate idea of the commercial value of Railways.

“ One thing more before I leave the subject. The Hon'ble Mr. Harvey, in response to my appeal of last year for a moderation of the constructive activity of Government, stated that the Government looked forward to “ an increase, and not a reduction, in our present rate of progress.” My Lord, duty impels me to sound a note of warning that such a decision will be opposed to public opinion which the Government values. I do not refer here to the large commercial bodies who are interested in Railway development ; I speak of the intelligent general public who are not satisfied with the Railway returns, are apprehensive that the present rate of progress in construction, not to speak of any increase in it, may ultimately impose a heavy burden on our finances, and are in favour of a cautious programme. The Finance Minister says last year there was “ a net loss ” on Railway account. Judged in the light of human probabilities, the experience may not be unique, and it is likely that, given similar meteorological and commercial conditions, the same results will follow. Will it not be prudent to shape the Railway policy in recognition of this fact ?

“ My Lord, in judging of the financial position of Government, the present price of opium should be considered. The market has firmed up within the last few weeks, and the rate at present is much over the estimated price per chest with a distinct upward tendency. There are operators who would predict a steady

average of about Rs. 3,000 per chest. The reduction in the supply would thus be more than counterbalanced by a large improvement in the selling rate. It may in the end be that the actual loss during the current year will be considerably less than the latest estimate, and that there will be small loss next year in the revenue from this source. The anticipations of the Hon'ble Finance Member may thus prove unnecessarily lugubrious. There is at least no reason to suppose that the financial difficulty is really so serious as to justify additional taxation. At the same time it may be, and it appears only natural in the circumstances that it should be, that the ultimate loss in revenue to this Government, due to the British agreement with the Chinese Government, will be very serious. No improvement in the rate can compensate for the interdiction of the trade. The ultimate elimination of this source of revenue is a factor which must be constantly kept in view and provided against beforehand. But the manner in which the difficulty is sought to be overcome is open to comment. The loss is the direct result of the policy of the Imperial Government. The people have therefore a right to expect that the Home Government would recoup the loss occasioned by its policy by a handsome contribution. It is but bare justice to this country; it is unfair to place the whole burden upon India. Government, the public earnestly hope, will press this matter upon the Home Government.

“ My Lord, the present depressed condition of the Indian cotton industry should engage the anxious consideration of this Government. The development of Indian manufacture, providing as it does a solution of the Indian economic problem, must have official sympathy and support; and when a hitherto progressive industry is threatened with injury, adequate provision ought to be made by Government for its preservation. Every obstruction, every drawback should be removed; nay more, — every encouragement should be given to maintain vitality and to ensure growth. The countervailing excise duty upon Indian cotton fabrics is an impediment—unnecessary, unjust, irritating, and vexatious—which a wise Government would in the circumstances hasten to remove. But there does not appear to be, in England at any rate, any disposition to do this act of justice and statesmanship. The public had hoped that the temper of the Home Government in relation to this matter would improve after the General Elections; but the Secretary of State's promise to consider the question of a countervailing excise upon Indian tobacco is calculated to dispel all hopes of redress. My Lord, nowadays we hear a good deal of Tariff Reform; there is a swinging back of the pendulum in free-trade England. Why cannot the people of this country hope for a share in that reform when it comes? Why cannot they expect a protectionist change in the tariff policy of this Government? I refuse to believe that Lord Curzon's view, that India cannot have a place in a scheme of tariff reform, except one of absolute and unquestioning subordination, represents correctly the sentiment of the English nation. There is a general feeling in favour of Protection in this country; a judicious protective tariff is demanded by intelligent

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public opinion in the interests of the undeveloped industries. Can the Government disregard this opinion long with either justice or advantage? No doubt the question is very serious, involving far-reaching issues, and should not be lightly disposed of; but public interest would best be served by a free discussion in private conference between the representatives of the Government and the leaders of public opinion. If protective tariff is found either impossible or undesirable at such conference, the people will be easily reconciled to the position.

“My Lord, so far as Government has any real financial difficulty to fear at present, it is due, not so much to the contraction in the opium revenue, but to that ill-fated Partition of Bengal which has taxed, and promises to tax in future, the resources of this Government. The incidental charge, capital and revenue, is inconveniently large. This is only the beginning. The prospective increase in expenditure on account of this Partition may be assumed to be larger still. And the burden unhappily falls equally upon provinces that have no direct interest in it.

“My Lord, outside this Council the complaint has been that Central Provinces subjects have bulked too largely in our deliberations, but the existing state of things forces our hands. We, representatives of the province, shall be glad to exclude matters of provincial interest from our appeals and criticisms, provided facilities are given us for their discussion in a Provincial Legislative Council. Last year I pleaded for the creation of such a Council by proclamation under section 46 of the Indian Councils Act of 1861, but the suggestion was not acceptable to Government. Nobody regrets the decision more than the people of the province. It deprives them of the most effective means of bringing local matters to the notice of Government. Two members, or even three members, cannot be expected to do full justice to the various insistent claims of a large and growing province in a Council having charge of the legislative interests of the whole of India. Many subjects, besides, have now to be eliminated from our discussion as being too parochial; for every point raised a reference to the Local Administration becomes necessary. The absence again of the direct and free discussion between the Hon'ble the Chief Commissioner and the representatives of the people, such as is ensured by a Provincial Legislative Council, often gives rise to misconceptions, and the decisions of Government based upon the views of local officials, which are from the necessities of the situation uninfluenced by “advanced public opinion,” do not meet the public wishes, and are liable to misinterpretation. The people have no means now of influencing the decisions of the Local Administration, except by a personal appeal or in private interview. However sympathetic and enlightened the Chief Commissioner may be, and the present incumbent, the Hon'ble Mr. Craddock, I am glad to publicly acknowledge, is both, he has to depend more or less upon local officials for information and advice. The reports of these officers

go unchallenged. The corrective influence of public opinion is absent. The local public therefore demand a local machinery for the discussion of provincial matters. Meetings have been held at different centres, requesting the Government to create at least an Advisory Council, such as was recommended by the Hon'ble Mr. Craddock in his Note on the Reform proposals of this Government. My Lord, is it too much to hope that Your Excellency will still, before laying down the reins of office, provide a Legislative Council for the Central Provinces, or, failing that, an Advisory Council on the lines suggested by the Hon'ble Chief Commissioner.

"The Central Provinces people also earnestly hope that the recent amendment of the Central Provinces Civil Courts Act will lead to the creation of a Chief Court at Nagpur.

"My Lord, the Regulations framed under the Reform Scheme demand careful notice. I do not doubt they are framed with care and the best of motives, but they are capable of considerable improvement in certain respects. The rules regulating elections are not popular; they fail to secure popular co-operation in the work in the manner contemplated in Lord Morley's despatch of November 1908. Important classes have no share in the elections; the educated Indian as such has no voice; the masses do not participate in them. These are defects which the country expects will shortly be removed. In my humble opinion, with a view to associate the people more intimately in these elections, a few seats on the various Councils should be thrown open to individual voting, so that every respectable citizen may feel he is a recognised unit in the Empire. To secure proper representation and discourage undue influence in these elections, it would be far better to provide for individual voting by the members of the local bodies instead of voting through delegates. The educated community should also have the suffrage, not through universities only, but individually. The veto which Government has reserved to itself should provide the most effective check upon reckless elections. Government has nothing to fear but much to gain from the suggested changes. The people will then come to take a healthy interest in these elections, and will necessarily be more intimately associated with the Administration. The object of the scheme will thus be served.

"My Lord, before I conclude I must give expression to the general feeling of regret felt in India at the termination of the period of Your Excellency's office. It is a very great loss at the present time. It is almost a personal loss to us who have had the privilege and the pleasure of coming into direct contact with Your Excellency; to the general public Your Excellency's retirement means the withdrawal from the Administration of a Pro-Consul who, distinguished alike by numerous qualities of head and heart,—firm, sympathetic, and far-seeing—has done much to restore order at an exceptionally difficult juncture, and to lead the people to a nobler sphere of political activity and administrative utility than before. We all hope, my Lord, although removed from us by continents and oceans, for long

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years to come Your Excellency will continue to watch over the interests of this distant dependency, and from a higher sphere of executive responsibility to mould its destinies with Your Excellency's characteristic sympathy and benevolence."

The Hon'ble MR. JACOB said :—" My Lord, I do not propose to occupy the time of the Council for very long. I spoke at some length at the irrigation debate on the 9th of this month, and Mr. Dadabhoy, in the part of his speech referring to irrigation, has introduced nothing new except a new inaccuracy. It is only with reference to this inaccuracy that I should like to say a few words.

" My Lord, Mr. Dadabhoy and I are both irrigation enthusiasts, but I must confess that he has beaten me this time. My enthusiasm is on a lower plane than his and does not permit me to ignore decimal points or to multiply the returns of our irrigation works by ten to show what amazing feats our irrigation officers can perform.

" When I spoke on the last occasion I explained to the Council that there was only one work which, originally classified as a protective work, had ultimately proved to be productive. This was the Lower Swat Canal, and I also explained that it was not a case in point as it was a work which should never have been classed as productive. Mr. Dadabhoy contests the truth of what I then said. He calls attention to another work, and to prove his point he quotes, or rather misquotes, from the Central Provinces Resolution on the irrigation report of 1908-09. He makes the Local Administration say that provided certain irrigation rates are imposed on the tank works in the Chhattisgarh civil division, these works will pay 27 per cent. I would first like to explain that these Chhattisgarh tank works are not protective works in the way we technically class them. They are minor works, and I never said that minor works were not remunerative; in a good many cases they are, but for the purposes of the Hon'ble Mr. Dadabhoy's argument they are irrelevant. But even if these works were in the protective class, Mr. Dadabhoy is mistaken in thinking that they are remunerative. What the Local Administration said was this. The present rates are Rs. 1-4 and it was hoped in time to raise them to Rs. 2, and when they had been so raised the project should pay 2·7 per cent. and not 27 per cent. as stated by the Hon'ble Mr. Dadabhoy.

" My Lord, Mr. Dadabhoy in his error can comfort himself in the knowledge that another famous statesman, Lord Randolph Churchill, found a difficulty with decimal points and wanted to know what all the little dots meant. I have

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corrected this mistake because it is right that the Council should not be misled. The Central Provinces irrigation works are doing extremely well and they will no doubt do better in course of time, but they are not, and never will be, the El Dorado that the Hon'ble Mr. Dadabhoj would have the Council to believe."

The Hon'ble MR. CHITNAVIS said :—" My Lord, three brief years have dissolved the hopes expressed by the Hon'ble Sir Edward Baker ' that the void ' in our opium revenue ' will be made good without imposing on Indian taxpayers a burden greater than they can bear.' The fears I then expressed have come out true. In the words of Mr. Montagu, Under-Secretary of State, ' India's strict fulfilment of the agreement has imposed serious burdens on the Indian Government and the Native States.' We have so far only lost a fraction of the revenue. The budgeted loss in revenue of a little over a crore of rupees, together with a small increase in the Provincial allotment to East Bengal, has necessitated not only a loan of a crore-and-a-half of rupees, but heavy taxation. I shudder to think what the influence upon Indian finances of the total loss of the revenue a few years hence will be. The financial difficulty of the Government gives point to the appeal I made in 1907 for a substantial contribution from the British Exchequer. To place upon India's weak shoulders the whole of the loss in revenue caused by the policy of the Imperial Government would be opposed to the noble traditions of the English people. This is not the first time they are engaged in a moral fight ; all their past services in the cause of morality have been accompanied by pecuniary sacrifices which have made them honoured among civilised nations. Why should India alone be denied that financial assistance that has been ungrudgingly given to other countries on similar occasions ? Owing to difficulties over the British Budget, it may not be possible to give practical effect to this suggestion immediately ; but all I plead for is a contribution by the Home Government after settlement of its present troubles.

" The partition of Bengal, according to the Hon'ble Finance Member, is equally responsible with the opium policy for Government's difficulties. Notwithstanding the well-known arguments of administrative efficiency and needs, the multiplication of offices which an administrative change like the partition involves is an act calculated to alarm the public. My Lord, in India, judging from past experience, the cost of administration has a normal tendency towards expansion, and, in my humble opinion, anything which helps the growth cannot be too strictly scrutinised, and, if avoidable, cannot be too severely condemned. The whole country must view with alarm the duplication of offices in Bengal and the large increase in cost in consequence of the partition, especially when it imposes burdens upon the other provinces.

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“The growth of expenditure under the head ‘Salaries and Expenses of Civil Departments’ is alarming. The budget estimate for 1910-11 exceeds the actual expenditure in 1905-06 by 14 per cent., and that of 1904-05 by 22 per cent. Such a large increase in normal years imperatively demands scrutiny. The police expenditure has grown enormously. Compared to 1905-06 the increase is 31 per cent., and to 1904-05 it is 40 per cent. ! Something should be done to arrest such abnormal growth, and the Finance Minister who applies the brake will deserve well of the community. The Finance Minister himself, speaking of the difficulties of the Government, remarked last year: ‘The occasion is one not for cheery optimism, but for circumspection and economy.’ The lapse of a year has only added force to the weighty opinion. It should not be beyond the resourcefulness of such a capable Minister as the Hon’ble Sir Guy Fleetwood Wilson to devise means for keeping civil expenditure under control.

“My Lord, the suggestion for retrenchment and apportionment of cost is made not in a captious spirit, but with all humility, in full recognition of the good intentions of Government, under a sense of alarm at the risks Government is undergoing in adding to the popular irritation and discontentment by fresh taxation. Were economy the dominating principle of Indian finance, in spite of the contraction in the revenue, the recent taxation could have been avoided. Taxation is always unpopular, and introduced at a time of public excitement and unrest, it excites suspicion and becomes a source of danger to the State.

“My Lord, the Budget under discussion is remarkable in more ways than one, and the Hon’ble Finance Member is to be congratulated on not only a distinctly Puritan budget, but on taxation which might encourage, however feebly, home industries. The country must be grateful to him for his sympathetic attitude towards the Indian industries. ‘I think Swadesi is good; and if the outcome of the changes I have laid before the Council result in some encouragement of Indian industries, I for one shall not regret it.’ For a Finance Minister to say even so much is not a small thing. No Finance Minister could be expected to evince a more active sympathy in the present state of India’s fiscal dependence upon the most pronounced and determined free-trade country of the world. The Hon’ble Sir Guy Fleetwood Wilson has indeed placed the people under deep obligations. We all appreciate his kindness and benevolence. At the same time we regret the absence of fiscal autonomy for India, and the limitations under which this Government has to frame its industrial policy; we regret Government cannot give the country a protective tariff forthwith. However excellent free trade may be for a country in an advanced stage of industrial development, it must be conceded that

protection is necessary for the success and development of infant industries. Even pronounced protagonists of free trade do not view this idea with disfavour. England has not reached her present state of development without protection. The history of English monopolies of the sixteenth century and the early part of the seventeenth points to an unmistakable moral. That Indian manufacturing industry is in its infancy, does not admit of controversy. Why should not India then claim special protection for her undeveloped industry? Even countries remarkable for their industrial enterprise and excellence protect their industries. The United States of America and Germany are decidedly protectionist; the British colonies have protective tariffs; according to the Master of Elibank, they impose 33½ per cent. duties even upon British imports; and latterly there has come to be a distinctly protectionist feeling in Britain itself. The duties imposed by the colonies are protective in purpose, scope and effect. They are not like the Indian import-duties levied for revenue purposes. The Indian appeal for protection cannot in the circumstances be unreasonable. The development of the industries is a matter of great moment to the Empire, and the popular leanings towards protectionism ought to engage the sympathy of the Government. But, my Lord, even taxes levied for revenue purposes, uninspired by economic considerations, excite the jealousy of the British manufacturer, and lead to the imposition of countervailing excise-duties. The imposition of import-duties for revenue purposes is sanctioned by precedent and principle alike. The Hon'ble Sir Guy Fleetwood Wilson himself forcibly points out: 'Ever in free-trade England we have always imposed considerable customs-dues, not to protect industries, but to raise revenue.' And yet for a small import-duty of 3½ per cent. upon cotton goods a countervailing excise-duty upon home manufactures is imposed in disregard of Indian public opinion, and the latest pronouncement of the Secretary of State has dispelled all our expectations of the righting of this wrong. The people again feel alarmed at the news that the Secretary of State has promised to consider the question of an excise-duty upon Indian tobacco. We hope the Government of India will strongly resist all attempts to force these irritating excise-duties upon India. This Government with its knowledge of local feeling and local conditions cannot favour such duties, and they must be fought with vigour with all the resources of enlightened statesmanship which we have come to associate with Your Excellency's honoured name.

"My Lord, for the industrial progress of the country something more positive than a protective tariff is necessary. I thankfully acknowledge Government is fully alive to this fact, as is evident from its efforts, so fully explained by the Hon'ble Sir Harvey Adamson the other day in this Council, for the spread of technical and technological knowledge in the country. Such education is necessary; but the

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question is, what is the urgent need of the hour? In my humble opinion, it is the encouragement of industrial ventures by the establishment of model factories and a well-devised system of guarantee even more than mere technological and polytechnic instruction. The present industrial prostration of the country, in the opinion of experts, is due principally to want of enterprise and initiative on the part of the people,—an inertia and lack of foresight which prevent application of capital to undertakings out of the common groove, and keep it confined within traditional limits. The immobility and shyness of capital is the chief impediment to industrial development. Administrative treatment should be directed to this subject first. In saying this I do not for a moment deprecate the spread of technological knowledge. I believe in it, and I believe there is need for it in the country; but drawback for drawback, even more than lack of expert knowledge that which retards industrial progress is want of correct information about the economic uses of the raw materials that are plentiful, the market for the manufactured article, the commercial prospects of particular industries, and the method of work. The State undoubtedly should provide adequately for the technological education of the people, but at the same time should do something more to encourage and facilitate the employment of capital in new and remunerative channels by inspiring confidence among capitalists. The nervousness of the nation must be got over. And for this example is decidedly better than precept. A model factory successfully worked will provide an object-lesson at once effective and inspiring. The Western nations have developed their manufacturing industry not so much by technological education on scientific lines, as by practical training in the factories. Japan has taken all its industrial inspiration from the West. Factories and new manufactures will help industrial development more than anything else. The alumni of a Technological or Polytechnic College are much in the position of elaborate instruments that have to be employed with discretion and skill in order to derive profit. And they can only be profitably employed by capitalists informed, imaginative and enterprising. The objective of Government should therefore be to raise such a body of capitalists in the country, simultaneously with making adequate provision for the industrial education of the people. The requisite information should be supplied by commercial bureaus, and confidence must be inspired by the successful working of model factories as also by offering guarantees for the payment of interest upon Indian capital employed in new and promising ventures. Government, it must be acknowledged with gratitude, has made a fine start in the matter of the introduction of the principle of co-operation. The work has now to be followed up with spirit. Mr. Chatterton's example in Madras may well be followed in other provinces. But for him probably we would not have heard so much about the aluminium industry and chrome tanning. In industrial

ventures as in many other matters the initiative must come from Government. The development in Indian railways is largely due to a system of State guarantee which might profitably be extended to other industries. The Government is more or less in the position of a trustee of the national wealth, and everything should be done by it to develop that wealth. These measures are all the more urgent in that, through Government as well as private liberality, a large body of young men are being trained in the various industrial arts, and the promised establishment of technological colleges we advocate will swell the ranks of Indian experts. Unless an opening is found for their talent and they are employed, they will be idle and discontented, and might be a source of anxiety to Government.

"My Lord, Government should also foster and encourage the accumulation of capital in the country. With more sympathetic settlements this object can be easily attained so far as landholders are concerned. The capital holdings of the malguzars have latterly become more and more attenuated. It is not that they lack intelligence and foresight; but under existing conditions they have seldom much to put by. Mr. Sly's description of their condition in his admirable Memorandum of 1902 has a sad interest, not only for its truth, but for the remedies that a perusal of it will obviously suggest to the mind :

'Coming to the agricultural population proper, I first take the malguzars or village landlords. It is an opinion commonly held that during the famines the malguzars have suffered even more severely than the tenants. * * Most reports agree that the burden of indebtedness has increased, whilst there can be no doubt that the value of landed property has temporarily decreased, except in the cotton tracts. Government has assisted them by large remissions of land-revenue; but these involve corresponding remissions of rent, so that the income of the malguzar is still diminished. The standard of living has deteriorated; gram and juar are sometimes eaten instead of wheat and rice; houses are not kept in such good repair; and clothes are not so good. Apart from losses in his cultivation and in his rent collections, the malguzar has lost largely in his transactions as village grain-lender. Formerly the position of landlord was as much coveted for the profits made out of grain-lending to tenants as it was for profits out of cultivation and rent-collecting, but the famines ruined most of the grain-lending business.'

"There has been some improvement, it is true, in the condition of malguzars since 1902, but it is still much below the mark. This deterioration in the condition of malguzars, coupled with a general movement of village labourers to towns for lucrative employment, has paralysed village industries. According to Mr. Sly :—

'Indigenous village industries, which are of far more importance to the welfare of the people, present a very different picture of gradual decay.'

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“Every effort should be made for the revival of these industries. They serve a very useful purpose; they give employment and secure competence to thousands of villagers and contribute to the prosperity of the villages, by attracting back emigrants. Easier assessments of rent and revenue, with a view to leave a sufficient margin of profit to the malguzar and tenant, and longer settlements will, in my opinion, go a great way to infuse hope and spirit among malguzars, and to promote accumulation of fluid capital in the hands of both malguzars and tenants.

“My Lord, speaking of villages and industries, the claims of the principal industry—the agricultural industry—force upon one’s attention. Government, I gratefully acknowledge, has of late done much to improve agriculture. The agricultural schools and colleges, the peripatetic lectures on agriculture, the experimental farms, the Civil Veterinary Department all testify to the keen interest Government takes in the improvement of this very important industry. But one subject in this connection demands an early and sympathetic treatment at the hands of Government. The question of the preservation of the stock of cattle, to which my friend the Hon’ble Mr. Dadabhoy has also drawn the attention of Government, is causing intense anxiety to agriculturists. Prices have gone up; and the cattle difficulty threatens to become acute in the near future. It is time something should be done by Government to tackle this difficulty. A general survey of the stock of cattle, periodically renewed, will help the authorities in deciding upon necessary measures. The incidental cost will be little in case this survey is undertaken along with the next census.

“Allow me, my Lord, on behalf of the important constituency I have the honour to represent on this Council as also of the larger public who are unrepresented but who feel much as I do, to offer Your Excellency sincere felicitations on the substantial work of administrative reform Your Excellency has done in this country and the calm and unperturbed disposition and sympathy that have distinguished Your Excellency throughout the troublous years of Your Excellency’s régime, and to express our sincere regret that Your Excellency’s term of office will shortly expire. My Lord, believe me, this is not the conventional language of the courtier; it has its roots in the heart of the nation for whom I am only the humble spokesman.”

The Hon’ble MAHARAJADHIRAJA BAHADUR of BURDWAN said:—“My Lord, it has been the custom in the past for non-official members to indulge in making general observations about the administration of India on this the Budget Debate day, and I therefore crave the indulgence of this Council to bear with me for a few minutes in the remarks that I am about to make, which, although they

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do not directly concern the Budget before us, will, I hope, not be found irrelevant in regard to the general administration of the Government of India.

• “My Lord, a strong case was made out the other day for the expansion of primary education in this country and the urgent necessity of its being made free and compulsory. I need hardly say that the principle of the movement has my cordial sympathy, but certain difficulties have got to be overcome: not only have ways and means to be found, but having regard to the peculiarity of the masses of India, other matters will have to be taken into consideration which I leave to the Government of India to enquire into. Mr. Gokhale made certain suggestions when he moved his resolution in Council, and I hope that when the Government of India have examined them minutely, the results of such examinations will be made known to us, so as to enable us to know how we stand. Now, my Lord, while fully admitting the necessity of considering the question of compulsory and perhaps free education in this country, I am one of those who like to confront the actual difficulties before us before going into matters in regard to which difficulties have not arisen at present but may arise hereafter. It is, therefore, that I think that before giving attention to the question of primary education, the Government of India should give its closest attention to the claims of those that are knocking at the door. At the present moment, we are confronted with the most serious problem, that of the educated unemployed. My Lord, if we were to collect statistics—a thing which I do not intend to venture upon myself, as I am not an expert at it like my Hon'ble Colleague Mr. Gokhale—and to find out what number of young men who went up for the Matriculation Examination and the Intermediate Examination in Arts got plucked every year, and out of those who failed, what percentage went up again for the higher standards and what number left their studies in search of employment, we would get at the bottom of a great deal of unrest in this country. It is not at all surprising to find, my Lord, that youths should be led astray when they realize that even if they were to go in for the B.A., M.A., or other higher standards, there were not sufficient openings for them in this country, and naturally, the minds of some of these disaffected young men turn to themes of a distinctly anti-Government nature. It is for these that I plead before Your Excellency today. Either retard the progress of education in this country, or give India's sons a million or two more in the shape of employments as a reward for the education that they are receiving. Larger openings for them in technical and industrial lines have become a crying and irresistible need. The problem is, no doubt, a knotty one; but I venture to say not insoluble. When at the present moment the number of the educated unemployed is overwhelming, it is the duty of the

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Government to meet as far as possible the demands of these, before launching into the question of educating the masses or taking up larger schemes of scientific, industrial and technical education. By this, I hope I shall not be misunderstood as being against encouraging primary education in this country or desirous of hampering the progress of the different branches of education mentioned above of which I am an ardent advocate; but what I mean to say, my Lord, is that the other is the greater and more urgent need: and every Minister of the Government should give this problem his most careful consideration; for, if you give education—which you are bound to do, as the best traditions of the English race urge you to do—more openings, more posts must be thrown open to the inhabitants of this country, so that they can feel that a broader field is still open for them to cover, and thus enable them to realize that they are officers and citizens of the British Empire and not simply British subjects, and as such they cannot afford to be disloyal to the Government.

“Now, my Lord, I turn to a less controversial question. Much to our regret, this is the last session in which we shall have the pleasure of seeing Your Lordship preside over us as Viceroy and President; and I, therefore, take this opportunity on behalf of the zamindars of Bengal, Behar and Orissa, whose suffrage I have the honour to represent in this Council, to convey to Your Excellency our deepfelt gratitude for the special electorate that you have given us. Being a great zamindar yourself, Your Lordship will realize what hopes, what ambitions have been aroused in the hearts of the zamindars of India by this recognition on the part of the Government that they are a body of men not to be ignored, that they are a community whose unflinching loyalty has furthered the cause of the stability of the British rule in India, and that they are the natural leaders of the people, and, as such, they have a legitimate claim for a legitimate attention from the Government. I admit, my Lord, freely that there have been and there are unfortunately some zamindars in this country, as in every other country, who have indulged and indulge in useless lives of indolence; but that is why we feel all the more grateful to Your Excellency for giving us these special electorates, and thus helping to bring home to us the fact that the age has arrived in India when every zamindar must realize that duty comes first and pleasure afterwards, and that every zamindar must understand the true meaning of the term ‘natural leaders.’ I sincerely hope, my Lord, that we shall not belie the trust reposed in us and that some day, though that day may be distant yet, India may once more claim a whole host of useful and capable zamindars, real leaders of the people and stalwart supporters of the Government.

“My Lord, in this connection, though it does not concern this Council in particular, I beg to convey to Your Excellency, and through Your Lordship

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to the Secretary of State for India, our appreciative thanks for the appointment of a zamindar to a Provincial Executive Council. By this appointment, the Government has accepted a principle which is very dear to us zamindars as a body; that is, if capable members of the aristocracy be found, they will not be debarred from getting portfolios on the Provincial Executive Councils, or, for the matter of fact, on the Imperial Executive Council in this country. I refer, Sir, to the appointment of my respected friend, the Hon'ble Maharaja of Bobbili to the Madras Executive Council. I see he has been criticised freely, and a little bit unjustly too; but I am sure he has a broad back, and that his common sense and his experience in zamindari management will help him through, and that he will prove worthy of the trust reposed in him, and that, as he is the first Maharaja to get such an appointment under British rule in India, he will not fail in his duty; for with him has begun a great experiment, and on him will rest, to a certain extent, the success which will enable the door to remain open for others hereafter.

“With these few remarks, my Lord, and with the hope that my esteemed friend, the Hon'ble Sir Guy Fleetwood Wilson, will not allow the probate duties to remain permanently enhanced, and that my colleague, the Hon'ble Sir Trevredyn Wynne, will be able to put the Burdwan-Cutwa Railway project higher up in the Railway Programme, I beg to support the Budget, before us.”

The Hon'ble MR. FENTON said:—“Today is the first occasion on which an opportunity has been provided for the official members who represent the Provinces to touch upon the question of Provincial finance. The views of the Hon'ble the Finance Member on the subject, his apportionment of praise and blame among the several members of the administrative family of Provinces, have now for some time been before the Council; and the Council, I believe, will not have failed to mark that the proverbial partiality which a parent so frequently exhibits towards the youngest member of the family is fully in evidence in the present budget. When I contrast the liberal treatment meted out to the Province of Eastern Bengal and Assam with the stern admonitions administered to some other Provinces, and notably to the Punjab, I am moved to a feeling of profound sympathy with the attitude of that brother of the prodigal son for whom the fatted calf was *not* killed. My Lord, the Hon'ble the Finance Member in his introductory statement has not dealt tenderly with the Punjab. I was particularly impressed by the emphasis of his declaration that the Government of India declined to admit that the Provincial Settlement is inadequate. That its operation has resulted in a depleted balance and in an appeal for help is, in Sir G. F. Wilson's opinion, proof not of illiberality on the part of the Supreme Government but of

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uneconomical management by the Provincial administration. We are invited to examine the causes of what is called the insidious growth of expenditure, and we are admonished sharply to check them. Sir Edward Baker is held up for admiration as the exemplar to be copied in this respect. My Lord, during the period that has elapsed since the financial settlement came into operation four Lieutenant-Governors have been at the head of the Punjab administration. If there has been failure, then one and all of them have failed sharply to check the causes of this so-called insidious growth of expenditure. And why? Let us begin at the beginning, for this failure manifested itself at a very early stage. The new settlement came into force on 1st April 1905. On 4th April, just four days later, there occurred one of the most calamitous earthquakes of modern times. Its disastrous effects upon the finances of the Punjab are still in evidence. The immediate effect was the loss of a considerable sum in land-revenue and a heavy expenditure in relief operations. But you cannot restore the public buildings of one of the largest districts of the Province without making abnormal demands upon the Exchequer. The rebuilding of the courts and offices of Dharmasala, which is yet far from complete, is a heavy item in each annual Provincial budget. It is open no doubt to the Government of India to say that the Provincial Settlement was a win or lose, for better for worse, one, but when the cause of failure is of the nature of the event of the 4th April 1905, I think that the situation is one which calls for sympathy rather than admonition.

“And, my Lord, sympathy rather than admonition is called for in respect of another failure sharply to check the insidious growth of expenditure. I refer to the medical charges in connection with plague and malaria. These calamities, no less than famine, in the present state of our knowledge and of the attitude of the people towards remedial measures, are beyond the control of a Local Government. But when famine visits a neighbouring province the Imperial purse-strings are loosened. The accounts for the year 1908-1909 show a donation of no less than 68½ lakhs in aid of Provincial resources to Sir John Hewett's Government. Such generosity to the Punjab Province in its afflictions of the past five years would have been welcomed, and I may add will still be welcomed should the Finance Member cease to harden his heart. I may remind him that we are not at the end of our calamities. The destruction and havoc that may be caused by river inundation have been brought prominently to notice by the floods which have submerged Paris. To compare Dera Ghazi Khan with Paris may seem ridiculous, but while in the French capital the calamity was a temporary one, the Indus town is being swallowed up for good and all. Already a third of it has been wiped out of existence, and in all probability two-thirds will have disappeared

before the next autumn floods subside. The town includes several Government buildings. After it has gone the civil station with its residences, courts, jail, police lines and other institutions must inevitably follow. This shadow looming in the near future is calculated to dissipate all hopes of building up a Provincial balance within any time that can reasonably be forecasted.

“ But, it may be said, granted that the Provincial Government is to be acquitted of responsibility for such causes of increased expenditure as earthquake, plague, malaria and river inundation, there are other causes more amenable to human control. Yes, my Lord, there are. But I venture to assert that the Provincial administration would have been guilty of a serious dereliction of duty had its attitude towards the more important of these other causes of expenditure been that which is advocated by the Finance Member. If I were asked to indicate by one word the dominant feature in the administrative situation past, present and future in the Punjab, I would answer ‘ Colonization.’ Does Sir Guy Fleetwood Wilson desire us sharply to check this colonization and all the moral and material development which it implies? Is this conversion of the arid, waterless Doabs into a vast and spacious granary to be thwarted and postponed? Are the overflowing stocks of wheat and cotton to rot in the villages because there are no roads to carry them to the export markets? Is it possible to dump down in the wilderness a population of a couple of millions without providing any administrative machinery to look after them? These people like others cannot be left wholly uncontrolled. Police must be provided to protect them, and police establishment and buildings cannot be had for nothing. Judges and Magistrates are called for to settle their disputes, and courts and kacharis cost money. Teachers and schools for their children, medical officers and medicines, hospitals and dispensaries for their sick, are also needed, and some provision must be made for collecting the water-rates and revenue assessed on their lands. New treasuries, sub-treasuries and treasury establishments; new tahsils and tahsildars and tahsildari establishments; new land record agencies, kanungos and patwaris, must be provided. These are all a charge upon Provincial funds, and it is charges of this description that would confront the investigator who sought to discover the reasons for the insidious growth of expenditure in the Provincial Budget.

“ But, it may be said, all this development must mean something for Government. What are new treasuries and sub-treasuries built for but the reception of treasure? Overflowing and abounding prosperity for the people must mean affluence in the Exchequer. True, my Lord, Government—the State, the general tax-payer, the public purse—is reaping a splendid harvest from these

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Punjab colonies; but the paradox of the position is this, that while the people and the public treasury share in the profits of this magnificent prosperity, the local administration, the Government of the Punjab, is being, I might almost say, impoverished by it. The Local Government bears all the expenditure; the Imperial Government takes nearly all the profit. Out of every rupee of assessment collected from the Chenab colonist Sir Fleetwood Wilson takes 15 annas and leaves only one anna to Sir Louis Dane.

“My Lord, that is not the only source in the Punjab of Sir Fleetwood Wilson’s wealth. There has been some disappointment that the railway traffic returns of Indian railways have fallen short of the estimates, but how much greater would the shortage have been had not the North-Western Railway come to the rescue? The increase of about a crore and a half in the current year’s takings on this line, which is more than half the year’s increase in railway earnings for the whole of India, reflects the prosperity of the province from which that railway draws its income. That income, the gross traffic receipts of the North-Western Railway, although more than three times the land-revenue of the Punjab, does not contribute a single pice to meet the cost of the Provincial administration. So far from the North-Western Railway contributing to the cost of the local administration, its action has only the other day imposed upon Provincial funds a new recurring charge of over one lakh per annum in consequence of first and second class fares having been enhanced 50 per cent.

“And, my Lord, paradoxical as it may seem, the cost of the Provincial administration is in another respect prejudicially affected by the very prosperity which is so fruitful for the Imperial Exchequer. The unprecedentedly high prices which the Punjabi agriculturist is realizing for his produce coupled with an inexhaustible demand for labour has inevitably raised wages all round. Though the coolie, the menial and the artizan have to pay more for the daily ration of grain which represents the minimum of subsistence, yet the conditions of the labour market are such that they are able to meet the cost. When the coolie demands and obtains the necessary increment in his wage it is impossible for Government to withhold a similar increment from those ranks of its servants whose wages are little if anything above the rates received by coolies; and of course in the Public Works Department all expenditure is affected by the increased rates for labour. The Provincial Secretariat is at the present moment full of memorials from all classes of public servants praying for a revision of salaries on account of the increased cost of living, and though the justice of their cause is undeniable the Local Government can do nothing without an addition to its resources.

“ Well, my Lord, the critics of the Punjab administration may rejoin to all this—granted that the causes which I have mentioned—calamities, colonization developments and rising prices—granted that these causes explain the increases in expenditure, it is nevertheless necessary to overhaul the expenditure schedules as a whole; they may have from the outset been framed on a scale indicative of extravagance. Now there is no absolute standard in this matter, and the only possible method of arriving at a just estimate of the cost of the Punjab administration is to compare it with that of other provinces, allowance of course being made for the difference in conditions. It happens that the new province of Eastern Bengal and Assam is in many respects comparable with the Punjab. Its area is practically the same. It consists of 26 districts as compared with 29 in the Punjab, and the system of administration—a Lieutenant-Governor, Board of Revenue (in the Punjab a Financial Commissioner), Commissioners and Collectors—is the same. The comparison is instructive. Taking the expenditure figures last available—those of the year 1908-1909—it will be found that the Secretariat of the Eastern Province costs 56 per cent. more, and although the Punjab land-revenue exceeds that of Eastern Bengal by 50 per cent. the Board of Revenue costs 25 per cent. more than in the Punjab. Commissioners cost 22 per cent. more in the Eastern Province and, although it has to pay nothing for a High Court, the charges for ‘ Courts of law ’ exceed by 20 per cent. the cost of the Judicial Establishment in the Punjab, which has to pay for a Chief Court of six Judges. Both in the number of officers and in their rates of pay the Punjab is more economical. For many years the Punjab has been the only one of the eight major provinces which has managed to carry on with two Secretaries in the Civil Department. Even the Chief Commissioner of the Central Provinces has three Secretaries. An application has now been made for a third officer, but, even then, the Secretaries, other than the Chief Secretary, will be receiving lower rates of pay than in any other Province, not excluding the Central Provinces. This inferiority in the scale of pay allowed to officers of the Civil Service in the Punjab, as compared, for instance, with Eastern Bengal, is found also in the ranks of the Commissioners and Judges. In the lower ranks of the Civil Service the disadvantages of the junior officers in the Punjab are still more marked, and I can testify to the existence of a very widespread discontent in consequence of the delay which has occurred in dealing with the representation made on their behalf two years ago.

“ The general conclusion then derived from an examination of the charges for civil administration is that the Punjab is the most economically managed of the major Provinces in India. However, let us apply another test. If a Local Government

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is suspected of indulging in extravagance and if its critics desire to put their finger on the particular expenditure which they would hold up for exposure as evidencing financial profligacy, we all know where they will turn. The Public Works Department is the residuary legatee of Provincial finance. When the Provincial exchequer is full the Public Works Department is the chief beneficiary. When it is empty it is the principal sufferer. When the word goes forth for retrenchment it is the Civil Works budget that must yield up its allotments. Consequently there is no better test or index to the financial prosperity or adversity of a local administration than that which is afforded by its Civil Works budget. I would therefore invite special attention to the figures in the Financial Statement under the head '45.—Civil Works.' They are most significant. Taking the figures for the five years 1906-1907 to 1910-1911, the Punjab, with all its colonization developments, has spent less and has less to spend on Public Works than any other Provincial Government—between 11 and 12 per cent. less than the Central Provinces and 18 per cent. less than Eastern Bengal and Assam. The Council will remember that the Hon'ble Mr. Meston referred most sympathetically to the position of the Central Provinces and spoke of Public Works there having been starved owing to financial stringency. And yet the Public Works expenditure of the Central Provinces for the five years 1906-1911 exceeds by no less than 32 lakhs the amount which the Punjab has been able to afford for civil works during the same period. In these circumstances, as might have been expected, the margin available for new works, as distinguished from repairs and establishment, is in the Punjab markedly below that of other Provinces. I have available only the figures of 1908-1909. They are—United Provinces 19 lakhs; the year was one of famine in the Provinces of Agra and Oudh and expenditure was abnormally curtailed; Madras 28 lakhs; Central Provinces 33 lakhs; Burma 37 lakhs; Bengal 38 lakhs; Bombay 41 lakhs; and Eastern Bengal and Assam—the Benjamin of the Provinces—47 lakhs. And what was the Punjab able to spend? A beggarly 17 lakhs only.

“What, my Lord, is the remedy for this penury of the local administration? No remedy can be of any permanent value which is of the nature of temporary charitable relief. Doles or grants-in-aid are no doubt welcome, but when they carry with them obligations involving growing expenditure charges, without any corresponding provision on the revenue side, they tend to aggravate the conditions which produce the penury of which I have spoken. The financial settlement of 1905 was at the time a fair and reasonable one. What we assert is that its character has been very materially modified since then by the action of

the Government of India. It has been materially modified by the allotment of fixed assignments instead of new sources of growing revenue to meet growing expenditure charges imposed by the Government of India; and in regard to the most important source of growing revenue there has been a recent retardation in the rate of growth which has falsified the expectations entertained in 1905 on the basis of previous experience. Such a retardation, we believe, would not have occurred under a régime such as that advocated by the Royal Decentralization Commission. That body has recommended a larger measure of autonomy for Local Governments, not merely in respect of expenditure, but also in matters affecting the revenue side of the Provincial balance sheet; and it is obviously only fair and reasonable that at a time when Local Governments are being told that, by hook or by crook, they have got to make both ends meet and pay their way,—it is only fair and reasonable that, when this responsibility is being enforced upon them, there should at the same time be some degree of emancipation from that centralised control in revenue matters which acts as a check upon the development of Provincial sources of income in directions suggested by local knowledge and experience. In matters connected with land-revenue settlements this centralization of control seems to be of comparatively modern origin. From paragraph 245 of the Decentralization Commission's Report it would appear that the present limitations have grown up only since 1880. During the past two or three years this tightening of control in the Punjab has become more intensified and the instances of intervention by the Government of India in settlement proceedings more numerous. This, I think, the Hon'ble the Revenue Member will not deny. A movement in the opposite direction, in the direction of relaxation of the control of the Government of India, is what is recommended by the Decentralization Commission. They have in fact definitely and deliberately advised that in settlement matters all the major Provinces should be on the same footing as Madras and Bombay; and the system in Madras and Bombay is described as 'practically a free hand in settlement and cognate matters.' Were the Royal Commission's recommendation carried into effect, a more hopeful financial future for the Punjab administration would be assured, one more responsive to the progress of the Province, more commensurate with the prosperity of its agricultural classes.

"Now, my Lord, just a word about this prosperity. Its existence is attested not only by the reports of those who live and work among the people and who witness its actuality, but by statistics of all kinds—statistics of the value of surplus produce exported, statistics of the imports of bullion and treasure which

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in enormous quantities are being absorbed in the hoards of the people, and statistics of the phenomenal rise in the market-value of agricultural land and of all kinds of real property. But it must seem strange to the ears of members of this Council to hear mention of the word 'prosperity' in connection with the agricultural population of any portion of the country—strange because the Council must by this time have grown accustomed to the constant rancorous, I may almost say venomous, reiteration of that ancient threadbare claptrap regarding the growing poverty of the people, which in season and out of season is so regularly paraded, and which, whether the subject of debate be silver or sanitation, railways or epidemics, education or technology, seldom suffers exclusion from the speeches of the Hon'ble and learned Pandit from Allahabad. This disingenuous cant about the comparative poverty of the Indian population is egregiously overdone. If we appeal to our experience, we can, most of us, testify that in the United Kingdom, partly owing to the unequal distribution of wealth, and partly to the rigorous conditions of northern winters, there is among the slum dwellers and submerged element in the population far more real poverty, misery and destitution than there is in this tropical land, where nature makes the conditions of existence for the poor soft and easy, and where in the matter of food, housing and clothing the requirements for bodily comfort are easily satisfied and at a moderate cost. Moreover, the percentage of the population represented by the million or so of paupers permanently in receipt of poor law relief in the United Kingdom has never, in the Punjab at least, been equalled even at the worst times of famine.

"However, if in the investigation of the question of poverty in this country the Hon'ble Pandit Madan Mohan Malaviya wishes to make an excursion into the realm of truth, let him study the memoirs of the Venetian Manucci, the Court Physician of the Emperor Shah Alum, and having done so let him tell us what was the condition of the masses in general and of the agriculturists and revenue-payers in particular in the days of Native rule preceding our own. But if, with a high flying disregard of easily ascertainable facts, he persists in ignoring the enrichment of the people under the British administration and affronts the intelligence of this Council and taxes its patience by his harping in that wearisome refrain on the growing poverty of the people, which he seeks to associate with the failure of Government to spend on education, sanitation and the manufacture of examination-room technological experts the sums which he and his friends consider suitable, then I think that the conclusion is inevitable that my Hon'ble friend Malik Umar Hyat Khan was not so very far wide of the mark, at any rate as regards one member of this Council, when he said

that the aim and object of the supporters of what he called 'fancy resolutions' are to exhibit Government in the light of an opponent and enemy of all measures designed for the advancement and well-being of the people.

"But this is a digression. I had reached the stage of showing that one remedy for the financial difficulties encountered by the Punjab Government is the decentralization in revenue and settlement matters recommended by the Royal Commission. The other remedy for the present situation also has the support of the Decentralization Commission. Though the Hon'ble the Finance Member has declared with much emphasis that the Government of India will admit of no revision of the settlement of 1905, yet I trust that he will not exclude from consideration the recommendation on pages 33 and 292 of the report issued last year regarding the substitution of growing revenues for fixed assignments in the Provincial settlements. The Punjab is specially referred to as a Province in which fixed assignments have reached abnormal limits. Moreover, in considering the extent to which Provincial finances have been prejudiced during the term of the present settlement by the largeness of the fixed assignment element, we should add to the 58½ lakhs mentioned on page 292 of Vol. I of the Royal Commission's Report the 30½ lakhs minimum guarantee for irrigation which up to the present and for years to come promises to be, nothing but a fixed assignment; and this circumstance should be borne in mind in explanation of what I have said as to the distribution of Colony income. This question of fixed assignments *versus* shares of growing revenue is, I fear, too technical to interest the Council, but it is all important for Provincial finances. The Punjab Government has indicated to the Government of India what heads of revenue are suitable for provincialization. The United Provinces are, I understand, the only other administration which receives a share of the land-revenue less than one-half. Whatever other adjustments be made, I trust that in this respect the Punjab will be placed on a footing of equality with other Provinces, and I shall not be surprised if a similar claim is made on behalf of Sir J. Hewett's Government.

"In conclusion, my Lord, I would ask the Hon'ble the Finance Minister to remember that it is customary and in accordance with precedent to allow to the official representatives of the Provinces a certain amount of license and latitude in pleading for their Provinces in these budget debates, and I would remind him that the late Sir Alexander Mackenzie on one occasion likened the dealings of the Financial Department with the Provinces to that of the shearer who takes the Provincial lamb, throws it down, ruthlessly deprives it of its fleece, and turns it out to shiver in the cold. I have not used such exaggerated language, for I believe that the

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situation is not really so bad as all that, and that the Provincial lamb, like the victims of the taxes on silver, petroleum and tobacco, may claim a share of that sympathy, that 'blessed sympathy' of the Hon'ble the Finance Member, which, if costly, has on others been so freely bestowed?"

The Hon'ble MR. HOLMS said:—"To apportion the resources of a Province between the Imperial Government and the Local Government is probably one of the most difficult tasks which fall for a Finance Member; but it is an even more difficult—and perhaps, an impossible—task to satisfy the representatives of a Province as to the fairness of that division. While I fully recognise this difficulty, and while I have noted the Hon'ble Member's pronouncement that he sees no prospect in the near future of being able to take on his shoulders a further share of the recurring expenditure of the Local Governments, still I have a few words to say about the finances of the United Provinces.

"The financial history of the United Provinces is well known, how in a somewhat distant past a probably excessive appreciation of the superior claims of the Imperial Government led to a mistaken economy and to the requirements of the Province being starved; how when financial settlements came at first to be made they were based on a comparatively inadequate standard of expenditure; and how of late years the Government of India have taken a wider and more liberal view of the situation, and, in the settlement which was arranged two years ago, they have made provision for a standard of expenditure more in accordance with the needs of the Province. This is all matter of common knowledge. The Hon'ble the Finance Member has expressed his confidence in the financial future of the Province. The words he used were 'The United Provinces with its new settlement and respite from famine will no doubt be able to avoid deficits in normal conditions and to build up a strong balance against contingencies.' I regret that the authorities of the Province do not find themselves altogether able to share this confidence. The Local Government is doing what it can to husband its resources, but there is little to be expected in the near future in the way of increase to the heads of revenue allotted to it from which to meet the growth of expenditure which is forced on us by the changed conditions in most branches of the administration.

"I do not wish to attempt to make an exhaustive, or anything approaching an exhaustive, catalogue of the needs of the Province. In many respects they are similar to the needs of the Punjab which the Hon'ble Member who has just spoken has detailed at some length: but I may take a few examples.

only, which are illustrative of many other needs. The main judicial divisions of the Province were fixed over fifty years ago and a large increase to the courts of law is contemplated. Again, an enquiry has been set on foot regarding the adequacy of the pay of clerical establishments—pay which was fixed at a time when the cost of living was much lower than at present—and there is bound to be considerable increase of expenditure under this head. As a further instance I need only mention the needs of the Province in the matter of education—a topic which I mentioned in Council this time last year. The net expenditure per head of the population in the United Provinces budgeted for in the coming year is lower than the similar figure for any other Province in India, and this is a significant indication of how far the resources left to the Province fall short of satisfying the wants of the people in this respect.

“In these circumstances the anticipated normal growth of revenue is likely to prove unequal to meeting the almost inevitable growth of what is practically unavoidable expenditure; and, in view of this consideration and of the very large proportion of the revenue raised in the Province which goes to the Imperial Government, the Local Government may find itself constrained at no very distant date to ask for a reconsideration of the position, and especially that its share in the land-revenue receipts may be brought up to the level of that enjoyed by other Provinces.

“The Hon'ble the Member for the Punjab has referred to the large grants which have been made by the Imperial Government to the Government of the United Provinces. These grants were made on account of famine, which is outside the ordinary Provincial finances; and in considering the amount of these grants it should be noted that, at the time the last settlement was concluded, the Provinces received no initial grant at all, which is the usual accompaniment of new settlements.

“There is one minor matter which I would mention. In the memorandum which accompanies the Imperial Financial Statement the decrease in the revenue estimate for the current year under ‘Medical’ in the United Provinces is attributed to heavy lapses in the special subvention made from Imperial revenues for the improvement of sanitation. The latest information that has reached me is that it is expected that the whole amount of this subvention would be spent in full during the current year and that the shortage under the revised estimate is due to less being spent on plague, and this is fortunately due to plague being less prevalent in the current year.

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“In conclusion I am to express regret that the Government of India find themselves unable to find money to complete the reorganization of the Police in the Province and to find money for the relief of rural towns from the cost of their police.”

The Hon'ble SIR VITHALDAS D. THACKERSEY said :—“My Lord, the Hon'ble the Finance Member explained in his Budget statement the circumstances that compelled him to levy additional taxation. He told us that, notwithstanding the highly favourable prospects with which the year opens, he could not expect a surplus without the help of additional taxation, because of the reduction in our exports of opium to China and the abandonment to Eastern Bengal and Assam of a larger share of land-revenue than it has hitherto retained. My Lord, it has already been urged in this Council that the revenue from opium has been greatly under-estimated; and this criticism has been amply justified by the further extraordinary rise in the price of opium during the last few weeks. The larger receipts from opium and the increase that may be expected in the receipts from railways owing to the excellent crop and the consequent heavy traffic, would be in my opinion amply sufficient to carry through the next year without any extra taxation. My Hon'ble friend Mr. Gokhale pointed out the other day that it was extremely unusual for Government to levy additional taxation in a normal year. It is therefore a matter of regret that the Hon'ble Finance Member has not seen his way to make his arrangements without resort to additional taxation even after the practically unanimous opposition of the non-official members. Assuming the official estimate to be correct, it strikes me nevertheless that the decrease in the opium revenue cannot be given as the cause of the additional taxation. The policy of reducing our opium exports is three years old, and at the time of its inception our late Finance Member. His Honour Sir Edward Baker, explained that Government would be able to meet the loss on that account from the normal growth of revenue. As a matter of fact, my Lord, the opium revenue during these three years has belied the estimates. In 1907-08 the receipts exceeded the estimates by £371,800; in 1908-09 by £1,041,300; and in the current year, again, we have had an excess of £1,000,000 over the estimates. That is to say, in the three years, opium has given us about 2½ million pounds more than it was estimated to yield. Probably it may give us another million in the next year or it may not. In any case, it seems to me that the reasons for saddling opium with the responsibility of the additional taxation in the budget are not very cogent.

“My Lord, in this connection I request Government to tell the Council in distinct terms what their future policy in regard to opium is going to be. The

three years during which China was to have the opportunity of proving her ability to prosecute her anti-opium policy has expired. The Finance Member told the Council last year that the question of the curtailment of cultivation and production of opium in China was under enquiry by the International Commission at Shanghai. He devoted a paragraph to the conclusions of the Commission in his Financial Statement this year, but I have looked in vain through it for a definite statement as to whether China has carried out her part of the agreement to the satisfaction of Government. Of course, the announcement of a programme of reduction for another three years carries with it the inference that Government are satisfied with the progress made by China; but I think the Council would like to have a clear statement especially in view of a recent interpellation in the House of Commons.

“My Lord, I now come to the increased grant to Eastern Bengal and Assam. If the grant proposed was due to exceptional causes and was non-recurring, there would be no great objection to it. But this is not the case. The new Province is to be credited with a much larger share of its land-revenue than has been hitherto found sufficient, and to meet the deficiency caused thereby in the Imperial revenue the whole country is taxed. My Lord, when the people of other Provinces are sought to be burdened with extra taxation on account of the partition of Bengal, it must be admitted that they have a good cause for complaint. If it is the intention of Government not to modify the partition so as to make the new Province self-supporting, I am afraid they have not adopted the best method of convincing the country of the wisdom of the existing arrangement. The justice of finding money for the administration of Eastern Bengal by taxing an important industry in the Bombay Presidency is far from obvious to those who have to bear the larger share of the burden.

“My Lord, from what I have said above, it follows that the new taxes are not rightly attributed either to opium or Eastern Bengal. They are really due to the extra expenditure under Interest, Post and Telegraphs, Salaries and Expenses of Civil Departments, Ordinary Civil Works and Military Services that have been budgeted for in the coming year. I do not doubt, my Lord, that all this increase is necessary and that if they are taken item by item the departments concerned can easily show that every one of the items of increase is absolutely necessary to the efficiency of administration. But at the same time we must all recognise that India is a poor country and that any increase in the cost of administration should therefore be well within the normal growth of revenue. I beg, my Lord, to associate myself with the observation of the Hon'ble Finance Member that he viewed with great anxiety

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the steady growth of our expenditure. The secret of good government is economical government. Economy in administration leads to the contentment and prosperity of the people and to the stability of government. I earnestly hope that the Government of India will seriously consider and realise the danger of allowing expenditure to grow as it has been growing of late years.

“ My Lord, I beg the indulgence of the Council for a few observations which I desire to make with reference to the part of the Financial Statement relating to Provincial finance. The Hon'ble Finance Member, I think, rather rebuked Provincial Governments for their extravagance. The Government of India, he said, were driven to the conclusion that the Provinces in the aggregate were steadily over-spending their income by about half-a-million a year. I think, my Lord, the Hon'ble the Finance Member was particularly hard on Bombay, where, he said, our cash balances were being somewhat rapidly diminished, and he warned us that care would have to be exercised to prevent the scale of recurring expenditure from settling into permanent excess over the normal revenues. He observed :—‘ It will be the duty, disagreeable and unpopular, but inevitable, of the Local Governments to overhaul their expenditure and to adapt it to their normal resources.’ He concluded this important portion of his statement with some noteworthy remarks : ‘ I can hold out no hope,’ said the Hon'ble Member, ‘ of any general revision of these arrangements (Provincial Settlements). They were made, before I came to India, with scrupulous care, and were intended to foster provincial independence, economy and foresight. Nor do I see any near prospect of our being able to undertake a further share of the recurring expenditure of Local Governments. Our own necessities will not improbably force systematic retrenchment upon us, which will affect Imperial and Provincial services alike ; and in the meantime Local Governments can best co-operate with us, and thus mitigate future difficulties, by examining the causes of the insidious growth of expenditure, and sharply checking them.’

“ My Lord, speaking at the last meeting of the Bombay Legislative Council, the Revenue Member, the Hon'ble Sir John Muir-Mackenzie, gave expression to some very weighty remarks which I think state the case from the point of view of Provincial Governments with great force and clearness. While Sir John thought that there was no reason to fear that the Bombay Government in any way exceeded the bounds of prudence, he pointed out that the growth of expenditure had been very rapid and that even with a continuance of normal seasons the Provincial Government could

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not expect to increase their expenditure at the same rate as they had been doing in the last few years. 'On the other hand,' he continued, 'the urgent demands for expenditure will not cease. There is practically no limit to them. To mention a few of our immediate needs, we urgently require funds to improve the pay and organisation of our subordinate establishments in both the Revenue and Judicial Departments. There is heavy expenditure still required to bring our Police up to a full level of efficiency. Large sums are required for Education. The demands even for primary education which come first are far from being satisfied. Expenditure ought to be increased still more in the Medical, Agricultural and Veterinary Departments. All departments are clamouring for their share of the grant for public works which ought not, if we can help it, to be curtailed.' He went on to suggest that the only alternative to the retardation of the progress of the Province by the undue curtailment of expenditure was the investment of the Provincial Council with the requisite power to impose the taxation required to meet the needs of the province.

"My Lord, I am unable to detect in the words of the Hon'ble the Finance Member any confirmation of the earnest hope with which Sir John Muir-Mackenzie looked forward to the widening of the financial powers of Provincial Councils. The prospect of Provincial Governments having abruptly to lay aside their plans of development is not a pleasing one. The largest proportion of Provincial expenditure, indeed I may say the whole of Provincial expenditure, is devoted to the immediate wants and requirements of the community. As such, it may be said to be entirely productive expenditure, while Imperial expenditure, though it is not less important, is less direct in the benefits that it confers on the people. Any curtailment of Provincial expenditure will therefore re-act more rapidly on the well-being and, consequently, on the peace and contentment of the people than a similar reduction in Imperial expenditure. My Lord, I think there is greater room for some reduction in the Imperial expenditure which amounts to over 75 crores than a further restriction of the Provincial expenditure which amounts to only 37 crores for all the provinces combined.

"My Lord, the Hon'ble Finance Member, opened his very lucid and interesting Financial Statement last month, with an account of the procedure to be adopted for the discussion of the financial proposals of Government. He pointed out that ample opportunity would be afforded for a genuine scrutiny of the estimates by the Council and for a criticism which was based on precise facts. 'We believe' he added 'that the result will be helpful to the Government

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and will foster the growth of an informed public opinion upon the vital problems of our public finance.'

"My Lord, I am sorry to say that the experience of the debates on the present financial proposals of Government has not tended to confirm these generous hopes. Weighty and well-considered proposals were brought forward with the object of amending the Government proposals and were argued before the Council by Members having the advantage of possessing first hand information on the subjects on which they spoke. I venture to think that their arguments made considerable impression on not only the non-official but also the official Members of the Council, but all the same their resolutions were one and all rejected by Government. I need hardly point out to Government that this has produced a feeling of great disappointment in the country.

"I fully recognise that it is not altogether in the hands of Government to modify their proposals in response to the criticisms that may be passed on them in this Council; and I am also sure that the Government of India will give the fullest consideration to such criticism in their proposals in subsequent years. But, my Lord, it is not always possible to put off the mischief that may be done by any measure for twelve months, and it is, therefore, most desirable that the Government of India should be given some larger degree of freedom in regard to the measures they bring forward before the Council.

"My Lord, we all admit that the financial requirements of the Government must be provided from the resources of the country. We do not want them to be borne by Great Britain. We are prepared to bear our burdens and, my Lord, all that we ask, is that the country should be allowed greater freedom in choosing the methods of raising revenue. I am unable to see, my Lord, how it will be injurious to the interests of Government if this Council is allowed a more real share as regards what articles shall be taxed and what duties shall be raised. Indeed, I believe that not only will not Government interests suffer in any way, but on the other hand their prestige and popularity will be greatly enhanced and the recent reforms will have the stamp of greater reality if, instead of seeming to dictate to the people what taxes they shall pay, they showed greater consideration to the wishes of the people as to the way in which taxation should be distributed. My Lord, I need not remind the Council that there is an impression abroad that in deciding most important questions of the economic and financial policy the Government of India are obliged to be guided by political exigencies. It cannot be denied that the excise-duty on Indian-made piece-goods, which is without a parallel in any country in the world, was levied and is continued

to satisfy the Lancashire manufacturers. Even as regards the taxation of the ensuing year it is generally believed that if the Government of India had a freer hand they would have preferred the raising of the general tariff or a duty on sugar, which would have been less objectionable instead of levying the proposed enhanced duties in the teeth of practically unanimous opposition of the non-official members of this Council and the public generally. Again, it is generally believed that the proposed factory legislation to restrict the working hours of the adult male, in spite of the recommendations of the Factory Commission to the contrary, is not solely due to a consideration of the interests of Indian labourers. The country must recognise and is deeply grateful for the strenuous stand the Government of India have often made against any measures which they consider either unpopular or to the detriment of Indian industries. My Lord, I can think of no more effective way of dissipating these and similar impressions, which are injurious to the prestige of the Government of India and to the contentment of the people, than to take the public more fully into confidence and to show greater regard to their wishes and preferences. My Lord, the discontent that is likely to prove really serious is not the discontent of political theorists but the discontent which arises from ill-devised taxation. The bulk of the people are not affected by theoretical considerations as to what is or what is not the best form of government so long as they feel that their material interests are not liable to be sacrificed at the instance of outside influences without regard to their interests and feelings. My Lord, I appeal to Your Lordship and to Lord Morley to crown your great work for India by removing this serious cause of irritation, and by ensuring, for the opinions and sentiments of the Indian people, an adequate and effectual voice in the management of their finances.

“ My Lord, as this will probably be the last occasion of Your Excellency's presence at the principal session of this Council, I may be permitted to express the general feeling of regret at the early prospect of Your Lordship's completing your term of Indian Viceroyalty. My Lord, it is the greatest tribute to the high sense of justice and statesmanship that Your Lordship has brought to the duties of your exalted office that notwithstanding what we all regretfully recognise has been a record period of repressive legislation, throughout the length and breadth of the country, among all classes and creeds, Your Lordship's name is held in the highest respect and gratitude along with the names of your illustrious predecessors Canning and Ripon. The large and far-reaching reforms which Your Lordship has brought about, undeterred by anarchist developments and reactionary counsels, will long be remembered among the most beneficent achievements of British statesmanship. My Lord, I am sure that Your Lordship's

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interest in this great country will not pass away, and I humbly hope that from your high place in the counsels of Parliament and of His Majesty you will long continue to exert your kindly influence for the welfare and prosperity of India."

The Hon'ble MR. GOKHALE said :—" My Lord, when the Tariff Bill was under discussion in this Council last month I took the opportunity to offer some general criticism on the Financial Statement which had then been laid before us by my Hon'ble friend the Finance Minister. In the course of that criticism I had ventured to observe that in my opinion the estimates of revenue were under certain heads under-estimates. In reply to that my Hon'ble friend Mr. Meston told us that it was not usual for any one in this Council to question the accuracy of the figures supplied by the Finance Department. My Lord, I confess I was surprised to hear that statement. My Hon'ble friend will pardon me if I say that my experience of this Council is much longer than his, and it is not only not correct to say that it is unusual to question the accuracy of these figures, but I should go further and say that the reverse of that statement will be the correct one. It is true that during the last four or five years no occasion has arisen to question the accuracy of the figures supplied by the Finance Department, but if my Hon'ble friend will turn to the debates of this Council between 1902 and 1905, he will find that every year a complaint was made that the estimates of revenue were under-estimates. During the time of Sir Edward Law no answer was received to this complaint, but in 1905, when His Honour Sir Edward Baker became Finance Minister, he took notice of it and admitted its substantial correctness. If the Hon'ble Member will turn to the Financial Statement of 1905-1906 he will find there a paragraph called 'Comparison of Estimates with Actuals,' in which Sir Edward Baker observes as follows :—

'It is sometimes made a reproach against Government that their estimates of revenue and expenditure are wanting in accuracy, and that the actual results, when made up at the end of the year, are apt to differ somewhat widely from those forecasted in the budget at its beginning. Latterly this charge has taken the form of a suggestion that we habitually under-estimate our revenue and over-estimate our expenditure.'

"Then, after comparing the practice of England and several of the continental countries, Sir Edward Baker goes on to admit that there was much in that charge that was true. He naturally says all that he can in favour of the old practice, and then proceeds :—

'I would not, however, be understood to contend that the criticisms to which I have referred are wholly without justification. That would be an over-statement of the case. Even when allowance is made for the disturbing elements to which allusion has been made

above, the figures in the statement in paragraph 52 show that during the last three years the revenue has exceeded the estimate by more than these causes fairly explain. This feature probably has its origin in the former uncertainty of sterling exchange. So long as all growth of revenue and the fruits of all retrenchment were liable to be swallowed up by a fall in exchange, it was common prudence to frame the estimates in the most cautious manner, and to take no credit for developments of revenue until they were absolutely assured. When this factor was eliminated, the traditions of excessive caution remained, and due allowance was not always made in the estimates for the normal expansion of the growing heads of revenue.

"Here then is an admission by a former Finance Minister that for a number of years it was the habitual practice of the Finance Department to under-estimate revenue owing to causes which have been explained by him. My Lord, this is in reality a small matter; but the statement made by the Hon'ble Mr. Meston, if allowed to remain uncontradicted, might cause serious inconvenience hereafter, because objection might again be taken to any suggestion as to under-estimates or over-estimates, I believe my Hon'ble friend mistook what is a rule for the new Council for the practice of this Council in the past. There is undoubtedly a rule among the new rules that in framing resolutions that a Member wants to move, the accuracy of the figures supplied by the Finance Department shall not be questioned. That applies, however, only to resolutions and not to any general criticism of the financial estimates that may be offered.

"My Lord, this year's budget has come upon us all as an unpleasant surprise. The feeling is like that of a person who is walking securely on the ground and all of a sudden discovers a yawning gulf before him. After a great number of years—after ten years—of consecutive surpluses we first came to a year of a heavy deficit, due, as we then understood, to famine. Then there was what appeared to be a normal year, and we have now another normal year in which, however, extra taxation has been imposed on the people. This circumstance, namely, the levying of extra taxation in a normal year, suggests that something is wrong with the financial position of the country, and in any case it suggests an inquiry. I have given some attention to this question and I find that the results are such as to cause apprehension. My Lord, for a correct understanding of this question it is necessary to pass under brief review the finances of the ten years from 1898 to 1908, because our series of surpluses began with the year 1898. From that year we had ten consecutive surpluses ending with the year 1908. Let us therefore see what were the special features of the financial position during that time and what use was made of the prosperous finances.

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of those years by the Government. It will be found that there were four distinctive features of this period. The first was that there was a large saving in the cost of the home remittances of the Government owing to exchange having established itself at a steady rate of 1s. 4d. to the rupee in the year 1898. The second was an improvement in the opium revenue, which before 1898 had been steadily falling for a number of years. The third was the expansion, the more than average expansion, of the ordinary revenues of the country. And the fourth was an improvement in the railway revenues of the Government. These four causes combined to give the Government large surpluses, and the Government utilized the position in the first place to remit a certain amount of taxation and then to sanction a large amount of increased expenditure in various directions.

“I would respectfully invite the Council to consider this matter carefully. It has been said by some critics that the present difficulties of Government have arisen from the fact that during those fat years Government remitted taxation which should not have been remitted. Now, my Lord, I must protest strongly against this view. If the Council will look at the amount of taxation remitted during those ten years, it will find that the total of remissions came to about four millions sterling or six crores of rupees. But owing to the artificial rise in the rupee the savings of the Government on their home remittances also had come to about five and a half crores of rupees. What had happened was this. The Government had gone on adding tax after tax in the period preceding the year 1898, so as to secure a balance between revenue and expenditure and even a surplus, no matter what the level of exchange was, and thus even when exchange was at its lowest, as it was in the year 1894, namely, at 13d. to the rupee, the Government were able to show not only an equilibrium between revenue and expenditure but also a small margin as surplus. As the exchange value of the rupee steadily went up, the level of taxation remaining the same, it meant a steadily increasing surplus at the disposal of the Government. By the year 1898 exchange established itself firmly in the vicinity of 16d. to the rupee. Now a rise of 3d. in the value of the rupee meant a saving of $5\frac{1}{2}$ crores in the cost of home remittances. Therefore, when the Government of India remitted taxation to the amount of 6 crores, they practically gave back to the tax-payers only what they had saved on their home remittances. The remissions were thus not taken out of their ordinary revenue: they merely represented the savings effected in the cost of the home remittances. We may, therefore, put aside these two items, namely, the savings on the home remittances and the amount of remissions granted to the people during the period we are considering. So much for remissions of

taxation. Let us now consider the amount of increased expenditure sanctioned in different directions. My Lord, the first six years of this period were a period of 'efficiency' or, as one of my friends has said, efficiency with a capital 'E'. The result was that expenditure was pushed up by leaps and bounds in various directions. A comparison of the expenditure for 1908-09 for which complete figures are available with the year 1898-99 will reveal certain startling results. It will be found, for instance, that the civil expenditure of the country grew during this period by about 16 crores, including in such expenditure the charges of collection, the salaries and expenses of civil departments, miscellaneous civil charges and civil works. I may mention that from the charges of collection I omit for obvious reasons opium and provincial rates as also refunds and drawbacks and compensations and assignments. The figures for 1908-09, however, include the expenditure for Berar, whereas those for 1898-99 do not. It is necessary, therefore, to exclude Berar figures from the year 1908-09. Even then we find that the increase in civil expenditure comes to about 15 crores, the expenditure having risen from about 29 crores to over 44 crores. My Lord, I venture to think that this is an amazing increase. If the Council will compare this increase with the growth of expenditure during the previous ten years as also with the five years 1881 to 1886, the contrast will appear most striking. The Council may remember that in 1886 Lord Dufferin's Government found itself in a position somewhat similar to that which the Government of India occupy today. From 1881 to 1885 the country had enjoyed what may be called financial prosperity. There was remission of taxation in consequence and also increased expenditure, and the result was that when lean years came in 1886 and the frontier policy of the Government necessitated heavy additional military expenditure, Lord Dufferin found himself driven to appoint a committee to carefully inquire into the growth of expenditure; and one of the reasons adduced for the appointment of that committee was that the increase in civil expenditure had been excessive during the five years which had preceded His Lordship's administration. Now the increase in civil expenditure during those five years had been only about $2\frac{1}{4}$ crores, the expenditure rising from about 22 crores to about $24\frac{1}{4}$ crores. And yet this increase was regarded by Lord Dufferin as excessive. Judging by that standard, I wonder, my Lord, what we are to think of the increase of 15 crores in the ten years from 1898 to 1908! Again, taking the period 1888—1898, what do we find? I do not wish to take the Council through a mass of figures, but I will only state the results of my calculations, giving this assurance to the Council, that I have taken every care I could to compare likes with likes only. Taking the period of ten years immediately preceding 1898, we find that the

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increase in civil expenditure was from about $24\frac{1}{2}$ crores to about $29\frac{1}{2}$ crores, or about five crores in ten years, against 15 crores in the ten years following 1898. We thus have the following results: if the increase during 1898 to 1908 had been at the same rate as during the five years 1881—1886, when in Lord Dufferin's opinion the civil expenditure had grown enormously, it should not have been more than $4\frac{1}{2}$ crores! Had the rate continued to be what it had been during the ten years preceding 1898, the increase would not have been more than about 5 crores! But instead of these figures, we have here an increase of no less than 15 crores! This shows what the era of surpluses has done to push up civil expenditure! Turning next to military charges during this period, we find the same kind of growth. From 1888 to 1898 the military charges grew by about 3 crores a year or from $22\frac{3}{4}$ crores to $25\frac{3}{4}$ crores, but from 1898 to 1908 they rose by about $5\frac{1}{4}$ crores a year, that is, from $25\frac{3}{4}$ crores to about 31 crores. The whole position therefore is this, that during the ten years 1898 to 1908, while six crores were remitted in taxation, the annual civil expenditure was allowed to grow by 15 crores and about 5 crores of additional expenditure was incurred every year in connection with the army; this gives an increase of about 20 crores in civil and military expenditure in the course of ten years, or an average growth of 2 crores a year. My Lord, every one must admit that this is a phenomenal increase considering that the normal growth of revenue ordinarily has been estimated by a previous Finance Minister at only about one crore and twenty lakhs. I think these figures suggest—to my mind they imperatively suggest—the necessity for an inquiry into the growth of civil and military expenditure during the last ten years. This need of inquiry is all the greater because there is a serious situation in front of us now in connection with the opium revenue. We all know that the opium revenue is doomed, that it will be extinguished altogether, if things go on at the present rate, in the year 1917, *i.e.*, in about seven years from now. In this connection I must express my dissent from my Hon'ble friend Mr. Chitnavis, who has urged that we should ask the Imperial Government to make a contribution to the Indian Exchequer in order to compensate us for the loss of opium revenue. My Lord, I do not think that it will be a dignified course on our part to ask for such a contribution. It is we who have financially benefited in the past by this opium revenue, and it is we who must be prepared to bear this loss when the opium revenue is extinguished, seeing that the stain that will then be wiped away will be wiped away from us. We must face the situation ourselves, and I think, if only the Government will be sufficiently careful, it is possible to do, and even do well, with a diminishing opium revenue. But one thing it is now absolutely necessary to do in connection with this opium

revenue, and that is that from next year Government should take into account only a steadily diminishing figure as opium revenue for recurring purposes. What I mean is this—the whole of this revenue, which for next year is taken at about $5\frac{1}{2}$ crores nett, has to be extinguished in seven years. The Finance Department should therefore take as ordinary revenue only a descending series of figures terminating in zero in seven years for each succeeding year, and all excess over that figure should be treated as a windfall or extraordinary revenue to be devoted to extraordinary purposes such as non-recurring expenditure on education, sanitation, and so forth. My Lord, I submit this course should have been adopted three years ago, so that the burden of a diminishing revenue should have been evenly distributed and the great need of retrenchment realized in time. I trust the Council will remember that when His Honour Sir Edward Baker enunciated the new opium policy of the Government of India three years ago, he assured the Council that the sacrifice could be made without a resort to extra taxation. That meant that the steadily widening gap made by a diminution in opium revenue would be met by economies, unless the growth of revenue under other heads sufficed for the purpose. And yet here we have my Hon'ble friend the Finance Minister coming to the Council in a normal year with proposals for additional taxation on the ground of a diminishing opium revenue! My Lord, recent discussions have made it abundantly clear that the course I am urging is necessary, if a policy of steady retrenchment is to be followed and a sudden financial crisis to be averted. What is happening at present is this: owing to the reduction in the number of chests the price per chest is rising. Probably this will go on for some time, and we may even reach four thousand rupees per chest. So for some time the rise in prices will make up, and perhaps even more than make up, for the reduction in the number of chests, with the result that during the next two or three years the Government may not necessarily get a smaller amount as their opium revenue than at present; but when the maximum price is reached, then there will be a sudden and precipitate drop, and in the course of three or four years following the Government will have to be prepared to face the extinction of the whole of this revenue of about $5\frac{1}{2}$ crores. And it is easy to foresee what will then happen. If all of a sudden, say, 2 crores were to be lost in any particular year, I am quite sure that the Finance Minister will again urge the same plea that he has urged this year, that it is not possible to arrange for economies sufficient to cover such a loss all at once. And then fresh taxation will again be imposed upon the people as was done this year. Unless, therefore, Government take credit only for a steadily diminishing opium revenue and arrange to keep all excess above that figure as a windfall or extraordinary revenue to be devoted to non-recurring

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expenditure, I am quite sure they will not feel the same incentive to retrenchment, and the results will be deplorable.

“ My Lord, I have urged an early, I would even say an immediate, inquiry into the growth of expenditure on two grounds,—first, because there has been this vast growth in civil and military expenditure, and secondly, because the opium revenue is to disappear in seven years. I think the Government has no choice now but to pursue a policy of rigorous retrenchment, and for that a necessary preliminary is an inquiry such as I have suggested. But while the present high scale of charges on both civil and military administration require to be cut down, an increase, and even a large increase, of expenditure is necessary on objects intimately connected with the real well-being of the people—such as primary and technical education, sanitation and relief of agricultural indebtedness. And if retrenchment will not produce the money required for these objects, I for one shall not shrink from advocating additional taxation for the purpose. Only the resources of retrenchment must first be exhausted, before those of additional taxation are drawn upon. My Lord, we feel strongly that the present expenditure on the objects I have mentioned is most inadequate, and unless the Government are prepared to spend far larger sums in these directions, the discontent which we see on all sides at present will not in reality diminish. This question is to us a question of the most vital importance, and it is only in the measure in which the Government deal with it that they will have identified themselves with our best interests.”

The Hon'ble MR. ANDREW said:—“ My Lord, I have to express the gratification of the Madras Government at the receipt of the Secretary of State's sanction to the scheme for the reconstitution of district and divisional charges, and at the promise made by the Government of India to finance it, and I am glad to thank the Hon'ble Sir Guy Fleetwood Wilson for having made a provision of two lakhs of rupees for this purpose in the Budget for the coming year.

“ But, my Lord, there is another matter at which I must express regret. The recent abolition of the post of Consulting Engineer for Railways, which in the case of Madras had been united with that of Secretary to Government in the Railway Branch, had the effect of severing the connection of the Madras Government with the direct control of railways in the Presidency. In response, however, to the representations of the Madras Government, the Government of India with the approval of the Secretary of State decided that as a temporary measure, for two years, the Government Inspector then appointed should also be at the disposal of the Madras Government as Railway Secretary. This period has expired. The

Government of Madras feel the need for technical advice close at hand, and they apprehend that by being deprived of their Secretary in the Railway Department they will be unable to preserve their legitimate influence in railway matters or to safeguard the interests of the people. I regret that the Secretary of State has not complied with the representations of the Madras Government that the temporary arrangements under which the Government Inspector was also Railway Secretary might be made permanent.

“ My Lord, last year I referred to the difficulty experienced by District Boards in Madras in obtaining satisfactory terms for the construction and working of certain projected lines from the South Indian Railway Company, and I ventured to press for early and satisfactory settlement of terms. I mentioned one proposed railway about which negotiations had been proceeding for nearly three years. I regret to say, my Lord, that satisfactory progress has not been made since in respect of this and other railway projects. I hope, my Lord, that it may be possible now to obtain satisfactory terms from the South Indian Railway. Many District Boards in the Madras Presidency have of late years at the instance and with the encouragement of the Imperial and Local Governments raised large sums by local taxation with which to build railways, and they are able to spend but little of this money, which has already accumulated to over 50 lakhs, owing to the difficulty they experience in obtaining reasonable terms from the South Indian Railway Company. I have long been connected with District Boards and I know well how keenly interested some of them are in this matter, and one of them—Tanjore—won the warm appreciation of Lord Curzon for setting the example of local railway enterprise to all India. It will be most discouraging if district boards fail in their efforts to secure satisfactory terms from the South Indian Railway Company. Should they fail they will be forced, I have no doubt, to the conviction that they will best serve their own interests by constructing and working their own lines departmentally or through some agency other than that of the South Indian Railway. Should this happen the consequences to that Company may be very serious when it finds itself confronted by local lines affecting its own system and that, not always perhaps, in an advantageous manner.

“ My Lord, a few weeks ago the Hon'ble Mr. Robertson, in reply to a question put by an Hon'ble Member, stated that the Government of India have suggested to the Secretary of State the inclusion of certain provisions in the new contract with the object of ensuring suitable terms for Madras District Board railways. I hope, my Lord, that the South Indian Railway Company will see the wisdom of

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agreeing to such terms as may be consistent with the interests of the District Boards and of the people whom they represent.

“Lastly, my Lord, I would urge the need for legislation to check the growth of fraudulent Provident Societies. By this I do not refer of course to Insurance Companies properly so called to which my Hon'ble friend Mr. Dadabhoy referred in the question he put an hour ago and of which the Hon'ble Mr. Robertson spoke in his reply. I rather refer to those provident Societies which have been unhappily very common in the Madras Presidency for many years past, and which are either organised swindles from the outset or, at best, lotteries of a most reprehensible character. Even when not worked with actual dishonesty by the Directors from the beginning, they are worked on such unsound principles that they are bound to collapse after a few years, and each collapse involves the ruin of numbers of poor and ignorant people who have been deluded by the promises held out.

“I see that my Hon'ble friend Mr. Subba Rao has in front of him an interesting pamphlet on the subject by Mr. Ramchandra Rao in which an account is given of the history of some of these societies in the Northern Sircars. The rules are all much the same. They are founded on a society founded in Calcutta some years ago which ended in the prosecution of the leading members and in the conviction of certain of them. The Hon'ble Mr. Robertson, in reply to Mr. Subba Rao this morning, referred to a discussion that took place about ten years ago when it was decided that legislation was not needed. My Lord, I do not intend to speak of what Provident Societies may have done in other parts of India, but I can say that in the Madras Presidency the evils have assumed gigantic proportions and I think the time has come for legislation. It may be that legislation is not necessary all at once over all India, but I think legislation should be undertaken by this Council, and in any Act that might be passed power could be left to the Government of India to apply it from time to time to such parts of India as might seem expedient.

“My Lord, I will not take up the time of the Council by going into details of the nature of the frauds committed by these societies, but I may say that it has over and over again led to prosecutions for perjury and forgery and even murders in many Courts. The Hon'ble Mr. Subba Rao, in his question, alluded to a recent judgment of the High Court in Madras. I may be permitted to refer to a judgment of the Sessions Judge of Vizagapatam a few years ago. The Judge's remarks are of very general application. In that case a man who had taken out policies in the names of a number of old men and women

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was tried and convicted of the murder of an old woman whose life he had insured, and whom he had made away with in order to obtain the bonus payable on death. Here perhaps I may say that one of the great evils of these societies is that the same conditions apply to every policy-holder, irrespective of age or state of health. Although the rules lay great stress on the fact that the applicant should be a person of sound health, he is not obliged to produce either a certificate of health or to undergo medical examination, and the rules are such that in almost every society it is to the pecuniary interest of a knavish nominee to get as his policy-holder an old person who is likely to live for not less than four months after he takes out his policy by which time he will have fully qualified, and and to see that the policy-holder dies as soon as possible after four months. In his judgment the Judge observed—

‘ This crime was largely the result of the temptation to gamble upon the lives of the old and feeble thrown in the accused’s way These so-called Insurance Companies constitute a grave danger to the public It is probably not too much to say that hundreds of old men and women are now moving about in the district in the midst of people who desire their early death themselves being ignorant of this, have no idea who to beware of.’

“ My Lord, it has been suggested that the Indian Companies Act, of 1882 should be amended so as to cover the case of these fraudulent provident societies, but I do not imagine that that would be at all possible, and this, I gather from his reply, is the opinion of the Hon’ble Mr. Robertson himself, for ordinarily Insurance Companies properly so called are meant for educated and intelligent people who should be allowed full freedom of contract. But these Societies almost invariably deal with the poorest and most ignorant classes of the people who, not having received the benefits of free primary education, are misled by the promises held out, and constantly fall a prey to the frauds practised.”

The Hon’ble MR. N. SUBBA RAO said :—“ My Lord, I may at the outset congratulate the Hon’ble the Finance Member on the lucid and straightforward budget he has presented to the Council. This is the first year when after a succession of surpluses we are confronted with a deficit. It is well that our financial position calls upon us to examine our resources and expenditure, for when our coffers are overflowing we are tempted to be generous and feel no necessity to be watchful. The Hon’ble the Finance Member disarms all criticism by his candour in pointing to the steady growth in our expenditure and in urging that the scale of public expenditure should be revised. One of the salient features in the budget is the rapid increase under civil and military charges. This increase has been going on steadily, though under rules and regulations duly considered

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and sanctioned from time to time, and unless a careful enquiry is instituted under different heads, it is not possible to reduce the scale of expenditure. I cannot pretend to deal with the whole question within the short time at my disposal, and I shall take up only the question of expenditure relating to the general administration, especially the Indian and Provincial Civil Services, and show that there is need for enquiry and reform in that direction.

“ Before I do so, my Lord, I may be permitted on behalf of the Madras Presidency at this, the last meeting when Your Lordship presides over the Reformed Council, to express our deep gratitude to Your Excellency for the statesmanlike insight and wisdom shown by Your Lordship in meeting an extremely difficult situation in the affairs of this country. For never during the last fifty years has India passed through such a crisis as the one out of which we are now emerging. I say emerging, because though the tension of the situation is much eased and the critical stage has passed, it cannot be said that we have yet reached the haven of contentment and peace.

“ The situation which Your Lordship had to grapple with on assuming charge of your high office was indeed unprecedented. There was the legacy of deep discontent on the part of the people due to various causes which Your Lordship was called upon to deal with. The partition of Bengal, which is disturbing the finances of the country as it has disturbed the peaceful political evolution of a great people, was, after all, like the ugly boil on the face which simply pointed to the malady from which the patient was suffering. The root cause was the conviction created in the minds of the people by the policy of your illustrious predecessor that they had no hope to rise from the inferior political status accorded to them in the administration of the country. The Enlarged Legislative Councils which were welcomed in 1892 had played out their part and proved ineffective in influencing the administration of the country to any appreciable extent. It became evident that the children of the soil had no part in guiding the machinery of the Government or a free and effective voice in its deliberations. Japan's success drew pointedly the attention of the people to their inferior status in their own country. Under the circumstances intelligent men pointed to the danger signals ahead and pressed for reforms in the legislative and administrative machinery of the Government. But their voice was unheeded and it was considered that efficiency in administration connoted contentment and happiness of the people. Such was the legacy left to Your Lordship and such the situation Your Lordship had to face. How Your Lordship early penetrated behind the veil and grasped the true position of affairs, how Your Lordship

adopted measures to meet the growing aspirations of the people and secure their goodwill and co-operation in the cause of peace and order, are now matters of history. It is a misfortune that Your Lordship's Government had to adopt one repressive measure after another to put down the exotic growth of anarchy in this land.

“ It is a matter of congratulation, however, that Your Lordship persevered in the path of reform in spite of numerous appeals from a powerful party in England and here that Repression and not Reform should take a predominant place in meeting the situation. The reformed Councils throughout the country with all their defects mark a substantial advance in constitutional reform and meet a pressing want. They present a problem to the people as to how to coalesce the divergent and conflicting elements in India and how to make them work for the welfare of the country with one mind towards a common goal. I hope that the experience gained from the working of the old Councils will not be lost in adapting the new Councils to the changing conditions of the country. Already the experience gained of the present Council, I venture to state, is not so full of good augury as was hoped. It is becoming evident that no proposal can find favour with the Council, unless the Government gives countenance to it. In his memorable speech, sketching the reform proposals in December 1908, Lord Morley, quoting His Honour Sir Edward Baker, said that ‘The great task was to adjust the machinery of the Government so that their Indian fellow-subjects might be allotted parts which a self-respecting people would fill. I am sure that with growing experience the legislative machinery will be so adjusted as to meet the wants and aspirations of the people. But the machinery of the Government is not only legislative but also administrative, and it cannot be said to be adjusted to the needs of the situation, unless and until the administrative portion also is reformed.

“ I shall now briefly state some facts to show that there is need for adjusting the administrative machinery of the Government as well and for further enquiry in that direction. My Lord, nearly 40 years after the passing of the Statute of 1833 and even after the Proclamation of 1858, capable Indians continued to be excluded from the higher offices of trust and responsibility in the administration of their country. Accordingly the Statute of 1870 was passed by Parliament, by which power was taken to appoint Indians to places hitherto held by the members of the Covenanted Civil Service under rules to be framed by the Governor General in Council and sanctioned by the Secretary of State in Council. These rules were long in coming, and when they finally came in 1879, one-sixth of the

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offices reserved to the Covenanted Civil Service was declared open to Indians of approved merit and ability. There were not two separate lists for those appointed under the Statute and for the members of the Civil Service, and no stigma of inferiority was attached to the former. But the system of recruitment was generally by nomination and not by open competition, and birth was considered to be a better recommendation than ability. Naturally such a system failed to give satisfaction. Hence came the appointment of the Public Service Commission in 1886 to devise a scheme which might reasonably be hoped to do 'full justice to the claims of the natives of India to higher and more extensive employment in the public service.'

"The Commission formulated a scheme recommending that there should be two services—one called the Indian Civil Service, mainly European, recruited in England under a system of open competition, and the other the Provincial Civil Service, mainly Indian, recruited in different provinces, partly by open competition and partly by promotion from the Subordinate Service. It recommended that 108 appointments reserved to the Indian Civil Service should be declared open to the Provincial Service. Among the offices so excluded from the listed appointments are a membership of the Board of Revenue in Madras, Bengal and United Provinces and a Financial Commissionership in Punjab, Under Secretaryships to the several Governments, one-third of the District and Sessions Judgships, and so on. The Government of India accepted the recommendation about the establishment of the two services but reduced the places from 108 to about 90, and declined to allow some of the higher appointments, such as a membership of the Board of Revenue and some of the District Judgships, etc., to be excluded from the listed appointments. The Government finally directed that so far as the Provincial Service was concerned, the recruitment should ordinarily be by nomination and not by competition, and so it has come to be in all provinces except to a limited extent in the Punjab, as stated by the Government in its answer to my question on the 23rd instant. I may in passing mention that most of the Indian members of the Commission who joined in the report disowned it when they saw the final outcome of their labours. To continue: the differentiation into two services has been extended to all the special departments, such as Education, Public Works, Police, Customs, Survey, Forest, etc. Thus two services have been created in all departments of the Public Service, one superior, mainly European, and the other inferior, mainly Indian. Almost all the important appointments involving direction, initiative and supervision are kept in the hands of Europeans. The result is that only about 7 per cent. of the appointments carrying a salary of over one thousand rupees a month are in the

hands of Indians. Lord Curzon took great pains in publishing tabular statements with his famous Resolution of the 24th May 1904 to convince the public how largely and how liberally the Government had been utilizing indigenous agency in the administration of the country. It is true, as is evident from these statements, that a very large number, and I would say an unduly large number, of offices in the lower rungs of the ladder are held by Indians. But as we go higher and higher up the administrative ladder, the Indian element practically disappears. I submit that the principles enunciated by Lord Curzon strike at the very foundations on which the administration of this country can be carried on with honour to the English nation and with happiness to the people.

“ Never before, my Lord, in the long history of India was native talent divorced so largely from the controlling centres of authority. But now, in spite of repeated pledges and declarations, we find, as a matter of fact, if I may say so, two practically water-tight compartments in the administration, one filled mainly by Europeans and the other mainly by Indians, and native talent has to find scope in the Native States to the limited extent they offer. Such a state of things, I submit, cannot last long. I need not refer here to the drain of experience and intelligence from the country caused by this system nor to its depressing effect on the manly growth of national individuality. I do not now propose to examine the rules framed in connection with different special departments which tend to keep back native intelligence from reaching the highest places therein. But I shall say this, that you cannot expect a sensitive people with long historic civilization to rest contented with such a system, when they come to understand its true inwardness and significance. As Lord Salisbury said :—

‘ No system of government can be permanently safe where there is a feeling of inferiority or mortification affecting the relations of the governors and governed.’

“ We are grateful to Your Lordship and Lord Morley for your insight into the realities of the situation and for the courage you have shown in making a breach in what Lord Curzon was pleased to characterize as the ‘ core and crown ’ of British autocracy in this land. The appointment of the Hon’ble Mr. Sinha to Your Lordship’s Executive Council has been hailed with joy by all classes of people in this country. The recent appointments to the Executive Councils of Bombay and Madras, as well as the appointment of two Indians to the Secretary of State’s Council and an Indian to the Judicial Committee of the Privy Council, have gone far to strengthen the feeling that Indians are regarded as much equal subjects of His Majesty, the King Emperor, as the

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British. But unless, my Lord, these are followed up by the adjustment of the services, the measures adopted will not go a long way to meet the just aspirations of the people.

“The Public Service Commission in formulating its proposals point out ‘that the circumstances of the country and the social condition of the population change with extraordinary rapidity, and absolute finality in any arrangement of the kind is not to be hoped for.’ Your Lordship has noted, in your statesman-like opening address on the 25th January last, how India has shared in the general awakening of the Eastern world and ‘how important classes of the population are learning to realize their own position, to estimate for themselves their own intellectual capacities, and to compare their claims for an equality of citizenship with those of a ruling race.’ There is no doubt that there has been a rapid and marvellous change in the general outlook and aspirations of the people during the last few years. The time is come, if not long passed by, when it is necessary to examine the relationship of the services in the light of the altered conditions of the country and place them on a footing of equality, so that the members of the two services might feel that they are comrades animated by one single desire to administer the country for the welfare of its people. I would suggest, my Lord, that in any system that may be devised there should be such an interchange between the two services that the members of both may have equal facilities and equal opportunities to rise to the top of the service, and that the badge of inferiority should not be attached to the Provincial Service. It is only when they are placed in a position of equality, that there can be real mutual respect, and this will be a more potent cause for promoting friendly relations between the two communities than all the social gatherings that may be conceived and all the palliatives suggested by the Decentralization Commission. I need hardly mention that it is only when the Indian is respected in his own country and by his Government that the Colonies would accord due respect to him.

“I submit, my Lord, that this reform is essential in the interests of economy as well, and it is a necessary complement of the scheme of reform which Your Lordship has taken in hand. Half the troubles of the present situation are due to the dissatisfaction felt on account of the privileged position which is secured to the Europeans and the inferior status accorded to the Indians under the rules and regulations framed by the Government. I do not blame the members of the distinguished Indian Civil Service. Their whole-hearted devotion to duty, their marked ability, and their *esprit de corps* are worthy of admiration. We

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are concerned here more with the system and not with men, more with the safety and well-being of the Empire than with the interests and convenience of individuals. My Lord, you may spread universal education throughout the country, as asked for by the Hon'ble Mr. Gokhale. You may establish a Central Technological Institute and Provincial Polytechnic Institutions in different provinces, as asked for by the Hon'ble Mr. Mudholkar. You may stud the country with irrigation works, as asked for by the Hon'ble Mr. Dadabhoy. But all these and many more like these will not remove discontent in the land, so long as the present differentiation continues. For if you touch the self-respect of a person. you touch that which he values more than life itself. My Lord, I have ventured to place this matter before Your Lordship, because I feel that on the proper solution of this question depends the harmonious evolution of Indian progress and the permanence of British rule in this country.

“ I am aware, my Lord, that this is a large question and has to be examined from several standpoints. What I submit, my Lord, is that there are good grounds for looking into the matter at this juncture and readjusting the administrative machinery, and I trust that the question will receive due consideration at the hands of Your Lordship's Government.

“ I shall now say a few words about Provident Funds which are doing so much mischief in the Presidency of Madras. I am glad that the Hon'ble Mr. Andrew has given his warm support to the necessity for legislation to check the evil caused by these societies. The plan on which they are started is very simple. A few people join together and call themselves directors. Subscribers have to pay one rupee a year as well as an entrance fee from one to three rupees. Nearly half the amount collected each year is distributed among the subscribers, who have no voice in the management of the concern. The directors receive generally about one-fourth of the amount of the subscriptions, and it is calculated that together with interest and lapsed policies, etc., the directors receive nearly two-thirds of the amount paid by the subscribers. The bait placed before ignorant and poor people is that a lump sum of about R100 or R200 would be paid at one time to the nominee on the death of the subscriber. There is no limitation practically as to the life that can be insured. The result is that old men and women are sought out and their lives are insured without their knowledge, and the nominees who are the real subscribers gamble on their lives. Of course these Societies collapse after a few years and large numbers of poor people are cheated and ruined. Some of the Societies had as many as ten to thirty thousand subscribers. The Hon'ble Mr. Andrew has drawn

[29TH MARCH 1910.] [Mr. N. Subba Rao; Maung Bah Too.]

the attention of the Council to the pamphlet published by Mr. M. Ramachandra Rao, Chairman, Municipal Council, Ellore, which gives a lucid account of this movement. My Lord, I join with the Hon'ble Mr. Andrew in urging that legislation should be taken in hand as early as possible. At present the strong arm of the law is impotent to reach those that deal in these lotteries. The Hon'ble Mr. Justice Krishnaswami Iyer, presiding at the first Co-operative Conference at Salem on the 19th instant, pointed out that it was very difficult to bring those dealing in such funds and enriching themselves at the expense of poor people within the reach of the Penal Code. I submit that it is necessary to undertake legislation in this matter not only to check the evil but also to extend the protection of the law to *bonâ fide* Societies started for the mutual benefit of the members and encourage the growth of societies whose objects are similar to those of the Friendly Societies in the West. By bringing these societies within the purview of the law, a small fee for registering them might be levied, and I dare say the Hon'ble the Finance Member will not despise to receive from this source a small addition to the Exchequer which is badly in need of funds.

“Before I resume my seat, I associate myself with my Hon'ble colleagues in giving expression to our sincere regret that Your Lordship's term of office is fast drawing to a close and pray that Your Lordship may be spared long for a career of greater usefulness in a higher sphere of activity in your native country.”

The Hon'ble MAUNG BAH TOO said :—“My Lord, I am much interested in the proposed establishment of a separate University for Burma. There is little reason to suppose that a system of education applicable to Bengal would also be suitable for Burma, or that a body of men who have a very small knowledge of Burma and the Burmese would regulate satisfactorily the higher educational affairs of the province. In practice we have seen many unfortunate results. The Burmese undergo much difficulty in having to come to Calcutta for certain practical examinations. I think it highly desirable that we should have a well equipped University in Rangoon and that our young men should not need to go either to Calcutta or to London for qualifications in law, medicine, engineering or other professions. The sooner we make a beginning, the better. Our people will be more eager to qualify themselves when they see a chance of participating in the management of a University.

“Until the last reduction of salt-tax in 1908, Burma had an advantage over other provinces in the rate of salt-duty. This was, I believe, supposed to be a set-off for the levy of capitation-tax in Burma. Now, however, the capitation-

[*Maung Bah Too ; Raja Partab Bahadur Singh.*] [29TH MARCH 1910.]

tax is still levied, and Burma is at a disadvantage. I am glad to hear that the local salt-industry is not to be taxed out of existence. I have heard it said that Burma contributes too little to the salt-revenue. But I see that our 10½ millions of people paid nearly 19 lakhs of rupees. And if allowance is made for the movement of salt from Madras, Bengal and Bombay to other Provinces and Native States, I think Burma will be shown to pay its full share of this revenue. If we cannot get any advantage again in this taxation, we should like a set-off in a greater share of the general revenues. And we look with jealousy at the relief promised to Madras in the matter of village-cesses.

“The opium policy of Government has checked the rising generation of Burmans from acquiring the opium habit, but this policy, which has the approval and sympathy of the great majority of Burmans, leads both to diminished revenue and to increased expenditure. I do not think that the preventive and detective establishments can be reduced in the near future, and the charge for them ought to be accepted as part of the normal expenditure of the Province. In fact there will be, as in other items of normal expenditure, an increase from year to year, not large but reasonably proportioned to the growth of population.

“I think that the administration of the Post Office in Burma ought to be brought more into touch with the Burmese. The Department is much too full of Indians at present. I should like to see an officer of the Burma Commission made Postmaster General of Burma. He would understand how to obtain and manage Burman assistants. I do not wish to disparage Mr. Lalkaka, who worked hard to develop his Department and accomplished much useful work; but he and his predecessors and successors have all laboured under the great disadvantage of knowing little of the country and the people. I may point out that little is seen of the Burman in Rangoon.

“In the Telegraph Department, as in the case of the Post Office, I want to urge the greater employment of the Burmese.”

The following are the observations of the Hon'ble RAJA PARTAB BAHADUR SINGH, which were, by the permission of THE PRESIDENT, taken as read:—

“My Lord, on the Financial Statement that has been laid before the Council I have the following observations to make.

“It is distressing that in a year of comparative prosperity, when the Government has not been called upon either to meet the expenses of a war or a famine

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or an epidemic, the country is face to face with a deficit and the Finance Minister has to resort to, however reluctantly, fresh taxation of a people, 'a large proportion' of whom, he himself admits, are poor, an appreciable proportion very poor.

"He has my fullest sympathies when he says towards the close of his speech 'that no right-minded man can impose an additional taxation on India with a light heart.' His deficit Budget has, however, not much resemblance to an average deficit Budget. Here we have every item provided for, sometimes with the remark that it is not expected that the whole grant will be utilized during the year.

"One of the largest of the spending departments is the Military Department. What have we then in this year of deficit? The figures speak eloquently—

	Rs.
1907-1908	28,87,25,310
1908-1909	29,40,44,820
1909-1910	28,84,96,500
1910-1911	29,55,97,500

"More money is to be spent on this head this year than was spent during any of the previous three years.

"The most disquieting feature of the new taxes is that they are not levied to meet merely a passing emergency. The Hon'ble the Finance Minister announces his intention of 'strengthening the basis of our revenues,' which being put in plain language means that the taxes he has imposed are going to stay and are not to be expected to be removed on the passing away of the present demand. This is not consoling to a lay mind in a year of general prosperity. What are we to expect in a less prosperous year?

"As to the objects chosen for taxation, I am in full agreement with the Hon'ble the Finance Minister when he says that it is better to have 'substantial duties on a few articles of comparative luxury rather than interfere with all-round uniform rate upon a variety of less important articles, many of which may be described as necessaries.' And under this, I beg respectfully to congratulate the Hon'ble the Finance Minister on having chosen imported liquors and tobacco. But, my Lord, I have doubts as to the suitability of petroleum for such a purpose, and also of silver.

"As to how the duty on silver will affect the cotton trade my Hon'ble friend from Bombay has already spoken eloquently. On that aspect of the duty I do not wish to add anything more. But this duty on silver is likely to have effect on prices in India also, and this is what I wish to point out to the Council.

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“ My Lord, at present we have the good fortune of having a very good harvest ; but in this country the price of agricultural products depends largely on the rains. How much the calculations of even so exalted an individual as the Finance Minister depend on rain has been pointed out to us by the Hon'ble Sir Guy Fleetwood Wilson. But suppose there is not enough rain next year or the year after next, will the prices of agricultural products remain unaffected by the new tax under those conditions ? I fear not. Mr. Montagu in the House of Commons might state that the effect of enhanced duty on price had been extremely small. May we not point out that the time given to the observation of the phenomenon had been very small also ? Later on there may be a different tale to tell. My apprehension is all the greater as even this tax has been levied with an idea to 'strengthening the basis of our revenues.'

“As to petroleum also, my Lord, I fear I am unable to agree with the Hon'ble the Finance Minister on looking upon it as an article of 'comparative luxury.' It has now become a necessity with the poorest people, who purchase it in small quantities. The vegetable oils that were formerly used by the people have now become too expensive for them owing to the great rise in prices, which is one of the most marked features of the present day. A cheap and satisfactory illuminant is one of the greatest comforts of life, specially of a class who have no luxuries to boast of. This tax will tell heavily upon them without, I fear, doing corresponding good to the Burma oil industry. On these and other grounds I am told a tax on petroleum in the past had been rejected. Besides all this, my Lord, there is the general objection to indirect taxes. The subject has to pay a great deal more than the State receives. And when this applies to a necessity of life like light used by the very poorest of the poor, its significance is really very great. At this stage of the proceedings it would be useless to suggest other or more durable objects of taxation, if taxation be necessary. But, my Lord, may I be permitted to suggest that in the framing of the Financial Statement the Government will be well advised to associate some of the representatives of the people ; for, my Lord, the real burden of the taxation falls on us ; and, in spite of all the trained skill and knowledge that the officials can command it is but human nature that they cannot realise the exact bearing of the evidence of a tax so well as those who have really to pay it. Your Lordship's régime will be remembered always as the régime of reform, in spite of untoward circumstances and in the face of great difficulties. But, my Lord, the people do not derive the full measure of the beneficence of your intentions till they are taken more into the counsel of the Government than is implied by being a member of even this distinguished assemblage.

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"Lastly, my Lord, I wish to say a few words on the condition of the United Provinces and their relation to the Supreme Government.

"From his place in the Council last year the Hon'ble Mr. Holms, speaking on the Budget, pointed out that the United Provinces had been 'starved in the past', and although the Supreme Government had been somewhat more liberal since then, compared with the large amount of revenue raised in the Provinces, the share allotted was not adequate to meet the wants. One of the principal causes of the deficit this year had been the large sum of money given by the Supreme Government to the new provinces of Eastern Bengal and Assam. My Lord, I do not grudge the sum allotted to the new provinces. But I only wish to point out that the United Provinces too have a claim on the generosity of the Government. For a long time the provinces had suffered greatly from plague and malaria. Famine had come in their wake last year. The need of sanitation was very great. Sir John Hewett was alive to these needs and was doing all that could be done for the people. But his hands were tied up on all sides by the want of money.

"Technical education, too, was greatly needed, and in this matter also the Lieutenant-Governor was fully alive to the situation; but here too, his beneficent energies were crippled by the want of funds.

"My Lord, this is the first time in the history of India since the British connection that the representatives of the people have been allowed to discuss the Budget so freely, and in the spirit in which the reform has been initiated I have made bold to present to the Government what appeared to me to be the shortcomings. I have ventured to suggest also a small matter of further reform which to me seemed imperative. But before resuming my seat I wish to convey to the Government the sense of gratitude of the Taluqdars of Oudh I have the honor to represent for the great concessions made by the reforms. Your name, my Lord, will henceforth be linked with those of Bentinck, Lawrence and Ripon and be enshrined in the grateful hearts of the Indian people, for whom Your Lordship has laboured so dauntlessly and so well."

The Hon'ble ZULFIKAR ALI KHAN said :—"My Lord, at the end of this session it is only appropriate to congratulate Your Excellency on the successful working of the first year of this reconstituted Council which Your Excellency's political foresight has created. I do not think it is possible for human ingenuity to establish ideal conditions, but under the existing circumstances no better method could be devised to satisfy the aspiration of the educated Indians and to secure their co-operation in the administration of this country.

[Zulfiqar Ali Khan.] [29TH MARCH 1910.]

" The official members have displayed excellent spirit in accommodating themselves to the changed environment, and I am sure that I am giving expression to the unanimous opinion of my colleagues when I say that we are all sensible of the great courtesy and consideration invariably displayed by them in their attitude towards non-official members.

" The privilege of moving resolutions has been fully exercised, and those resolutions which are useful for the country have been accepted by Government with unhesitating cordiality and willingness.

" The country is again grateful to Your Excellency for appointing two Indians to the Executive Councils of their Excellencies the Governors of Madras and Bombay.

" The different communities in India have reason to rejoice over it, for I am sure they will get their proportionate share of these high offices in due course.

" My Lord, I beg to be allowed to make a few observations in connection with the Budget, and although several of the prominent features have already been thoroughly discussed yet enough remains which calls for remarks. It is a matter for regret that the first Council should have imposed new taxes on the people, and though I am sure the Hon'ble the Finance Member could not avoid the exigency of meeting the deficit by fresh taxation, yet I think he could have spared the petroleum, which is so commonly used by the poor in this country, by taxing some other luxury such as sugar or country liquors. However I am sure that our ingenuous Finance Member will soon announce that he no longer sees the necessity of continuing taxes on such necessities as are in daily use among the poor.

" My Lord, another point which claims attention is the ungenerous treatment of the Province to which I belong, I mean the Punjab. It is not for me to enter into details, for the official members from my Province will, I am sure, fully explain the situation; but I cannot refrain from saying that in certain departments more than half the revenue is appropriated by the Imperial Government and less than half left to the Punjab. Considering that the Province is not a rich one, the Government of India could be reasonably expected to treat the Punjab more generously than is actually done. There are many reforms which cannot be initiated for want of funds, and it would be only fair if something more is left to the Province to cope with the demand for improvement which is felt in all directions.

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“ My Lord, I must draw the attention of the Government of India to the recent enhancement of railway fares over most of the Indian railways. The tendency all over the world is to reduce the railway fares, but in India these have gone up by large figures. The sole justification is sought in the diminished railway receipts in recent year, but if this decreased income is still sufficient to ensure a decent percentage of profit on the capital outlay on the railway lines concerned, surely there is no justification for the enhanced railway tariff.

“ While I am about this subject I may as well invite the attention of the Government to the desirability of river bridges in the Punjab being thrown open to traffic free of charge. This concession has been made in the United Provinces and it is time it were extended to the Punjab also, particularly as some of the bridges there have already brought back a considerable proportion of the money spent on the construction of these bridges. I think a beginning may be made with the Jumna Bridge at Delhi and the Ravi Bridge at Lahore.

“ My Lord, there is one more point which I would bring to the notice of the Government of India, and it is the necessity of increasing the emoluments, of the low-paid clerks and similar Government servants in Government offices in the Punjab, especially the offices which are subordinate to the Government of India, such as the Irrigation and Public Works Departments, Accountant General's Department, Railway and Postal employes.

“ In view of the enormous rise in prices in the Punjab it is essential that something should be done for these men, who will greatly appreciate the beneficence of Government if their condition in service is improved.”

The Hon'ble MR. QUIN said:—“ Like the Hon'ble Mr. Fenton I also desire to say a few words with reference to some remarks which fell from the Hon'ble the Finance Member in the course of the speech in which he introduced the Financial Statement on the 25th February last. When dealing on that occasion with the financial position of the various provinces the Hon'ble Sir Guy Fleetwood, Wilson gave the Council to understand that the situation of some of them—and amongst those he included Bombay—was not altogether reassuring. He went on to add, with special reference to Bombay, that the existing substantial balances were being somewhat rapidly diminished, and he uttered a note of warning as to the care which would have to be exercised to prevent the scale of recurring expenditure from settling into permanent excess over the normal revenues.

"In respect of both these matters I desire to offer a brief explanation, and, first, as to the diminution of balances. It is of course true that for the year 1910-11 the Government of Bombay have estimated their expenditure at a figure which will involve the reduction of their balance from Rs. 76,84,000 to Rs. 60,87,000, that is, by nearly 16 lakhs.

"This, I admit, is no inconsiderable sum, but in order to understand the bearing of this reduction on the general policy of Government in dealing with their balances it is necessary to see what the situation was a few years ago, and to compare it with the situation existing today.

"The balance at the beginning of 1905-06 was Rs. 76,73,000. The balance at the end of 1910-11 is expected to be Rs. 60,87,000, so that in 6 years the net diminution will have amounted to Rs. 15,86,000 only, that is to say, the balance will have been reduced at the rate of not much more than 2½ lakhs per annum on the average.

"In only one of the five years between 1905-06 and 1909-10 has there been a really large draft on the balance. That was in 1908-09, when it was reduced by 26 lakhs, of which it may be said roughly that half was spent on police reforms and half on education. In two of the years the balance was drawn on to a small extent, and in two an addition was made to it.

"On the whole then, and especially looking to the fact that in 1905-06 the sum of 50 lakhs was given to Bombay for the express purpose of expenditure on public works and other objects, provision for which had fallen into arrears owing to the famines, it will I think be agreed that the Government of Bombay have made only a very moderate inroad on their balance.

"I may add that the expected balance at the end of 1910-11 is more than three times the minimum prescribed for the Province.

"I come now to the Hon'ble the Finance Member's warning as to the need for taking care that the scale of recurring expenditure should not be allowed to exceed the normal revenues. Well, all I have to say about this is that the Government of Bombay are already fully alive to the necessity for carefulness in this matter. It will be seen from the Budget estimate for 1910-11 that the figures of recurring expenditure have been rigorously kept down to the limit to which the revenues are expected to attain, which means that all the money taken from the balance is to be devoted entirely to meeting charges of a non-recurring nature. So much for the past and the present.

"It remains for me only to take upon myself the thankless role of the prophet and to say a few words about the future.

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"It would be foolish to ignore the existence of the tendency foreshadowed in the warning of the Finance Member, a tendency fraught with very grave significance, which is asserting itself yearly with increasing force, and which it will be very difficult to hold in check much longer without running a serious risk of impairing the efficiency of our administration.

"I refer of course to the tendency for the growth of the demand for fresh but necessary expenditure to outstrip the natural expansion of the share of the ordinary revenues of the province which have been assigned to the Government of Bombay.

"The total expenditure has risen from 525 lakhs in 1905-6 to 639 lakhs in 1910-11, a rise of nearly 22 per cent. in 6 years, during which time the revenue (exclusive of the fixed allotment from the Government of India) has risen by about 18 per cent. Notwithstanding this very substantial increase we are still confronted with the immediate necessity for further additional expenditure. I will spare the Council the details, but I may say that funds are urgently required to improve the pay and organization of the subordinate establishments in both the Revenue and the Judicial Department. Heavy expenditure has still to be incurred to complete the measures of reform recommended by the Police Commission and thus to bring the Police up to a state of full efficiency, and large sums are required for education, especially primary education, as well as in many other Departments.

"There is but little hope in these days of diminishing receipts from opium and of fresh taxation that further Imperial subventions will be made to Bombay, and it is most unlikely that there will be any such expansion of the share of the normal revenues assigned to us as will be in any way adequate to the new demands.

"In these circumstances, if there is to be no revision of the terms of our settlement, one of two things must happen. Either it will become necessary to call a halt in the forward march of our administration or we shall have to come to the Government of India for powers to acquire new sources of revenue by means of provincial and local taxation.

"I have very little doubt that the Hon'ble the Finance Member is already repeating to himself the good old adage about cutting one's coat according to one's cloth, but it seems to me that in the life of the body politic, as in that of the human body, there comes a time when instead of endeavouring to cut your coat according to the dimensions of an obviously undersized piece of cloth it is the course of wisdom

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and of prudence to request that you may be supplied with a larger piece—a piece large enough indeed to allow of your fashioning from it without difficulty a garment of the additional amplitude rendered necessary by the growth and expansion of the body. The present however is not the time nor is this Council chamber the place to enlarge upon the suggestion which I have just put forward. This suggestion raises issues which are both important and complex, and I will, therefore, conclude these few remarks by saying only that it is one to which I have little doubt it will be found necessary in the not far distant future to devote very serious consideration."

The Hon'ble Mr. GATES said:—"My Lord, I am sorry that it falls to my lot to address this Council on the Provincial assignment of Burma; I wish the circumstances were such as to render no speech from me necessary. I am conscious that the claims and grievances of Burma are not interesting to a majority of the Hon'ble Members of this Council. Still this is the place and this is the time which have been recognised as suitable for representation of this kind; and perhaps, Hon'ble Members from the more fortunate provinces may derive some pleasure from contemplating our misfortunes. After all they have some interest in our tale of woe. Our hand is against them. They were equipped in the days before 1871 with establishments, roads and buildings when all the Provinces scrambled for money from the common bag. We were less fortunate in those days. For nearly 40 years Arakan was a neglected division of the Province of Bengal. So far as Arakan is concerned we are able to sympathise with what has been described today as the Benjamin of Provinces. Tenassarim also was an isolated division directly under the Government of India for a similar period of nearly 40 years. Pegu was another isolated division for a period of ten years. Even after 1862, when these three divisions were consolidated as the Province of Lower Burma, the voice of the Province was feeble and its cries from across the Bay of Bengal attracted little attention. Consequently Lower Burma entered into the system of Provincial assignments in 1871 with a poor equipment. Upper Burma was acquired in 1886 and in 1892 was brought under the system of Provincial assignments. At that time it was even worse equipped than Lower Burma. Consequently the United Province of Burma has never had a fair start and has now a great deal of lee way to make up. When we hear clamours for grants from the Central Exchequer for primary education, for sanitation and for technical education, we feel that Burma, with its increasing revenues, and with its present comparatively small population, is being asked to pay more than its share. These old established and powerful provinces with large

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populations and comparatively small revenues are trying to obtain from the Central Government grants for their amenities, after being provided with their necessities.

“ Now, I have mentioned our bad start as a reason why we should be treated with special favour, and I will mention two other reasons in support of the same argument. The first is the high yield of taxation in Burma, and the other is the high level of prices and wages obtaining in Burma. I find that the average yield of taxation per head in Burma was a little over Rs. 7 against less than one and a half rupees in Bengal and under Rs. 3 in Madras. That is for what are generally known as the principal heads of revenue; namely, land-revenue, stamps, forests, excise, income-tax and registration. Salt and customs are not included for either Burma or the other two provinces, because it is impossible to say how much of the revenue received at the Custom Houses of Calcutta and Madras is borne by the populations of Bengal and the Madras Presidency. Then there are special taxes levied in Burma which are not levied in the other Provinces, for instance, the capitation-tax and the tax on fisheries and the *thathameda*. The last mentioned tax is an income-tax levied on the smallest incomes and is paid by agriculturists also. We do not grumble unduly at the high rate of taxation, but we think it gives our Province a claim for a larger share of the yield.

“ Now I turn to the question of high prices. I have not time to develop the statement, but the fact of the high cost of living in Burma is notorious and can be verified from any volume of statistics. It was only yesterday that I was informed that there would be a difference of about Rs. 100 a month in the establishment of a European officer, between living in Burma and living in Simla and Calcutta combined. That perhaps will indicate to the Council the high level of wages and prices obtaining in Burma. Now it is not the higher officers of Government who get higher salaries in Burma. They get the same as the officers in Bengal, or in some cases they get less. Nor is it the officers of the Provincial Services who get higher salaries in Burma. It is the labourers, the menials, the clerks and the members of the Upper and Lower Subordinate Services who have to get higher rates. We have a great deal of lee-way to make up in establishments as well as in Public Works. Not long ago we had first class Magistrates and Subdivisional Officers drawing as little as Rs. 175 a month, and even now we employ officers of the Subordinate Civil Service on duties which in other Provinces are assigned to Deputy Collectors or Extra Assistant Commissioners.

“ Now having established that Burma ought to be treated with special favour, let me demonstrate to the Council that it suffers the reverse. The present Provincial Settlement was based on the Budget figures for 1906-07. But some of our estimates of revenue were raised on the ground that we had shewn a tendency to under-estimate revenue, and some of our estimates of expenditure were lowered on the ground that we had shewn a desire to over-estimate expenditure; in particular the grant for Public Works was cut down by over 35 lakhs. The fact is that we made strenuous efforts to please the Finance Department by sanguine estimates of revenue, and we have been only too successful as the figures supplied by Mr. Meston to the Decentralization Commission shew. I will give the Council one instance. The figure for stamps in the Budget of 1906-07 was 39½ lakhs. That was raised in the Provincial Settlement to 41 lakhs. We received 40 lakhs in 1907-08. The figure was 38 lakhs for the next year and we expect to get 37 lakhs this year. For next year we estimate 38 lakhs. Now the settlement estimated an increment of one and a half lakhs a year. We have not got that; we have not yet even reached the basis figure. Our estimate for land-revenue was accepted, but it was too sanguine, and in the two years 1907-08 and 1908-09 we have received 15 lakhs less than was anticipated. The result in the two years just mentioned is that on the revenue side we have received 46 lakhs less than was anticipated, and we have reduced our expenditure below what was anticipated by 7 lakhs. Now we knew that at the beginning of the settlement our expenditure would exceed our income and we expected to reduce our opening balance of 62 lakhs, but we did not anticipate this enormous drop in revenue. When the Lieutenant-Governor discovered this drop he took immediate steps to limit expenditure. He was not able to avoid the expenditure to which the Province was committed in 1908-09. But the total expenditure of the Province has been reduced from 465 lakhs in 1907-08 to 450 lakhs in the current year 1909-10. We were blamed by the Hon'ble Finance Member for not postponing certain items of expenditure in 1909-10. These items have been examined. It would take too long to put before the Council an explanation in respect of each of them, but to most of them the Local Administration has a sufficient answer. Some of these items we did postpone; in one case the Government of India declined to allow us to economise. But we value the good opinion of the Hon'ble Finance Member; if we could obtain some of his blessed sympathy, we might also obtain some of his blessed cash. Therefore when he contrasts our profligacy with the virtue of another Province we feel moved to protest and to explanation. Now the fact is, my Lord, that the financial virtue of my Province is of a very high order. In the years 1897 to 1902 we accumulated a crore of rupees and

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Lord Curzon's Government gladly recognised that the Lieutenant-Governor was not led into extravagance and rewarded him by a very much less favourable settlement for the next five years. When this financial crisis came upon us we managed to close the year 1908-09 with a balance of ten lakhs and we budgeted to close the present year with five lakhs, but owing to sundry economies we now expect to close with not less than 18 lakhs.

"This is exclusive of any grant which may be made to the Rangoon Port improvement scheme. Now the Province of Bengal, which received some sympathy and a good deal of cash from the Hon'ble Finance Member, closed the year 1908-09 with 8 lakhs; they budgeted to close the current year with nothing and now expect to close with 7 lakhs and they are to receive 30 lakhs in addition from the Central Exchequer. I submit to this Council that Burma is a more virtuous Province than Bengal and that we ought to have got both sympathy and cash. I suppose it is out of the question now that Burma should receive a grant. Of course a grant would be acceptable, but I quite agree with what has been said that grants do not go to the root of the evil. What we want is a revision of our assignment; 93 out of 452 lakhs of our income in 1908-09 were due to a fixed assignment; that means that over one-fifth of our income is fixed and the same of course cannot be said of one-fifth of our expenditure. In the current year this condition is a little aggravated. The Central Government has thrown back on the Province of Burma a charge for certain subsidies. We have received Rs. 2,89,000 to cover them. This charge may increase; the fixed grant will not.

"Now there are three main reasons why we should obtain revision of our Provincial assignment. The first is that we are worse off than other Provinces; the second is that we meet expenditure of a kind which is not met by other Provinces, or not to a like extent; and the third is that the present system has grown by degrees and without due deliberation.

"Madras, which is a fortunate Province, has a *minus* fixed assignment and other Provinces started their Provincial settlements with fixed assignments of 5, 7 and 2 lakhs respectively. The fixed assignments have grown since owing to grants for famine, police, education and sanitation, but nowhere are they near our proportion.

"Then we spend a considerable sum—58 lakhs—on military police which relieves the army and defends our frontier. Our land-revenue expenditure is bound to increase rapidly. We have to give one rupee for every ten collected and we have

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to increase from time to time the number of revenue-surveyors. The Government of India were asked to share this expenditure, but they said it was of an administrative character. Well, 24 lakhs out of 68 are of an administrative character. 22 lakhs are spent on direct collection, 9 lakhs on survey and settlement; 14 lakhs on supplementary survey and land record services, which in our system are intimately connected with the expansion of the revenue.

“The third point is that the system came about by degrees. The original figure of fixed assignment in the first stage of the discussion was 65 lakhs. Then the estimate of growing revenue dropped by 18 lakhs and political expenditure of 5 lakhs was handed over and there were some minor adjustments, and the result was that the figure fixed was 90 lakhs. It has grown a little since and now stands at 99 lakhs. We say that the circumstances have changed; that other Provinces, and particularly Madras, have got a revision of assignment, and we appeal to the Government of India for a revision of ours. My Government quite understands the reluctance of the Hon'ble Finance Member to interfere with arrangements concluded before his arrival, but when the circumstances have changed, when it can be shewn that a state of affairs has arisen which was never contemplated, that the expenditure must grow faster than the revenue, then I think it will be admitted that a case has been made out for a revision of assignment and we beg that the Finance Member will give us some hope of a revision of the arrangements in the early future.”

The Hon'ble MR. SACHCHIDANANDA SINHA said :—“My Lord, it is a matter of thankfulness—on the principle of being thankful even for small mercies—that the Government modified their first proposals relating to the stamp-duties which, if passed in their original form, would have seriously affected the exchange brokers. But while grateful for this, it is to me a matter of extreme regret that the Government did not see their way to modify their proposals in regard to the levy of the imports on silver and petroleum. It may be that, in due course, the conditions brought about by the raising of the duty on silver may be able to adjust themselves, but it is certain that at present, and perhaps for some years to come, it will adversely affect our cotton-industry. As for the enhanced duty on petroleum, Indian opinion is well nigh unanimous, and it is supported on this point by some of the leading organs of Anglo-Indian public opinion, that the rise in the cost of this illuminant will necessarily hit hard the poorest classes in the country; and with the greatest deference to the Hon'ble the Finance Member, I feel bound to demur to his inclusion of petroleum among ‘articles of comparative luxury,’ which he very properly proposed to tax. It

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is regrettable that the Government did not see eye to eye with the majority of the non-official members of the Council as to the desirability of enhancing the import-duty on sugar and levying an export-duty on jute, the principal staple of East Bengal, to meet therequirements of which province a portion of the additional taxation was alleged to have been necessary. Duties on sugar and jute would have brought in a substantial sum, and would have been much less unpopular than those on silver or petroleum. I earnestly hope that the Government will take the first favourable opportunity to remit the enhanced duty on petroleum. In connection with the new duties, we have learnt with considerable apprehension that efforts are being made by some members of the House of Commons to induce the Secretary of State for India to force the hands of the Indian Government to impose an excise-duty on Indian tobacco to countervail the import-duty. My Lord, I earnestly hope that Your Excellency's Government will not yield to any pressure from the Home Government. The import-duty levied on tobacco is admittedly for revenue purposes and it is not at all of a protective character. It is bad enough, in all conscience, that an excise-duty is imposed on the products of our cotton-mills, but an excise-duty on indigenous tobacco would be so indefensible that I am not surprised to find that even some of the Anglo-Indian papers have begun to enter emphatic protest against the suggestion. The Home Government has already forced the Government of India to relinquish the opium-revenue in order, as Lord Morley is reported to have said, 'to satisfy British righteousness at the cost of Indian revenue'. I trust it is not too much to hope that no further pressure will be brought on Your Excellency's Government to impose an excise-duty on our tobacco.

"My Lord, I would like to say a few words on the question of Provincial finance, with reference to the remarks of the Hon'ble the Finance Member that 'the finances of the provinces is a subject which has recently caused no small embarrassment to the Government of India.' Sir Guy Fleetwood Wilson gave the Provincial Governments excellent advice when he asked them 'to confine their expenditure within the limits of their resources.' But this, though a consummation devoutly to be wished for, is not very easy for the Provincial Governments to attain, with all their efforts to meet with the wishes of the Government of India, as expressed by the Finance Member, when he asked them 'to overhaul their expenditure and to adapt it to their normal resources.' I shall be very sorry indeed, and would never forgive myself, were I to do any injustice to so considerate and sympathetic a Finance Member as the Hon'ble Sir Guy Wilson; but it seems to me—unless I am greatly mistaken—that the sum and substance of his appeal to the Provincial Governments comes

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to this, that they are to carry on the administration of their respective provinces, as best they can, with the funds at their disposal—funds admittedly insufficient to meet their growing needs and requirements, and the only result of which would be indefinitely postponing works of public utility and shelving measures of reform calculated to benefit the people. In recent years, on more than one occasion, the view that the Provincial Governments—some of them at any rate—are seriously handicapped for want of adequate funds to cope with their requirements, has been pressed in this Council by not only non-official but also, I believe, by some of the official members, and there is almost a consensus of opinion amongst educated Indians that unless the Government of India would place at the disposal of the Provincial Governments more money than what is available to them at present, it would be impossible for the latter to carry out measures urgently wanted in the interest of the people committed to their charge. And the Provincial Government which is perhaps most seriously handicapped for want of funds is that of the United Provinces of Agra and Oudh.

“To my mind, my Lord, there is hardly a question in which the people are more deeply interested than in that of provincial finance, for larger funds at the disposal of the Local Governments mean direct and tangible benefit to the people of the various provinces, whereas the curtailment of expenditure by them—so keenly desired by the Hon'ble the Finance Member—is possible, I fear, only at the cost of useful public works and beneficial schemes of reform. So long therefore as the Imperial Government will continue to claim the lion's share of the revenues raised by the Provincial Governments, there is very little chance of improvement in the condition of the people, and the administration of the provinces can hardly make any satisfactory progress. The fabric of the Imperial Government is so costly and such large funds are required for some of its spending departments that it has all along had to appropriate to its own use the fruits of the improvements effected by the Provincial Governments, and some of the members of this Council may remember the complaint of the late Sir Alexander Mackenzie about the Imperial Government's shearing the provincial sheep and leaving it shivering in the cold.

“But apart from this aspect of the question, there is another to which I may bespeak the attention of the Council. This is the question of the want of an uniform plan on which the present system of provincial settlements is based. Taking for this purpose the figures of the year 1908-9, as given in the ‘Finance and Revenue Accounts of the Government of India’ for that year—

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the last for which the accounts are available—we find that the percentage of revenues appropriated by the Imperial Government ranges from 30 per cent. in the Central Provinces and Berar to over 44 per cent. in the United Provinces and over 45 per cent. in Madras. In the above calculation I have left out of consideration the revenues derived from customs, salt, opium and tributes from Indian States, as, though the two former are nominally included in the revenues collected in particular provinces, their weight falls over the whole country, while the two latter are not paid by the people. Leaving these four sources of revenue out of consideration and confining ourselves to the major heads, we arrive at the following results:—

Name of Province.	Total Revenue.	Provincial share.	Imperial share.	Percentage of Imperial to Provincial.
	Rs.	Rs.	Rs.	
Central Provinces and Berar	2,91,89,432	2,03,29,962	88,59,470	30
Bombay	7,77,45,900	5,30,03,212	2,47,42,688	31·8
Burma	6,37,62,093	4,12,56,256	2,25,05,837	35
Lower Provinces	7,34,38,653	4,61,27,151	2,73,11,502	37
The Punjab	3,46,44,414	2,09,47,387	1,36,97,027	39
Eastern Bengal and Assam	4,21,22,296	2,50,54,938	1,70,67,358	40·5
United Provinces	9,00,41,330	4,99,22,552	4,01,18,778	44·4
Madras	9,92,58,265	5,38,19,662	4,54,38,603	45·5

“ Out of a total revenue of nearly three crores in the Central Provinces and Berar the Imperial Government takes a little over 88 lakhs and a half, or 30 per cent. of the whole. In Bombay, out of a total revenue of over $7\frac{3}{4}$ crores, the Imperial Government takes nearly $2\frac{1}{2}$ crores, or 31·8 per cent. of the whole. In Burma, out of a total revenue of nearly $6\frac{1}{2}$ crores, the Imperial Government takes just a little over $2\frac{1}{4}$ crores or 35 per cent. of the whole. In the Lower Provinces, out of a total revenue of a little over $7\frac{1}{2}$ crores, the Imperial Government takes nearly $2\frac{3}{4}$ crores, or 37 per cent. of the whole. In the Punjab, out of a total revenue of nearly $3\frac{1}{2}$ crores, the Imperial Government takes a little over $1\frac{1}{2}$ crores or 39 per cent. of the whole. In Eastern Bengal and Assam, out of a total revenue of nearly $4\frac{1}{4}$ crores, the Imperial Government takes nearly $1\frac{3}{4}$

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crores, or 40·5 per cent. of the whole. In the United Provinces, out of a total revenue of a little over 9 crores, the Imperial Government takes a little over 4 crores or 44·4 per cent. of the whole. In Madras, out of a total revenue of nearly 10 crores, the Imperial Government takes well over 4½ crores or 45·5 per cent. of the whole.

“ My Lord, the diversity brought out by the above statement is too marked, and though there might be good reasons for it, yet, I confess, that to the average person, the system seems to be more or less arbitrary. I trust I am not asking too much in expressing the hope that the Government of India will be able in due course to see their way to so adjust their financial relations with the Provincial Governments as to leave them not less than two-thirds of the revenues raised in the province. At present only two of the provinces, namely, the Central Provinces and Berar and Bombay, have at their disposal two-thirds, or rather a little over two-thirds, of their revenues; all the other provinces are laid under contribution by the Imperial Government in a larger measure, the percentage being the highest in case of the United Provinces and Madras. If the Government of India could only bring themselves to limit their demands to one-third of the revenues raised in the provinces, it would mean a substantial relief to six of our larger provinces and but a slight strain to the resources of the Central Provinces, and Bombay, which at present retain just a little over two-thirds. It will no doubt be said that any such adjustment will materially cripple the resources of the Government of India, but surely when the Provincial Governments are being called upon to practice retrenchment and economy, and to ‘mitigate future difficulties by examining the causes of the insidious growth of expenditure and by sharply checking them’, it is not too much to expect that the Government of India will not be content with merely offering precepts to the Provincial Governments but will set an example to them ‘by examining the causes of the insidious growth’ of their own expenditure, which has been going up at an alarming rate during recent years ‘and the steady growth of which’, the Finance Minister has told us, he views ‘with grave anxiety.’ Retrenchment and economy might well begin with the Government of India, and an ounce of practice by the Imperial Government will be certainly better than a ton of precepts to the Provincial Governments. It is not necessary for me to deal here with the specific proposals to reduce the expenditure of Government of India, as they have been made from time to time, by Indian public men both in and outside the Council, and they merit careful consideration at the hands of the Government.

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“ My Lord, the broad outlines of the economic conditions of India are such that he who runs may read. A very poor country—one of the poorest in the world—has to sustain the fabric of a very costly system of administration, the revenue and expenditure of which at best balance in average years, even if—as in the forthcoming year—no additional taxation is necessary in normal times to avoid a deficit. The incidence of taxation—relative to the tax-paying capacity of the people—is at a high level, and which cannot be enhanced except by inflicting upon them some kind of privation of even the necessaries of life—as in the case, for instance, of the enhanced duty on petroleum. Of the revenues raised, comparatively speaking, a much smaller sum than is absolutely necessary is left at the disposal of the Provincial Governments for expenditure on such works of public utility and beneficent measures as are indispensable for raising the material and moral condition of the people; while by far the larger proportion of the revenues is spent on the army, which alone absorbs more than the total land-revenues, and on other departments. At the same time, we are face to face with diminishing returns in the opium-revenue and threatened, in course of time, with its disappearance. Though much is heard of the recuperative powers of India, it is difficult to contemplate with equanimity the present financial position of the country, specially in view of the threatened extinction of the opium-revenue. With the new imposts recently levied, we have reached the farthest limits of taxation, while our growing requirements, specially for education and sanitation, will make a heavier demand in future on the Finance Minister’s resources. These broad facts of our economic situation have got to be grappled with in such a way as will redound to the prosperity of the people, without a sacrifice of efficiency in administration. I have no doubt that Your Excellency’s Government, which has done much for the progress of the Indian people, will not fail to devise schemes which will meet with the requirements of the situation. In the meantime, I earnestly hope that the Government will devote a substantial portion of the surpluses to two such beneficent objects as education and sanitation, which are the crying needs of the country. Such a response on the part of Your Excellency’s Government to the appeals of the Indian members of this Council, who have pressed the Government to be generous in expenditure under these two heads, will not only evoke their gratitude but of the educated Indian community throughout the Empire.”

The Hon’ble Sfr SASSOON DAVID said :—“ My Lord, I rise to say a few words regarding the characteristics of the Budget for the year 1910-11.

“ As a merchant the taxations embodied in the Budget suggest to me the term ‘ chow chow ’ or peddling. It will, I think, produce the minimum of revenue

with the maximum of disturbance and anxiety in a number of directions. If there was any real necessity for enhanced taxation, it would, I think, have been much better to increase the import-duties generally, by say 1 per cent., which would, I see, yield something like Rs. 14 crores.

“ The stamp-duty as modified will bring in a small revenue, and I wish Government had seen their way to omit it entirely. The revenue to be derived from it will, I think, be found to be far from commensurate with the annoyance caused. If, in the place of this duty, Government would make compulsory the registration of transfers of shares, the effect would be not only to acquire a substantial sum in revenue without friction, but to institute a system greatly neglected in several parts of India.

“ The silver-duty has awakened serious anxiety about India's trade with the silver-using countries.

“ The tobacco-duty I admit was justifiable, but I see it has evoked a singularly unfortunate suggestion as coming from England—that of an excise-duty upon Indian tobacco. I earnestly hope that means will be found to close at once the discussion of a project that is sinister both in nature and origin and, as I believe, quite impracticable in maintaining a staff capable of collecting the excise.

“ I must advert again to the silver-duty, not with the intention of repeating what I said on a previous occasion but because it seems to me important to nail to the counter one or two arguments that are fallacious to a dangerous degree. One of these is the contention that the large extent of India's imports of silver proves that the business is very profitable. I assert, on the contrary, that it is precisely the enormous volume of India's imports of silver that satisfies the market and keeps profit on a single operation at a moderate level. This is in accordance not only with theory but with practice. The price of silver is ruled by the London and New York markets, and its price in India follows the Home rates closely. I see that it has been stated that the effect of the enhancement of this duty in the world's price of silver must be small. I do not know on what figures the estimate was based. I find however that the world's production of silver is some 174,000,000 ounces on the average of the 5 years ending 1908-09, and that in the same years India imported nearly 101,000,000 ounces per annum or about 58 per cent. of the total. It seems clear that if, as is argued, the effect of enhanced duty is to raise the value of silver as a store of value, existent silver hoards must appreciate and further hoarding be for a time discouraged. By my

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[*Sir Sassoon David.*]

reckoning, India should under such conditions only take about 51 per cent. of the world's silver instead of 58 per cent. I make no prognostication as to the decline likely to appear in the world's price, but, I do not doubt, the decline will be sufficient to be felt in our trade with the silver-using countries.

" I do not propose to recapitulate the burdens under which the Indian cotton-industry is suffering at this time, but I am sorry that there was not on the Government side a more frank admission of the reality of the fresh burden to be imposed by the new silver-duty on the trade with the Further East. It may be worth while to give one or two figures that show how that important branch of the trade is already being impaired. It should be borne in mind that formerly Japan was amongst one of our best customers, and in 1888-89 she took from us more than 23 million pounds of yarn. Now she takes none, but takes instead, large quantities of raw cotton, thereby raising the price of our raw material while lowering the price of our finished products in the Chinese market. The largest quantity of raw cotton shipped to Japan in a single year was 2,525,200 cwts. in 1901-02. But in the eleven months of the current year 1909-10 no less than 2,873,400 cwts. have been shipped. In the face of these facts and of the increasing activity and efficiency in the Chinese spinning-industry it is vain to pretend that India's trade with the Further East is in a position to stand any superfluous handicap whatsoever, and I foresee injury to India's cotton-industry from duties that have now been imposed.

" My practical knowledge of the opium trade may perhaps be accepted as atoning in some measure for the fact that I am personally interested in it. It may perhaps be useless at this time to suggest a doubt as to the expediency of the abolition of this trade at the expense of the Indian tax-payer who will before long have to make good a lost opium-revenue of five or six crores of rupees annually, while the balance of trade will be weakened by a shrinkage of some ten crores in India's export.

" I have already asserted that the estimated price of Rs. 1,750 per chest for next year is too low. The first sale in the new financial year takes place in a week. I prophesy that it will bring in about Rupees thirty lacs in excess of the estimate for that month. At the end of the year, if no change be made in the programme, there will be an excess on this account amounting to not less than $3\frac{1}{2}$ crores. This is more than double the Budget deficit, and I hope that this excess will not be presented to us as a windfall of an entirely unexpected kind and be expended in the manner commonly associated with windfalls.

"It is accepted that China has greatly restricted poppy cultivation. But China is notoriously going through a process of awakening which demands money. Opium cultivation is a possible source of revenue. Is it certain that all Chinese Finance Ministers will be able to resist temptation? We know that it is not; and if one should fall, what will be the result? India will have sacrificed a large revenue, China will enjoy it in her place. And the position of the user of opium in the Far East will be as at present. For this reason I urge that under any further international agreement that may be concluded the continued abstinence of India from engaging in the opium trade should be made contingent on the perpetual abstinence of China. This will not only secure to India the right to protect herself in the event of a backsliding on the part of China, but it will pretty nearly ensure the furtherance of those philanthropic aims for which we have to pay so dearly.

"Turning to the question of the Gold Standard Reserve, the Hon'ble the Finance Minister in his speech of the 25th February 1910 said:—

'The whole of our coinage profits without reservation will be paid into the Gold Standard Reserve until such time as the gold held by us, in that Reserve and in the Paper Currency Reserve combined, reaches the figure of £25 millions sterling.'

- (1) When referring to the 'gold held by us' does Government mean only 'gold coin and bullion' or 'gold securities and gold coin and bullion'?
- (2) For fixing the limit, if any, up to which profits on coinage must be credited to the Gold Standard Reserve, I deprecate the combination of the Gold Standard Reserve, with the Paper Currency Reserve or with any other Reserve.

"Gold in the Gold Standard Reserve is the true Reserve, whereas gold in the Paper Currency Reserve resembles rather working capital, as part of the security for currency notes in circulation.

"Suppose at a given date Government decided to give an order to buy silver and coin-rupees.

"Suppose at that date the gold in the Gold Standard Reserve and Paper Currency Reserve together exceeded £25 millions.

"Under the new scheme the profit on the coinage of the said rupees need not be credited to the Gold Standard Reserve, no matter how large a proportion of the said £25 millions be held in the Paper Currency Reserve.

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“Suppose the proportion to be £15 millions in the Gold Standard Reserve, £10 millions in the Paper Currency Reserve.

“Supposing also that the year following the said order for coinage were a bad one, it might conceivably happen that the £10 millions of gold would leave the Paper Currency Reserve and the total gold would thus be reduced to £15 millions.

“And if the next year were good and the gold came back again Government might again give an order for coinage, the profit on which would not be credited to the Gold Standard Reserve.

“Thus it might happen over a series of cycles of good and bad years that no further additions from coinage profits were made to the Gold Standard Reserve, which would remain at £15 millions, in spite of Government's increased liability in respect to the fresh rupees coined during that period.

“Therefore in that case the true reserve would be in my opinion only £15 millions, not £25 millions, whereas £25 millions appear to be none too much as a minimum true reserve.

“Consequently I think the limit, if any, should be fixed only for the gold in the Gold Standard Reserve, quite irrespective of the gold in Paper Currency Reserve or in any other Reserve.”

The Hon'ble MR. MESTON said:—“I wish to say a few words about our Currency policy, more especially with reference to the Gold Standard Reserve. I am grateful to the Hon'ble Sir Sassoon David for giving me an opening on the subject, for otherwise it would have been difficult to break the traditional practice by which Government makes its statement of Currency progress once a year and then stands to be shot at for the rest of the twelve months. But the firing this year has been particularly active, the aim has generally been indifferent, but all sorts of bullets have been used,—not always in accord with the Geneva Convention! I have collected a few specimens which may interest the Council. To our old and valued critic, Mr. Webb of Karachi, I need only refer very briefly. He hits hard, and he generally hits fairly, but his recent catalogue of our 14 deadly sins in currency was a volley that went, in my humble judgment, a little wide of the mark. There is, however, a much more inveterate sniper, Mr. Moreton Frewen. In a long series of attacks which he has scattered over the Press of three continents, he has accused our Currency policy, among other gentle arts, of the following:—abolishing the Decalogue, famines, drunkenness,

thieving, and wholesale manslaughter, to which he, or one of his disciples, has thrown in the unrest in India, bombs and the deportations. Thus Mr. Moreton Frewen, fresh from the Far West. It would be very wrong and mischievous all this, if it were not so ludicrous, so laughably overdone. The Hon'ble Sir Sassoon also comes from the west, but he has dealt with us very tenderly to-day.

"What our more temperate and thoughtful critics generally urge is the complaint that we are not sufficiently steadfast in our Currency policy and that we allow our Gold Reserve, which is the backbone of our Currency, to be manipulated too largely in the interest of the London market. In developing their indictment, they lay stress on three main counts:—

- (1) that our Reserve is not big enough,
- (2) that it is not held in India, and
- (3) that it is not held in solid gold.

"I should like to say a few words on these charges: I will try to show that there is another side to each of these questions, a side of which we never seem to hear very much, and then I shall leave it to the Council to form their own judgment on the points at issue.

"On the first charge, we are told that the Reserve should be allowed to grow to a much more imposing figure than any that has yet been named. The Hon'ble Finance Member explained in his speech introducing the Financial Statement that we mean to accumulate gold up to 25 millions before we divert any of our coinage profits to other purposes. Our critics say that 25 millions indicates an altogether imperfect recognition of our liabilities. Well, does it? In theory, we ought to accumulate gold enough to ensure the convertibility of all the rupees in circulation. How much that would be, is difficult to say—probably about 160 millions; a much higher figure if we include hoardings and rupees which are in other ways out of circulation. Any how we may take the figure as somewhere between 150 and 200 millions sterling; and of course that figure has only got to be named to show how much room there is for difference of opinion as to the exact amount that we should put into our Reserve. As a matter of practice, we know that no substantial fraction of the total circulated is ever likely to be called upon. Rupees are not like bank notes: you cannot conceive every rupee being collected in haste, as people collect their notes for a run on a bank, and hurried off to our Currency centres to be exchanged for gold. The whole life of the country

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would be paralyzed. I need not labour the point. But I go further and say we could hardly conceive any substantial part of the circulation suddenly being thrown upon our hands. There is a natural limit to the possible drain on our gold. Everything which tends to contract the circulation also tends to make further contraction more difficult. Discount rates are affected, prices of imports rise, imports are checked and exports encouraged, and so more Currency is wanted again and equilibrium is gradually restored. If we can weather this process with our Reserve, then our Reserve is strong enough for practical purposes. In 1907-8 we found 8 millions enough to keep our system afloat. The test was not so severe as can be easily imagined, but if we build up 25 millions, and if the Secretary of State covenants—as he has done—to make the whole of it readily available at need, and if he is prepared, should the worst come to the worst—as I have every hope he would be—to supplement our Reserve, if needed, by gold borrowings—then I would ask the Council if they see much wrong with the 25 million standard, not in theory but as a working business proposition.

“But in the second place, we are asked, why not hold our Reserves in India? Every sovereign that we now hold in London should be realized and shipped out here, to be kept in our currency vaults in Calcutta. Well, Sir, I have used every endeavour to get at the foundation of this belief. I have discussed with all sorts and conditions of men and I have had to come to the conclusion that it is very largely sentimental. It would be very wrong to decry sentiment. Even in the money market, sentiment exercises a great deal more influence than we often imagine. But I do not think it carries us through this problem. The gold, say our critics, belongs to India, and we should have it in our own land. Its mere presence would give people a confidence in the reality of our Gold Standard which no amount of published accounts can give, and we could always stop a slump in exchange by opening our vaults and pouring out our gold.

“Now, the other side to this question is this. We do keep a supply of gold in India—nearly 6 millions today—and we are ready to hand it out in support of exchange when the people are genuinely willing to take it into circulation as a substitute for silver. But when a slump in exchange threatens, what is really wanted is gold for export; and instead of giving the trade gold in Calcutta which they will have all the trouble, expense and delay of shipping to London, is it not much easier and in every way more satisfactory to give them an order on the Bank of England, where they will find the gold already exported for them, ready for immediate use at the centre where it is wanted and where a fall in exchange can be most effectively countered. That is what we arrange, and I think the practical considerations far outweigh the sentimental.

“ Thirdly—and this is the chief accusation against us—the Reserve should be kept in solid gold, and not invested. Its investment, we are assured, is simply a device to gratify the City, who make a convenience of our gold and drive India's interests to the wall. Time is too short to give you the other side of this story so fully as I should like. But I would only ask you to remember this. It is in London that we raise practically all our loans for our railways and our canals, it is from London that our commerce and industry draw the funds which are necessary to their development, London is the clearing house of our trade with the world. We have no wish to feed the speculator in Throgmorton Street, but we must walk carefully when there is any danger of disturbing the chief gold market of the world, or of creating or exaggerating any gold stringency which will react on Indian finance as surely as the day follows the night. I do not think that any one will question the skill with which the Secretary of State and his advisers have handled our sterling loans and all the complicated problems of our remittances between England and India. I submit that we should give them credit for equal skill, and for an equally vigilant watch over India's interests, in their custody of our Gold Reserves. I must now end. We have passed through many changes in Currency policy and made not a few mistakes. But the broad lines of our action and our objects are clear and unmistakeable, and there has been no great or fundamental sacrifice of consistency in progress towards our ideal. Since the Fowler Commission that progress has been real and unbroken. There is still one great step forward before the ideal can be reached. We have linked India with the gold countries of the world, we have reached a gold exchange standard, which we are steadily developing and improving. The next and final step is a true gold currency. That, I have every hope, will come in time, but we cannot force it. The backwardness of our banking arrangements, the habits and suspicions of the people, the infancy of co-operation,—all stand in the way. But the final step will come when the country is ripe for it. I trust that will not long be delayed; for when it comes, it will obiterate all the mistakes, all the inconveniences, all the artificialities, of our present position. In the meantime I would ask our critics to continue to help us with their advice, and to assist us in carrying out the development of the policy, not on grounds of theory, not in an economic vacuum, so to speak, but in touch with the realities of business and the wide interests of Indian finance.

“ I cannot sit down without acknowledging the compliment which the Hon'ble Mr. Gokhale has paid me in today's debate. The Hon'ble gentleman has reminded me that he is a veteran in this Council, and that I am only a newcomer. I fully admit the truth of this: and if a newcomer may venture so far, I would like

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to express the admiration which we newcomers feel for the high influence which the veteran so clearly exercises [and for the high level to which he has raised the debates in this Chamber. When therefore the veteran mounts his biggest war horse and orders out his longest spear, to tilt at one of the newest of his colleagues, I take it as a true compliment.

“But in his onslaught the veteran has made free use of a very old trick, the use of the red herring. On the occasion to which Mr. Gokhale refers he had assured the Council that our estimates of revenue for next year are under the mark; and he built up his argument on the contention that our Bengal opium is likely to give us at least Rs. 250 a chest more than we took in the Budget, *i.e.*, our revenue forecast is really some 90 lakhs short of what we are certain to get under this head alone. In answering Mr. Gokhale, I made a casual opening remark about the unusual character of his argument, and then went on to say that even if he was right in his opium estimate, we should have been very imprudent to budget for and spend an abnormal receipt of that nature. With Your Lordship's permission, I will quote exactly what I said. It was this :—

‘If the receipts from opium in the near future should rise far beyond our expectations as the result of an artificial market, let us treat the excess as a windfall. That is virtually what we have done this year. It is what I hope the Government would be prepared to consider should similar conditions recur. I have no desire and no authority to commit the Government in this matter in any way; but if the market should happen to yield the extra 90 lakhs which the Hon'ble Mr. Gokhale hopes for, I trust that the money will not be spent in recurring expenditure which will only increase our difficulties hereafter, but will be in some way reserved for special purposes which we have been unable to provide for in the budget now before the Council.’

“Now, the Hon'ble Mr. Gokhale has taken my innocent opening casual remark as his red herring and dragged it across the trail of the whole question of the opium revenue. For what does he propose today? He advises Government to fix a descending scale of revenue from opium so as to discount the inevitable fall: and he then urges that any revenue which we may get from the artificial prices now ruling should be set apart outside the ordinary expenditure of the year, for some beneficent purpose. In what respect does this differ from the suggestion which I hazarded on the 4th of March, and what has become of the Hon'ble gentleman's strictures on our under-estimates? I can assure him that the descending scale of revenue which he advises has already been framed in the Finance Department, and that his views are welcomed as strong support of the course which some of us would like the Government of India to follow. He and I are on the same trail, and I hope that he will now bury the red herring.”

[*Kanwar Sir Ranbir Singh; Babu Bhupendra Nath Basu.* [29TH MARCH 1910.]

The Hon'ble KANWAR SIR RANBIR SINGH said :—"My Lord, before offering any remarks on any of the points that have been under discussion during the present Budget debate, I venture to say a few words regarding the peace and comfort we are enjoying under the just and benign rule of the British Government. To enumerate the advantages and improvements of the last forty years is no easy task, and one which will fill volumes. But I may be allowed to refer to a few matters which are none the less important—I mean the participation of the educated Indians in the administration of the country. The number of Indians appointed to the most important posts in all the Departments of Government is daily on the increase, and this is a state of affairs that cannot but fill the hearts of all Indians with feelings of gratitude and thankfulness. The increased outlay on railways is not without its advantages, when we consider the facilities in communications and the opening up of undeveloped areas. Similarly, the beneficial effects of irrigation are boundless. The activities of Government in various other directions afford us ample scope for satisfaction. The freedom of speech and the opportunities for a full discussion of public affairs in the enlarged Councils are boons which cannot be forgotten.

"Turning to the points in the present debate, there is one to which I attach particular importance, namely, the general state of education in this country. I think that the present system is one which requires overhauling, though there has been a great deal of discussion on introducing free primary education into the country, yet the want of free intercourse and the exchange of ideas between teachers and students appears to me to be a point which requires early attention. Another defect is that the boys enter into political discussions too early, when they have hardly any definite aims and objects. It is this matter on which Indian parents above all things, as well as the teachers, should exercise their influence, and exert their utmost to keep the boys away from politics. A system of education on a residential basis, which will afford ample opportunities for free intercourse between the teachers and the students, cannot but be productive of excellent results, and I trust the Government will see fit to take steps towards the achievement of this object."

The Hon'ble BABU BHUPENDRA NATH BASU said :—"My Lord, the one noticeable feature about the Budget is the imposition of new taxes following years of surpluses. My friend the Hon'ble Finance Member ascribes this situation to the shrinking opium revenue and to the increasing cost of the new

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province of Eastern Bengal and Assam. As regards this opium revenue the shrinkage was foreseen years ago. I wish, my Lord, that this increasing cost of the Eastern Bengal province had also been foreseen. Unfortunately, buried in huge surpluses, the Government in those days were unable to see into the future. Lord Curzon was pleased to say that the reduplication would cost India eight lakhs of rupees a year, and His Lordship with his characteristic eloquence said that that would be a very light cost for the inestimable blessings that the new province would enjoy. My Lord, light cost indeed! These inestimable blessings have cost us innocent lives of men and women, they have cost us very repressive legislation one after another, they have compelled our Ministers to travel to Austria and Russia for precedents in the administration of British territory, they have cost us, my Lord, what we were ill able to spare—the good relationship which ought to exist between the rulers and the ruled.

“My Lord, the Finance Member has said that we are abandoning to East Bengal £255,000 out of land-revenue and we are making a cancellation of the overdraft in regard to opium and paying the Government of East Bengal on a substantial basis by giving it a minimum cash balance of 12 lakhs. The Finance Member makes a present of another £246,000. Roughly they come up to about 80 lakhs or a little more. If this were all, if we felt that these 80 lakhs would meet the demands of East Bengal, something might be said. But we have recently had before us the Financial Statement which the Hon'ble Mr. Kershaw of that province has placed before the country. He says that the Government of India have undertaken to pay the charges of the Port of Chittagong. He has also indicated five large schemes of administration—very big schemes, indeed, my Lord, which he knows are imperative and which he says the Government of India have undertaken to finance out of its surpluses.

“I do not see those surpluses, they have vanished like the proffered millions, and I do not see how sustenance may be found for the discarded bantling of Lord Curzon. We have taxed petroleum, a prime necessity, notwithstanding what has been said, to the peasants of India. I have no doubt that the peasant of India will follow the sagacious advice of the Finance Member and to save his oil will practice the good old maxim of ‘early to bed and early to rise,’ but he will be a sadder, if a wiser, man. Lord Curzon gave us an assurance when he launched forth this scheme of the partition of Bengal—reconstruction as he was pleased to call it—gave us the assurance that the cost would be light and the benefits would be great. He had also said that the cost of housing this reduplicated machinery would only be about 8 or 9 lakhs of rupees. In answer to a question of mine it has been elicited that more than a crore of rupees has been

[*Babu Bhupendra Nath Basu.*] [29TH MARCH 1910.]

spent in these last five years for housing this reduplicated administrative machinery. Lord Curzon was in great haste: he pointed out to the Secretary of State that if time was given those troublesome agitators who were fighting against the partition would carry on the agitation, and he urged upon the Secretary of State to consummate the measure of partition as soon as he could, with the least possible delay, as Lord Curzon expressed himself, and the result was that the Government of East Bengal was held under canvas and in borrowed houses for a long time. All these were pointed out in a memorial to which I am glad to find amongst the signatories were my Hon'ble colleagues, the Raja Bahadur of Dighapatia and Maulvi Syed Shamsul Huda, pointing out the heavy outlay which the new province would entail upon the resources of the country. To all those remonstrances Lord Curzon, like the proverbial adder that 'stoppeh her ear, which will not hearken to the voice of the charmer, charm he ever so wisely,' turned a deaf ear. The cost of administration has risen from 3 lakhs before the partition to 13 lakhs to-day. The cost of inspection on education has risen from Rs. 50,000 to 5 lakhs; there has been a large increase in the cost of police administration. My Lord, hand to hand, there has been an increase in the cost of education, for imparting, for forming, for expanding the mind of the youth of East Bengal, and increased cost in police for putting that mind under fetters. My Lord, in all this cost not a single rupee has been taken as the cost of maintaining the High Court, the entire burden of which falls upon the shoulders of West Bengal. We maintain the fifteen judges and the whole staff of the High Court. There are other heads which I have not got the skill nor the materials to discover, items of expenditure lurking under other heads as in the case of the great pageant at Delhi which was shown to have cost the country practically nothing. My Lord, with this growing expenditure, with the five schemes still to be carried out, with the demands of the Eastern Bengal Province, how are we to cope? Your Lordship will remember that more than half of the area of the Eastern Province is covered by Assam, and more than half of Assam is covered by jungle: there is no prospect of an increasing revenue, and it stands to reason that all this increasing cost will fall ultimately upon the shoulders of all India.

"This has been the financial result of the new province. I have got something else to say, but as I am limited to time I would ask Your Lordship's leave to read my speech rather than deliver it as regards that portion. I believe it is no longer necessary for me to demonstrate the unwisdom of the measure; men better competent to judge than the people concerned have recorded their opinions against it. Lord Macdonnell, than whom a higher authority on Indian affairs so thoroughly conversant with Bengal does not

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exist, pronounced it to be the greatest blunder of British Government in India since the Battle of Plassey. In the famous debate in the House of Lords, no one was willing, not even Lord Curzon, to acknowledge its paternity. My Lord, it was openly asserted that the measure was intended to divide and weaken the Bengali community; it was a serious charge to make against the Government of the country. It was repeated in the House of Commons. It has never been denied. I shall quote from the speech that Lord Morley, then Mr. Morley, made in the House. He said—

‘So far as my information goes I cannot assent to the views of those gentlemen who have said that the movement for the partition of Bengal arose from political motives and from the desire to repress the expression of its political opinion. Whether the original motives may not have taken on some colour of that kind I am not in a position to affirm or deny.’

“ This shows, my Lord, the real force of the opposition, this shows— ”

The Hon'ble SIR HARVEY ADAMSON: “I submit that the Hon'ble Member is out of order. This has no relevancy to the Budget.”

His Excellency THE PRESIDENT:—“I think the Hon'ble Member is out of order. I must ask him to confine his remarks to the Budget.”

The Hon'ble BABU BHUPENDRA NATH BASU: “As your Lordship pleases. My Lord, we Indians owe to Your Lordship a debt of gratitude which we can never hope to repay. Your Lordship's quiet and dignified attitude amidst gathering clouds and brewing storms, betokening that rare virtue, the courage of the spirit, has reminded us the Hindus of India that the days of our 'Rajarshis', the sovereign and sage, are not yet over. You have not suffered the misdeeds of a few perverted and fanatical youths to divert you by a hair's breadth from the course that Your Lordship set before yourself in the discharge of your high duties. You have allowed misrepresentation of your conduct and action to pass by you as the idle wind. My Lord, whatever may be our differences in the way that the great reforms inaugurated by you have been put into execution, we frankly acknowledge their generous and far-reaching character, and in the fulness of time, when they will bear fruit, Your Lordship's name will ever be remembered and cherished as the great ruler from whom emanated India's first charter of constitutional government. My Lord, you have liberated the deportees, amongst whom were men held by us in the highest esteem for the purity and piety of their life, from their silent prison. You will excuse the liberty if on behalf of the people of Bengal and in their name I venture

[*Babu Bhupendra Nath Basu; the President.*] [29TH MARCH 1910.]

to offer Your Lordship our humble thanks for your noble and kindly act in the face of the embarrassments confronting the Government. My Lord, will it be too much to appeal to you in the closing year of Your Lordship's administration to mitigate if not to undo the great wrong done to Bengal? As to the character of the measure and how it was carried out, I shall again take the liberty of quoting from Lord Morley. Referring to the partition of Bengal he said:—"It was, and remains, undoubtedly an administrative operation which went wholly and decisively against the wishes of most of the people concerned. Whether the partition was a wise thing or not when it was begun, I am bound to say nothing was ever worse done so far as the disregard which was shown to the feeling and opinion of the people concerned." My Lord, we do not desire that the privileges and advantages which the partition has conferred on our Muhammadan fellow-subjects in East Bengal or on the people of Behar should be curtailed by a single iota. It stands to reason that in East Bengal, where the Muhammadans form two-thirds of the population, and Beharis in Behar should have the full benefit of their numerical strength: it also stands to reason that communities which through untoward circumstances have come to be looked upon as backward now, should have special facilities accorded to them. Lord Curzon while touting through East Bengal drew a vivid and alluring picture of the greatness in store for the town of Dacca and the port of Chittagong, for the people of East Bengal in general and the Muhammadans in particular if they were severed from West Bengal. May every line of that picture be realised! But, my Lord, that is not the way of Government, alluring individuals and communities from their common allegiance. History knows it by an unpleasant name. My Lord, I shall quote again from the writings of Lord Morley, which to me have been a constant source of profit and inspiration. 'Moral forces decide the strength and weakness of constitutional contrivances. The hunger for breakfast and dinner has not been the master impulse in the history of civilized communities. Selfish and interested individualism has been truly called non-historic. Sacrifice has been the law-sacrifice for creeds, for churches, for kings, for dynasties, for adored teachers, for native land.' However that may be, I can assure Your Lordship that we Hindus of Bengal are prepared to enter into a solemn league and covenant to give up, if need be, all our claims to the expanded Councils, all our claims to Government emoluments, if only our Province is reunited."

His Excellency THE PRESIDENT: "I must again interrupt the Hon'ble Member. The question of reuniting the Provinces of Bengal and Eastern Bengal and Assam has nothing to do with the Budget, and I must again ask the Hon'ble Member to confine his remarks to that subject."

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The Hon'ble BABU BHUPENDRA NATH BASU :—"As Your Lordship pleases. I do not wish to go into the question of reconstituting Bengal on different lines, except on the ground of financial relief.

"If it can be reunited, if it ought to be reunited, if for nothing else but financial grounds, what is it that stands in the way? Is it a feeling that any such attempt would be interpreted as a sign of weakness: my Lord, we ourselves have never looked upon an act of grace on the part of those who have the power to bind and to unloose as a sign of weakness. An act of justice will not weaken but strengthen the prestige of an all-powerful Government."

The Hon'ble SIR HARVEY ADAMSON :—"I submit the Hon'ble Member is more out of order than before."

His Excellency THE PRESIDENT :—"I am afraid I must again call the Hon'ble Member to order. I have already twice called him to order."

The Hon'ble BABU BHUPENDRA NATH BASU : "In giving to India a constitutional government, in releasing the deportees, in appointing our countrymen to high offices of state, Your Lordship has disregarded the fears of the weak, and the misgivings of the timid. Have these acts been treated by the Indians as signs of weakness?"

His Excellency THE PRESIDENT :—"I must again interrupt the Hon'ble Member. He is making a purely political speech on the state of India. The release of the deportees has nothing to do with the Budget, and I must again ask him to conform to the rules of this assembly."

The Hon'ble BABU BHUPENDRA NATH BASU :—"As Your Lordship pleases. I was only thanking Your Excellency for having released the deportees and did not intend to deal with the subject of deportation at all. By your recent acts you have rallied round yourself and the Throne of England all the forces of law and order in this vast continent. Do us this supreme act of justice and your name, my Lord, will live through passing centuries as one of the great benefactors of India, as one of the strongest pillars of British rule, proclaiming to unborn generations and distant time, like the monoliths of Asoka, a message of peace and good will from England and India."

The Hon'ble MR. LYON said :—"My Lord, Your Lordship's ruling with reference to a great part of the Hon'ble Member's most earnest speech—and I am sure all Hon'ble Members will recognise the earnestness with which he has spoken—has relieved me from something of a dilemma, as I am sure it would have taken me a good twenty minutes to lay before the Council the other side of the partition of Bengal, and then I should have had to ask for the indulgence

of Your Lordship for some little time to talk about the Budget. However, I think but a few words will be sufficient to deal with the financial side of the partition. There has been a great deal of exaggeration about the cost of the partition. The critics of that measure have recently been communicating their views on the subject to the Press at length, and they and the Hon'ble Member have left the impression of enormous sums expended as the cost of the partition. I think this exaggeration may be best explained to the Council by an analogy. Most Hon'ble Members of this Council know that in a well known game it is customary to divide your score by ten or a larger number before you record it. I think in this case it is the invariable practice to multiply by ten or a larger number before you make the record. The actual figures are now before us in the statement * which has recently been placed before the Council. It has been shown that the partition of Bengal has cost ten lakhs of rupees in recurring charges, and that sum may be arrived at from calculations other than those given in the statement which was laid on the table today. In the settlements that were made in 1906-07 in the two provinces after the partition, the basis taken was the actual expenditure in these two provinces at the time of partition. That is, the estimates of expenditure for the year 1905-06 were taken as the actual expenditure of the time, and an addition was made on the side of Eastern Bengal and Assam of nine lakhs to meet the cost of the partition, while four lakhs were added to Bengal on account of the transfer of Sambalpur from the Central Provinces. The total of the existing expenditure in the two provinces taken together in Bengal and the old province of Assam was 684 lakhs, 606 lakhs for Bengal and 78 lakhs for Assam. The total of the expenditure allowed for in the new settlement which was made the year after the partition was 697 lakhs, the difference of 13 lakhs being due to the additions that I have mentioned. But in addition to this recurring cost there is a statement showing the non-recurring expenditure as 56½ lakhs, and I invite attention to the fact that the sum of over a crore which has just been mentioned as expended on buildings in Eastern Bengal has practically nothing to do with the partition. The Hon'ble Member has added up the whole expenditure on buildings in our large province and has implied that there would have been no expenditure on buildings in the province if there had been no partition. I need scarcely point out that there are vast sums spent on buildings in every province in India. The actual sum is 56½ lakhs of rupees, which is still in course of expenditure in the province. But this sum has nothing to do with the present financial position, and I think the Hon'ble Finance Member will bear me out in this statement. Thirty lakhs of rupees were given to the province as an initial grant to meet this expenditure four years ago, and the remainder of the expenditure, except a small amount paid by Imperial Departments, has

** Vide Appendix C.

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been met by the province out of its ordinary resources. Therefore, the 30 lakhs that were given to the Provincial Government four years ago and were provided for in the estimates of that year disposes of this question of 56½ lakhs so far as the present financial position is concerned, and I do not think that anybody will argue seriously that an addition of ten lakhs of rupees to the provincial expenditure of one province four and a half years ago is the cause of the imposition of additional recurring taxation amounting to a crore and a half in the present year. It may be argued however—in fact it has been argued by my Hon'ble friend—that the whole cost of the partition was not arrived at in the year it was carried out, and that there has been an enormous increase in expenditure since which is partly due to the partition. I do not think that an examination of figures will support this. The increase in the expenditure of the two Bengals has been 28½ per cent. in the last four and a half years, that is, it has risen from 684 lakhs in 1905-06 to 880 lakhs in 1910-11. In the same time the expenditure of Bombay has risen by 26½ per cent. without any partition; the expenditure of the United Provinces has risen by 47 per cent. without any partition; the expenditure in Madras has risen by 62 per cent. I do not think that we can place the rise of 28½ per cent. in Bengal to the debit of the partition.

“ I pass next to a charge which has been made very freely in this Council against our province, and that is that we have been extravagant in our administration and have poured money out like water, and, *mirabile dictu*, it has been said that the Government of India have supported us in this extravagance. I think that Hon'ble Members who know the Finance Department of the Government of India will agree that this is a most extravagant charge to make. But although the charge is unfounded we quite realize in Eastern Bengal that in the present circumstances, when new taxation is being imposed and one of the reasons given for the imposition of that taxation is that a subvention is required to meet our growing needs, it is quite reasonable that we should be asked to explain the nature of our expenditure and to show that we are not extravagant. I hope the figures that I am about to give will justify us in the claim that we are economical. The total expenditure of our province will be next year 305 lakhs, which is below the general level of expenditure in any of the larger provinces of India. Tested by the usual tests of administrative expenditure, which are the cost per head of population or per area of the territory administered, it will be seen that we, with our 305 lakhs, are spending one rupee per head of our population as against Rs. 1-1-6 in Bengal, nearly Rs. 1-3-0 in the United Provinces, Rs. 3-4-0 in Bombay, Rs. 1-10-0 in Madras; and I would invite the Hon'ble Mr. Fenton's special attention to the

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fact that this expenditure is Rs. 1·9·0 in the Punjab. If we take the cost per square mile, we are spending Rs. 308 per square mile, as compared with Rs. 494 in Bengal, Rs. 525 in the United Provinces, Rs. 495 in Bombay, Rs. 397 in Madras, and again Rs. 360 in the Punjab. With reference to the Punjab I cannot admit the comparison which has been made by the Hon'ble Member from that Province between Eastern Bengal and his province. We are in the north-eastern corner of India, he is in the north-western; the consequence is that in the cost of living, in cost of labour and material, in rates of wages, in everything that goes to make an administration expensive, the balance is much against our province. The Punjab is also a smaller province and it has a smaller population, and in spite of these facts and of the high charges from which we suffer the Punjab spends more than Eastern Bengal and Assam by over 40 lakhs in the year.

"There are one or two heads among the detailed figures which it is perhaps worth while to mention. I would specially refer to the Police. My Hon'ble friend (the Hon'ble Babu Bhupendra Nath Basu) has talked about expenditure on Police, and I can only suggest to him that it would be desirable that he should come to take up his residence in Eastern Bengal and Assam; he is much less likely to meet a policeman in Eastern Bengal than in any other province of India. We have only 10,000 civil police in our province as compared with 21,400 in his own province and 33,900 in the United Provinces. Putting this into statistical form, we have one policeman for 9 square miles of our area as against one policeman for 5 square miles of Bengal, one for 3 square miles of the United Provinces and one for 4·8 square miles in the Punjab."

The Hon'ble BABU BHUPENDRA NATH BASU: "On a recent visit to Dacca, my Lord, I found two policemen following me from Serajganje."

The Hon'ble MR. LYON: "No doubt when a distinguished visitor comes to our Province we take every care of him. Or to take the test of population, whereas in the Punjab there is one policeman guarding every thousand of the population, in the United Provinces one for every 1,400, and one for every 2,300 in Bengal, there is only one for every 3,100 of the population of Eastern Bengal and Assam. The cost of our police is somewhat higher, but that is because we have to keep up a large force of military police to guard the north-eastern frontier of India, the Army being conspicuous by its absence in all parts of the province. But even with that and with the heavy cost of living which adds to our charges, our expenditure is only Rs. 0·2·10 per head of the population as compared with Rs. 0·2·8½ in Bengal, with Rs. 0·4·0 in the Punjab and with larger

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figures in all the other provinces I have mentioned; and as regards area the cost is less in Eastern Bengal per square mile than in any other province of India.

“As to Education, I need only say a very few words. We have paid unremitting attention to this subject during the last four and a half years. We have dealt with every stage of educational reform, improved our schools and colleges, given many grants for primary education, and have encouraged Muhammadan educational institutions and the cause of female education. We have also spent large sums in adding to and improving the supervising and inspecting agency, without which most of our expenditure on educational reform would have been wasted. But even with all this improvement and all this expenditure our 27 lakhs of expenditure on education compares badly with the 59 lakhs spent in Bengal, 38 in the United Provinces or similar sums spent in Bombay and Madras; and whether it be per head of population or per square mile of area, we pay less for education than any other province.

“I have no time to deal with the general administration figures mentioned by the Hon'ble Member. Reduced by the cost of the old Assam Administration which has been absorbed in the new Government they will be found to come within the ten lakhs, a good deal within the ten lakhs, which has been acknowledged as the cost of the partition. And as for Civil Works, our expenditure has been heavy, but we have great need for it, for the cost of building generally is heavier in Eastern Bengal than in other provinces, and building work has been neglected more than any other duty of the administration in the outlying districts which we took over from Bengal.

“I must come now to the third charge, that we do not pay our way, and that we have had to come upon the Government of India for a larger share of general revenues than that to which we are entitled. I think there is a great deal of misunderstanding on this subject. The recurring assignments to be made to all provinces this next year amount to 370 lakhs, out of which our share, 50 lakhs, is not, I think, a very extraordinary proportion. Among the other assignments which are to be made to other provinces, I notice 54 lakhs to be made to the Punjab, 55 to the Central Provinces, 88 to Bombay and 92 lakhs to Burma. It must not be supposed that we are receiving an assignment and that others are receiving none. Moreover, in Eastern Bengal we suffer from the financial disadvantage of a permanent settlement, which means that large sums ordinarily paid by the cultivators for the use and occupation of the land go not into the coffers of the State but into the pockets of middlemen, leaving very little to

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filter through as a contribution to the cost of Government. But even with these disadvantages, we still pay our fair share to the revenues of the Supreme Government. Including the assignment which I have mentioned, we pay out of Provincial revenues raised in the province 34 per cent. to the Imperial Treasury as compared with 36 per cent. paid in Bengal, 35 in Burma, 33 in Bombay and 31 in the Central Provinces. I think, therefore, that we may claim that we have taken our place among the provinces of India relying on our own resources and paying our own way. I would suggest finally, my Lord, that if there had been no fresh taxation this year, there would have been less criticism of our financial affairs. The new settlement has come at an unfortunate time, when the Government of India have been unable to meet the exigencies of the situation without recourse to additional taxation. But this very circumstance adds strength to the case which I have to lay before the Council, for Hon'ble Members may rest assured that our affairs must have received the closest and most jealous scrutiny before the admission of our claims. The Hon'ble the Finance Member in introducing this budget gave expression to the reluctance and deep regret with which he asked for the imposition of fresh taxation. It may be well understood that our claims would have received but short shrift had they not been based on solid grounds. As matters stood, we welcomed that scrutiny and we awaited its results with confidence, and we only hope that the public in general will have an opportunity of testing those results. We have not asked for special treatment, for indulgence; we have asked merely for financial justice in order that we may do the right by the vast population of our province. We believe we have governed that province with economy in the past and we have no desire to stray from the paths of financial caution in the future. We are grateful to the Government of India for the recognition they have accorded to our urgent needs, and we earnestly believe that the Hon'ble Members of this Council and the tax-payers whom they represent will not grudge to our people that help and encouragement which this new settlement will afford."

The Hon'ble RAJA PRAMADA NATH RAY OF DIGHPATIA said:—" My Lord, being comparatively a new member of this Council, I feel quite diffident to criticise the many intricate questions of Imperial finance; all the same, I cannot allow this occasion to pass by without deploring the necessity that has forced the Government of India to resort to fresh taxation in a country which the Hon'ble Finance Member has himself admitted to be 'very poor.' Coming from the Province of Eastern Bengal and Assam, I deplore it all the more that our Province, in the opinion of the Hon'ble Finance Member, has been one of the chief causes for disturbing 'the imperial financial equilibrium.' But, my Lord,

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the Government of Eastern Bengal and Assam cannot be taken to task for asking for a fresh grant, as we have it from the Financial Statement itself that the cost of the development of the new Province was 'largely guesswork.'

"Having started a new Province, it is incumbent on the Government of India to help in the development of its railways and the improvement of its education, sanitation, and other useful institutions so that it may be brought into line with the progressive administrations of the other Provinces of the Empire.

"As regards railways in the new Province, it will be found from the Budget that the sum of R4,000 has been charged to provincial revenues under a separate head and that sanction has been given for the expenditure of about 10 lakhs of rupees for more railways to be provided from imperial revenues in 1910-11. It is a regrettable fact that our Province has about the least number of railway mileage in comparison to the other Provinces. To make the capital of the new Province more accessible, it is necessary to extend the Dacca-Mymensing Railway to a point opposite Goalundo, which will save the uncertainty of river navigation and bring Dacca within easy reach of the metropolis of the Empire. Some means, my Lord, should also be found at an early date to link North Bengal direct with the capital of the Province, as the people of Northern Bengal have got a just grievance that they should be so far away from the seat of their Government. They are, in fact, much nearer to Calcutta and Darjeeling than to Dacca and Shillong.

"There is another part of our Province which requires opening up very badly. Of all the district head-quarters, Rajshahye is perhaps one of a very few in our Province which remains in an isolated position even in these days of general advance and progress. Its connection with the outer world can, however, be easily effected by diverting the proposed line between Godagari and Santa-har through the town of Rajshahye to Natore. By this diversion, the whole of the District of Rajshahye may be opened out and the line also in all probability may be a few miles shorter than the one proposed. It will not only benefit all classes of the district itself but will also be a great boon to the whole of Northern Bengal, as the town of Rajshahye is the only important educational centre in North Bengal and is quite a big mart for rice.

"It was only the other day we were informed in this Chamber by the Hon'ble Home Member that almost every Province in India were making attempts to found good schools for the study of the higher branches of the

[*Raja Pramada Nath Roy of Dighapatia*; [29TH MARCH 1910.]
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mechanical and industrial arts and sciences; but our Province, my Lord, I regret to say, is yet far from being blessed with such an institution, though there are one or two insignificant and ill-equipped technical schools here and there. It would not therefore be out of place to appeal to the Government of India for the establishment of a high-class Institute of Technology in the Province.

It will be seen from the Financial Statement, under head 'Medical,' that a heavy lapse occurred in our Province in the special subvention made from the imperial revenues for the improvement of sanitation in last year's budget. My Lord, in a Province which is notoriously unhealthy and almost the home of malaria, such lapses of imperial grants are very unfortunate. Probably the lapses occurred because the conditions under which the money was available could not be easily satisfied; but, my Lord, if the conditions are made more elastic in future, people will not be slow to take advantage of them. It is also highly desirable that wider publicity should be given to so kind an intention of the Government to help the people in bettering their sanitary conditions.

Lastly, I have to congratulate the Government of Eastern Bengal and Assam for its attempt to reorganise the Police Service and for their being allowed a larger grant of money from the Imperial Exchequer for this purpose. We fervently hope that after the reorganisation we shall hear less of dacoities that have been rather frequent of late years and that the reorganised force will show greater activity and better ability in detecting crimes and eradicating anarchism from our Province.

"My Lord, the Hon'ble Mr. Lyon has mentioned that the Eastern Bengal and Assam Government are under a disadvantage owing to the Permanent Settlement. All that I can say in reply to this charge is that the Permanent Settlement has been keeping off so many famines from East and West Bengals.

"Before I sit down, my Lord, I think it my duty to acknowledge the deep debt of obligation the people of India have been laid under by His Excellency the Commander-in-Chief and His Honour the Lieutenant-Governor of Bengal for having enforced considerable economy in the expenditure under their control. I have no doubt that the courage and thoroughness exhibited by two such high officials in overhauling their expenditure will be generally followed by the various provincial Administrations and also by other officials who have the control of the large spending departments of the State."

The Honble MR. SHAMSUL HUDA said:—"I had no mind, my Lord, to take any part in this debate, but having regard to the fact that I represent a constituency

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which forms the majority of the population of Eastern Bengal and having regard to the fact that the new province has been attacked right and left from different points of view, I consider it my duty to say that so far as partition is concerned it is a measure that has been greatly beneficial to the Muhammadans in that province. I will deal with it in its financial aspect. I am aware that the question of partition as a general question has been disallowed. But unfortunately it was disallowed after a great deal was said about it. A reference was made by my learned friend to my having signed a document against the partition as to which I will only say that I am not ashamed of having grown wiser as years have rolled by. As regards the financial aspect of the question my Hon'ble friend Mr. Lyon has demonstrated by facts and figures that when Hon'ble Members attacked the partition as being almost solely responsible for the financial difficulty they did so more from imagination than from real facts. If the new province requires more money it is because the new province at the time when it formed part of Bengal was greatly neglected. My Hon'ble friend Mr. Bhupendra Nath Basu also has attacked the partition from its financial aspect. It has been said, why should the other provinces suffer for the wants of a new province which cannot pay its own way? I do not think it necessary to reply to the attacks made by members from the other provinces. But it comes with a singularly bad grace, from those who represent Bengal to attack Eastern Bengal on that ground, because they have benefited for very many years out of the revenues of Eastern Bengal and have paid very little for its progress and advancement. Before the new province came into being, Eastern Bengal was a sort of step-child to the Lieutenant-Governor of Bengal. The most influential people were those who lived near about Calcutta. The best of educational institutions, hospitals, and all other public institutions were those near about the metropolis. No one thought of Eastern Bengal at all. It is since the partition that the Government of Eastern Bengal has been trying to bring the province in a line with Bengal; and it is natural that that should cost money. There is another thing, my Lord, which the new province is trying to do, and it is this. At the time when Eastern Bengal formed a part of the province of Bengal, Muhammadans were considered a sort of negligible quantity whose wants were seldom seriously consulted. In the new province they are providing educational and other institutions according to the requirements of the majority of the population. That also costs money. Without entering into the various details of the financial difficulty, I will only say that if Eastern Bengal now for some years costs money, and if that money is to come from any province outside East Bengal, it should come from Western Bengal, and the members from that province should not at any rate grumble at it.

“Now, my Lord, having said so far about Eastern Bengal I will only make one or two general remarks. First as regards taxation. As regards the tax imposed on cigarettes and liquor I would support a tax on those articles at all times whether money was or was not required. As regards the tax on petroleum, a great deal has been said about its being one of the necessities of life. No doubt in one sense this is perfectly true, but that is a tax which falls so lightly upon the tax-payer that I do not think any single individual in the whole of India will feel it at all. Calculation shows that this tax has only increased, or has the effect of increasing, the value of petroleum by 2 annas per tin. Now the agricultural population, I mean the poorer classes of people, do not spend one tin even in two months, and if the tax falls at the rate of 4 pice on a family I do not think any one has a right to grumble. As regards the tax on silver I do not feel competent to speak; but I congratulate the Hon'ble Finance Member on making the best choice he could make when it was necessary for him to impose additional taxation, because as I pointed out I cannot conceive of any other articles upon which the taxes would have fallen more lightly or would have been less felt than the articles upon which he has imposed them. I will also say a word as regards the requirements of the province of Eastern Bengal and Assam in regard to sanitary improvements. It is an unfortunate fact that in looking into the report of Eastern Bengal and Assam as regards sanitation, I find that every year 675,000 persons die of fever alone. I would appeal to Your Excellency's Government—and I feel very great hesitation in making an appeal after all that has been said about the lavish generosity with which Eastern Bengal has been treated—to make a large grant to Eastern Bengal for the purposes of sanitation. The next thing I would say is about Law and Justice. As regards that, the first thing that I would suggest to the Hon'ble Finance Member is this. In showing the accounts, I find that stamps, judicial and non-judicial, are grouped together and shown as distinct from income, from Law and Justice. It seems to me somewhat illogical that the revenue derived from judicial and non-judicial stamps should be shown together, because so far as judicial stamps are concerned they have absolutely no connection with non-judicial stamps and the income under judicial stamps, I would suggest, should always be shown under the head of receipts from Law and Justice. If this is so shown, it will appear to what extent the country pays in the shape of court-fees and other expenses of litigation. Having regard to the large income derived from these stamps and other receipts from Law and Justice, I would put in a plea for better treatment of the members of the Judicial Service. I refer, my Lord, to the Munsifs and Subordinate Judges, hard-

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working men whose pay and prospects are certainly not adequate to the work that they do and that they are expected to do, and I would submit that something should be done to increase the number of Subordinate Judges and to increase number of the Munsifs in the several provinces. My experience is confined to Bengal and Eastern Bengal. I feel that on account of the paucity of men and the large work which is thrown upon them, our judicial officers cannot give that attention to the cases that come before them which the importance of those cases demand. Another way in which the work of these Munsifs may to a certain extent be made lighter is, I submit, by having a system of something like Village Munsifs introduced in Bengal as well as in Eastern Bengal. Looking to the statistics I find that in Eastern Bengal alone, the only province as to which I have got the figures, there were 362,476 original suits instituted in the year 1907. These are the only figures that were available to me. This number is simply appalling. In every case there would be about 5 persons concerned, and taking, my Lord, that there are about 5 witnesses in each case, we find on both sides about 36 lakhs out of 3 crores involved in some shape or other in litigation in my Province. The country will be very grateful if something could be done to put a check to this extravagant litigation, and my humble suggestion to Your Excellency is this that an attempt should be made to appoint honorary Judicial Officers as there are honorary Magistrates, so that village disputes may be decided in the villages themselves without being brought to the Sadar Courts, so that there may not be a large number of appeals in all sorts of petty cases.

"I have finished, my Lord, and in conclusions will only express my gratitude to Your Excellency's Government for the consideration that has been shown to my community in the matter of the reforms that have been introduced. As we had no occasion before to refer to this matter I beg to say that my community is extremely grateful to Your Excellency for the considerate treatment that it has received. It would be presumptuous, my Lord, for me to say anything on the administration of Your Excellency all these years. All I can say is that the whole country is grateful to Your Excellency for what has been achieved during Your Excellency's administration of this vast empire."

The Hon'ble MR. GHUZNAVI: "My Lord, the dominant feature of the Financial Statement and the Budget is the new taxation. Curiously enough, on the very first occasion when a public statement of the finances of the country was made and on the first opportunity of a public discussion of the 'budget' seventeen years ago, the Hon'ble Finance Member had to provide

against a deficit, as in the present year, which inaugurates a new era in the discussion of the country's finances. I cannot help congratulating the Hon'ble Finance Minister on the way he has provided against the deficit and on tapping such new sources of revenue as are embodied in the scheme of taxation that he has devised. The taxation is indirect, and it is so in spite of the fact that the Hon'ble Member could have withdrawn the remissions of income-tax that were made a few years ago. It is also satisfactory to note that no increase in the salt-duty was resorted to even when its reduction was held to have created a financial reserve for the Government of India, to be drawn upon whenever needed. These facts of omission and the tax on such luxuries as wines, spirits and tobacco are sufficient to indicate the solicitude of Your Excellency's Government for the poorer classes and the earnest desire not to tax their necessities. The only tax about which I had some misgivings, my Lord, is that on petroleum, which is really a necessary of the poor in India. As however the enhancement of the duty on foreign petroleum may benefit the petroleum industry of the country, my doubts as to its expediency are to some extent removed. But if an excise-duty on petroleum is imposed, it will swallow up all this advantage. The consideration of an excise on tobacco that Government has undertaken will, we are confident, lead to the conclusion that the revenue from such a source will be quite disproportionate to the cost of its collection and the attendant inconveniences thereof.

" My Lord, the people of this country of all classes and creeds are practically unanimous with regard to most of the measures necessary to be adopted for the advancement of their country's welfare. Systematic and gradual extension of primary education, the provision of a 'modern' side to secondary schools, the making of all education more efficient by the supplying of trained teachers and better equipment and supervision, education yet again, technical and technological, and industrial research for the industrial development of the country, the fostering of agriculture by the diffusion of the knowledge of scientific and economic methods and by the relief of agricultural indebtedness, sanitation and extension of medical aid, form a comprehensive programme on which the country is united, as was recently pointed out by my distinguished co-religionist, His Highness the Aga Khan. These are also points which touch closely the most sympathetic instincts of this Council. Financial stringency may have hitherto prevented an adequate tackling of these questions, but we have the fullest confidence and faith in the ability and statesmanship of the Government of India, in finding a solution to these problems and in providing for them in due course.

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“ My Lord, allow me to express my gratitude to Your Excellency's Government for the degrees in Agriculture that have been recently instituted. The grants that have been made in recent years towards the development of agricultural research, demonstration and instruction, are a source of considerable gratification to the public. I need not say, my Lord, that this country entertains the highest hopes and expectations from the extension of scientific education in agriculture and experiments in agricultural farms, the latter of which should be widely distributed over the country, according to the nature of the soil and the produce. I venture to submit, however, my Lord, that the fruits of such an education, of such experiments and of the valuable researches of the scientific officers at the Pusa Institute, obtained at great cost, will not give us an adequate return, if together with them systematic attempts are not made to place their results within the reach of the vast agricultural population by means of pamphlets, itinerant preachers and by instruction in off-seasons or at night schools. We also look upon the measures that are being taken to relieve agricultural indebtedness with great satisfaction. A generous policy of agricultural loans and takkavi advances has been followed in recent years. Co-operative credit societies are also progressing favourably under State patronage throughout the country, and it is to be hoped that the financing and management of these will be more and more a labour of love to the moneyed and leisured classes as the years go on.

“ My Lord, on behalf of Eastern Bengal and Assam I beg to be permitted to convey our thanks to Your Lordship's Government for the generous recognition of its financial claims. It is with great satisfaction that I note the raising of the status of the Chittagong College to the first grade, and the more liberal grants to high schools. Muhammadan hostels are very much needed in our province, and I am glad to find that our requirements in this direction have been met to some extent this year. I have confidence that this necessity will not be lost sight of. A grant of 10 lakhs of rupees has been allotted for the construction of a very necessary railway line helpful to the tea-industry, and grants to the extent of about 16 lakhs of rupees have been given for the construction of lines in progress. We hope that these grants are an earnest for more to come, as the new province requires more facilities in communications for its material progress. • •

“ My Lord, some of my Hon'ble colleagues have questioned the increased grants that have been given to the province that I have the honour to represent. I do not think, my Lord, that the Government of India ever maintained that the

partition would entail no additional expenditure or that the increased efficiency of administration, which it was urged would be brought about by the partition, would be effected without any increase of cost whatsoever. The only question now is whether the increased efficiency and advantages have been commensurate with the increased expenditure. Any one acquainted with the conditions of the new province before and after the partition will be convinced that the progress achieved has been well worth the cost.

"My Lord, I beg leave to add that the increase of grant to the new province is nothing exceptional. The provincial contracts of all the provinces have been recently revised, according to the new system of *quasi*-permanent settlements that have been introduced, ensuring expanding revenue and self-dependence in the provinces. Under this system a larger share of the divided heads of revenue has been given to the different provinces. The revision therefore means much more, my Lord, to the other provinces with old-established administrations than it does to Eastern Bengal and Assam in the infancy of its administration. The grant given to East Bengal and Assam is thus small compared to the increased grants that have been given in recent years, under this system, to all the other provinces, and this small grant should be beyond all cavil, specially when we take into consideration the area of the province and its population per square mile.

"My Lord, some of my Hon'ble colleagues have laid the responsibility of the new taxation on the shoulders of my province, but they forget that the decline in opium-revenue, in the net receipts of railways and the recent years of famine and scarcity throughout many provinces, together with the necessity for increased expenditure in many directions, have been the real cause of the imposition of the new taxes.

"My Lord, I associate myself unreservedly with all the expressions of regret that have fallen from the lips of Hon'ble Members when referring to your impending relinquishment of the reins of government. This first session may possibly be the last in which Your Excellency will preside over the deliberations of this enlarged and reformed Council, which has been brought into being by the foresight and statesmanship of Your Excellency. This Council will remain an everlasting monument to your deep sympathy for the people of India, and 'Sympathy' in my humble opinion has been the keynote of Your Excellency's policy. The clearest indication of this sympathy has again been recently given to us, my Lord, in the prompt action that has been taken in the matter of the emigration of indentured labour to Natal.

"It is during your régime too, my Lord, that for the first time in the history of British rule in India, a distinguished countryman of mine sits on the Executive

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Council of Your Excellency. The reforms scheme, my Lord, may not satisfy visionaries, but in overcoming the limitations of actual facts and of the exigencies of the moment, in its eminently practical character, it is its own vindication. For such statesmanship and sympathy your name will go down to posterity as a maker of Modern India and as one of her greatest benefactors."

The Hon'ble MR. PHILLIPS said :—"There are two points in the Budget which have an important bearing on the administrative progress of the Central Provinces, and on which I should like to make a few remarks. One relates to the grant which has been made by the Government of India to the Province to restore its depleted balance. The amount of this grant is something over 7 lakhs. I have been specially instructed by the Chief Commissioner to express in this Council his extreme gratefulness to the Government of India for the timely and generous aid which has thus been afforded. Having said this I fear it will appear somewhat ungracious on my part when I go on to say that nevertheless there has been some disappointment that the amount of the grant was not considerably larger. I venture to submit, however, that the Central Provinces Administration has a substantial claim to even more generous treatment at the hands of the Government of India, and I propose to state as briefly as I can the grounds on which this claim is based.

"In dealing with the famine conditions which supervened on the drought of 1908, the Chief Commissioner made a considerable departure from the course which was clearly indicated by the Famine Code. In the matter of indirect relief indeed he had resort to most of the expedients which are recognized, such as suspension and remission of revenue, the grant of forest concessions and the advance of loans for land improvement. But in the matter of work-relief, instead of opening regular famine relief works in accordance with the provisions of the Famine Code, works which inevitably are accompanied by a certain amount of waste and by a certain amount of demoralization, he merely extended the programme of ordinary works carried out in the usual way under contractors. I need hardly say that this policy was adopted after the most careful and anxious consideration. Not unnaturally at the time it evoked a considerable amount of adverse criticism. I do not think I need enter into that point, because in the event the policy was completely successful. I feel justified in putting this forward, because its success was warmly recognized and handsomely acknowledged by the Government of India. Not only did the policy meet the requirements of the situation, it also avoided demoralisation and secured economy. It is, however, with the financial aspect of the policy that I now wish to deal. Naturally famine conditions cannot be coped with

without expenditure of a considerable amount of money, and the policy pursued involved an extra expenditure of no less than 22 lakhs of rupees on the part of the Central Provinces Administration. Moreover, the conditions prevailing led to an indirect loss of revenue which amounted to another 22 lakhs. Of the direct expenditure about 15 lakhs were spent on the contract works to which I have referred. Now if the Chief Commissioner had followed the ordinary course and had availed himself strictly of the provisions of the Famine Code, as the state of things fully entitled him to do, the result would have been this, that not only would that expenditure of 15 lakhs have been thrown on to the Government of India, because under the contract they were bound to bear that charge, but a very much larger expenditure would also have been entailed on them, because it is notorious that famine relief works, however well they are managed, and with whatever precautions they may be hedged round, are always much more costly than ordinary works. The Government of India did indeed give some money to meet the conditions, for there was a certain amount of gratuitous relief given and there was relief in other forms, but the total amount of expenditure which the Government of India had to meet was less than 15 lakhs. If the Chief Commissioner had followed the course which he was perfectly entitled to do and opened regular famine relief works, there is no doubt that the expenditure which the Government of India would have been obliged to incur would have been nearly 60 lakhs instead of 15 lakhs. I think this constitutes a claim for consideration. The Chief Commissioner not only saved the Government of India a large amount of expenditure, but he depleted his own resources in the process. We gratefully acknowledge the generosity of the Government of India in making a grant of a little more than seven lakhs, but we consider that there is a claim for a very much larger sum. I think that as a matter of fact the Hon'ble Finance Member is really at one with me when I make this claim, for in the speech which he made when he introduced the Financial Statement he was good enough to say 'The Central Provinces finances have been severely tried by the recent famine which was administered with a care for the interests of the general tax-payer which the Government of India cordially appreciate.'

"The result of the Chief Commissioner taking upon his own shoulders the expenditure which he might have thrown on the Government of India has been that he is now precluded from incurring expenditure on works of various kinds which are really of very pressing importance, but which in the present state of the finances it is impossible to undertake. I hope therefore the Government of India will recognise that there is a strong claim for a further subvention from them. I know it is useless so far as the present Budget is con-

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cerned to expect a further grant, but if the revenues of India are going to expand in the way some have prophesied, if, for instance, the opium-revenue is going to bring in the enormous increase which has been foretold by the Hon'ble Member who usually sits at my right, then I hope some of it may be granted to the Central Provinces.

"The other point to which I wish to make some reference is Irrigation. We have already heard in this Council a good deal about the Tandula Canal. Here I mention incidentally that the name Tendula, which has got into the official literature on the subject, is wrong. The name of the river, which gives its name to the canal, is really Tandula, and that is what all the people in that part of the country, where the river is, whether they are literate or illiterate, call it. It is for the Tandula Canal that the Chief Commissioner is most anxious to get a grant, and he is very much disappointed in finding a statement in the memorandum attached to the Financial Statement to the effect that no grant for that purpose can be given. It is very important, if something could possibly be given, that the money should be given now. The progress in the people's appreciation of irrigation in the Chhattisgarh Division, where the canal will lie, has been extraordinary. Five or six years ago, had you asked any Revenue-officer, not only in this division but in the whole of the Province, whether the people in that part of the country would ever avail themselves of facilities of irrigation, he certainly would not have committed himself in his reply to a definite statement that they would. However, certain storage tanks were made and facilities for irrigation from them were offered, and the extent to which these facilities have been availed of is most encouraging. As one of the tanks is in that part of the country through which the new canal will run, we now feel certain that the canal will be availed of, if not at once, at any rate in a short time. It will have the effect of making practically the whole of the district quite immune from famine. The project was sanctioned by the Secretary of State several months ago, and it was hoped that some grant would have been made which would have allowed of the work being begun in the coming financial year. I have been requested by the Chief Commissioner to say that even if 3 lakhs are given in the coming year the sum will be gratefully accepted and it will prove an enormous boon. I may mention as a further argument for this grant that, although the work has been classed as protective, there is now every hope that it will really prove productive. I am afraid that the Hon'ble Mr. Jacob will perhaps be reluctant to accept this view. But after all what he has stated as to no protective work having proved a productive work refers only

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to the experience of the past. There is no reason why in the future a work originally classed as protective should not eventually prove productive. Anyhow in support of the view which I have put forward I may mention an incident which came within my personal experience. Less than 18 months ago I was on tour in that part of the country, and I asked one of the malguzars whether he would be prepared to pay in the coming year for water from the storage tanks at the rate of Rs. 2 an acre—he was then paying 12 annas—and somewhat to my amazement and without much hesitation he said he was quite prepared to pay Rs. 2. He said: 'Why should I not pay Rs. 2 an acre for water, when the value of the produce of my field is increased by Rs. 20 an acre by using that water?' When that is the attitude of the people, we may feel confident that the project will be fully availed of. I may mention that in one part of the Province water is already paid for at the rate of Rs. 4 an acre, and I think it is not too sanguine to hope that Rs. 3 an acre will be readily paid for water from this canal; and if a rate of Rs. 3 an acre is obtained instead of Rs. 2, the highest rate provided for in the estimate, the work will prove productive.

"I am sorry, my Lord, that both the points to which I have alluded should involve me in the position of a suppliant to the Government of India, but I hope that I have made out some sort of case on both points."

The Hon'ble RAO BAHADUR R. N. MUDHOLKAR said:—"My Lord, I do not propose to go over the ground I had to traverse during the previous stages of the discussion on the budget, the discussions on the legislative measures rendered necessary by the additional taxation imposed this month and those on the resolutions moved by the Hon'ble Mr. Gokhale and myself, what I am going to submit now will not be a repetition of what I urged on those occasions.

"My Lord, most of the non-official Indian members of this Council have given expression to the demand which is coming from all quarters of the country, for larger expenditure out of the public revenues than has been provided hitherto or is proposed to be done by the present budget on primary education, on industrial and technical education and on sanitation in rural and urban tracts. Hon'ble Members, who spoke on behalf of the Government in these discussions, while admitting the need for larger expenditure on these objects, contended that Government had given as much for these purposes as the state of the finances would allow and that more could not have been given with a falling off in receipts and the uncertainty of the opium-revenue. My Lord, it has been shown both in this Council and outside it that whatever

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the ultimate fate of this last-named source of revenue, it has not yet failed us. On the other hand, the predecessor of Sir Guy Fleetwood Wilson has expressly stated that the Government of India were quite prepared to lose the opium revenue in the course of ten years and if the diminution came gradually no additional taxation would be necessary. My Lord, I believe, in common with several Hon'ble Members here and informed persons outside, that it would have been quite feasible to find substantially larger funds for these purposes if the expenditure side of the present budget and of the previous budgets had not been increasing in a larger ratio than the income side, and most of our difficulties are due to this disproportionate growth of expenditure. Beginning from 1902-03 what we find is this :—

Year.	Net revenue. Millions Pounds Sterling.	Net expenditure. Millions Pounds Sterling.	Surplus. Millions Pounds Sterling.
1902-03	43'02	40'14	3'06
1903-04	45'03	42'03	2'99
1904-05	47'91	44'45	3'45
1905-06	46'69	44'59	2'09
1906-07	48'95	47'36	1'59
1907-08	47'00	46'70	0'30
Annual average	47'11	45'02	2'08
Percentage of increase over 1903-04	+4'61	+7'11	—30'47
Ditto ditto 1902-03	+9'02	+12'15	—38'56

“While preparing figures of increase in gross revenue and expenditure I read Mr. Wacha's letters in the *Times of India* and after checking have taken the above figures from him. The other figures are compiled by me. Let us come to the subsequent years and this is what we find :—

“The Appropriation Report issued the other day shows that while the income from the Principal Heads of Revenue was in 1908-09 more by 1¼ millions pounds sterling than that for 1907-08, there was a total deficit in Revenue of over 3¼ million pounds sterling, due mostly to falling off of railway earnings and in a considerably less degree to falling off of mintage and miscellaneous receipts.

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The expenditure side, however, shows an increase from 70·7 millions pounds to 73·5 millions pounds. There was instead of an expected surplus of 86½ lakhs of rupees a net deficit of over 5½ crores of rupees.

Keeping aside the case of Railways for the present the increases in expenditure in the quinquennium ending with 1907-08 was thus distributed :—

1. Army charges 11 per cent.
2. Collection of Revenue 14·9 per cent.
3. Civil Departments mints 14·7 per cent.
4. Civil Works 32·5 per cent.

Taking one of these heads, the collection of revenue, we find that in 1908-09 there was an increase over the expenditure in respect to Land Revenue, Stamps, Excise, Customs, Assessed Taxes, and Forests of about 46 lakhs. There is an increase of 24 lakhs of rupees in 1909-10, and the Budget provides for a further addition of about 32 lakhs. That is, during the three years of deficits, the collection charges increase by a crore and 2 lakhs. Opium and Salt have been excluded, as a charge on their account consists for a large part of cost of production. There are similar large increases in the expenses of the Civil Departments. The Appropriation Statement issued the other day states 'the chief increases occurred under *Land Revenue*, mainly in Survey and Settlement and Land Records charges, under *Excise* and under *Stamps*.' In regard to Railways the Statement points out that their net traffic earnings fell short by three millions seven hundred and seventy-one thousand pounds and yet there is not only a greater activity in increasing the mileage and strengthening the bridges and the rolling stock, about which there is something to be said, but in creating additional superior appointments and in increased pay of staff. My Lord, the Railways are not the only spheres where the creation of superior appointments in times of stress and strain is carried on. There is a very strong body of opinion among educated Indians, of men who have studied Indian finance and public affairs, that there is very great scope for retrenchment in the public expenditure of this country. They point to the extraordinary growth of expenditure on the machinery of the administration and to the springing up of highly paid posts. This opinion does not take up an unpractical stand and an irresponsible attitude. Admitting the necessity of an efficient administration, it urges that the working expenses should be kept down at a minimum consistent with that efficiency and that the capacity of the country to bear increasing taxation should be kept in view. This opinion

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of theirs is supported by writers in the English Press in the country. There is here eminently a case for inquiry and action, and I can quote the Hon'ble the Finance Member and the high officers of Government to the same effect.

"My Lord, is it not possible to curtail the expenditure incurred over some of the Departments? To mention one instance, is it not possible to effect a material reduction in the Survey Settlement Department by carrying out the principles enunciated by the Government of India 28 years ago in a resolution remarkable alike for its breadth of view and practical grasp? My Lord, the unsettling effects of these Revision Surveys and Settlements are well known. It is not a permanent settlement that I am suggesting. What I submit is that throughout the greater part of India proper, and I believe Lower Burma also, accurate surveys have been made and more than one revision has taken place. The classification of soils has been made and the portion of the produce fairly leviable from them has been ascertained and their valuation in money at the then prevailing rates has also been determined. Accepting the unearned increment theory what has to be done when a settlement made for 20 or 30 years falls in is merely to ascertain whether there has been such a rise in the prices of the staple products on the basis of which the expiring settlement was effected as to justify the raising of the State demand. This is a mere matter of arithmetical calculation for which ample materials are supplied by the information which is published every week or fortnight. In zamindari tracts there are accurate statistics compiled about the rents levied or leviable by the zamindar or malguzar from the tenants as also about the capacity of the sir land.

"If this method is followed the very large expenditure which is incurred over survey and settlement operations would be immensely cut down and the public finances greatly profited, while the benefit to the people of being saved from the unsettling effects of these ever-recurring settlement operations would be simply incalculable.

"The belief is also entertained that there are other departments where economy is possible and specific suggestions can be made. My Lord, a considerable overhauling of departments seems feasible. And there would be still more favourable results obtained if indigenous agency is more largely employed. The claims of Natives of India, including in the term statutory Natives, and demands of financial economy coincide, and the case for larger employment of the residents of the country is simply unanswerable. In this respect what just now is needed to be done is to carry out fully the recommendations of the Public Service Commission.

"Then there is economy possible also in the military expenditure. Without in any way touching the principle of the relative strengths of European and Indian

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troops or raising any question about the defence works laid down as necessary it is quite feasible to make an appreciable reduction in military expenditure. I is, I think, worth consideration whether it is not advantageous to this country to revive the system which existed in the times of the East Indian Company of raising locally a portion of the European army required for India. We have to pay heavily for the training in England of the European troops sent to this country. And there is also the cost of transport and the loss arising from sickness and mortality among non-acclimatized youths. The raising locally of a part of the European troops required for India would have the further advantage of meeting to some extent the problem which is facing the domiciled European community.

“ There is another suggestion which I would advance for the consideration of Government which, while it would tend to effect some reduction in military charges, would have the further merit of rewarding the loyalty, the faithfulness and the valour of the Indian Army. The idea of giving a certain number of places of Commissioned Officers in the Army to Indians of proved loyalty and merit and of approved social position is not a new one. More than twenty years ago the proposal was made by the Right Hon'ble the Duke of Connaught for an Indian Sandhurst. Will Government see their way to give effect to it ?

“ My Lord, there are various directions in which the Government can effect reduction in expenditure without in the least touching any of the fundamental principles on which British administration here is based. Indeed, while effecting retrenchment they would, if the suggestions were advanced be given effect to, be binding still more by ties of gratitude and loyalty the well-disposed members of the Indian communities who constitute by far the largest portion of the population.

“ One more matter I would only indicate. It is not possible to treat it adequately on this occasion. There is a general feeling in several Provinces that they do not get for their Provincial needs a sufficient portion of the funds they contribute to the finances of the Empire. Though the settlements recently made with most of the Provinces are of a quasi-permanent character they require re-examination and re-adjustment to obtain from the Imperial Government a larger and more equitable contribution from the share they take of the divided revenues. Into this complicated question I cannot go on the present occasion. I simply indicate it now.

“ Every province has been urging its claim on Government, but what the Central Provinces and Berar ask is bare justice. The Hon'ble Mr. Phillips, the official representative of the territory, has shown how the provincial funds had to meet charges which legitimately ought to have come out of the Imperial

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revenues and how the beneficial irrigation projects are hung up for lack of money.

" My Lord, this feeling is further accentuated by the large demands which are made on the general finances by the partition of Bengal. The duplication of the official machinery, the creation of new departments and posts, the construction of costly buildings have absorbed, and will continue to absorb, enormous sums of money for the maintenance of a policy the responsibility for which is denied by those who were instrumental in setting it up. I do not wish to go into the general question of the wisdom or necessity of that measure, which has brought untold difficulties and misfortunes to the two Bengals. But provinces which do not get an adequate share of the taxes raised in them have a right to complain if any portion of their money is diverted for keeping up the partition."

The Hon'ble MR. GRAHAM said:—" My Lord, several attacks have been made on the Government today for the expenditure on Railways, and I would like on behalf of the community which I represent to say that we in no way cavil at any such expenditure. My predecessors on this Council, who were better advised on the subject, have always clamoured for more and more expenditure on Railways, as they considered that that was the best way of opening up the country and improving it, and I follow in their footsteps in congratulating the Finance Member on what he is doing in this budget for Railways. Nobody likes new taxation. We all hate it and we sympathise with the Finance Member for having to impose it, but I think we can congratulate him on having introduced this new taxation with a view, as pointed out to this Council, of discounting the day when our opium-revenue will disappear altogether; and nobody can really cavil at a new tax when they remember that. It is all very well to say that opium will bring in more than is estimated for, but the day must come when the opium-revenue will cease altogether.

" Another point on which I much congratulate him is on his Currency policy, 25 millions of reserve which he has put forward—I won't say as the ultimate goal, but the goal in the meantime, and until that is reached the whole of the profits from coinage will go to that reserve. I take it that that is not a final say in the matter, because he has not said, when that point of 25 millions is reached we will cease to pile up the reserve. I take it when that point is reached what will happen then is that Government will consider themselves free to divert a portion of the profits for other purposes. But, as I said, 25 millions is not the ultimate goal, and a very much larger sum, if prosperity continues in the country, will eventually be credited to the reserve."

The Council adjourned to Wednesday, the 30th March 1910.

CALCUTTA ;
The 13th March 1910.

R. SHEEPHANKS,
Offg. Secy. to the Government of India,
Legislative Department.