

*Wednesday,  
30th March, 1904*

**ABSTRACT OF THE PROCEEDINGS**

**OF THE**

**Council of the Governor General of India,**

**LAWS AND REGULATIONS**

**Vol. XLIII**

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ABSTRACT OF THE PROCEEDINGS  
OF  
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA  
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*Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., Cap. 67, and 55 & 56 Vict., Cap. 14).*

The Council met at Government House, Calcutta, at 10 A.M. on Wednesday, the 30th March, 1904.

PRESENT :

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

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

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

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

The Hon'ble Sir E. F.G. Law, K.C.M.G., C.S.I.

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

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

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

The Hon'ble Rai Sri Ram Bahadur.

The Hon'ble Mr. A. W. Cruickshank, C.S.I.

His Highness Raja Sir Surindar Bikram Prakash Bahadur, K.C.S.I., of Sirmur.

His Highness Agha Sir Sultan Muhammad Shah, Agha Khan, G.C.I.E.

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

The Hon'ble Mr. E. Cable.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

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

The Hon'ble Mr. A. Pedler, C.I.E., F.R.S.

The Hon'ble Mr. T. Morison.

The Hon'ble Dr. Ramkrishna Gopal Bhandarkar.

The Hon'ble Mr. J. B. Bilderbeck.

The Hon'ble Mr. D. M. Hamilton.

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

The Hon'ble Dr. Asutosh Mukhopadhyaya, D.L., F.R.A.S., F.R.S.E.

QUESTION AND ANSWER.

The Hon'ble RAI SRI RAM BAHADUR asked :—

“(1) Has the attention of Government been drawn to the following advertisement which has appeared in the newspapers of the United Provinces :—

‘ Government Telegraph Department.

‘An examination open to Europeans and Eurasians only, for admission into the Telegraph Training Class at Lucknow will shortly be held. Candidates, who must be

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between the ages of 18 and 20, should apply for all further particulars to the Assistant Superintendent of Telegraphs, Lucknow Sub-division, Telegraph Office, Lucknow.'

“(2) Will the Government be pleased to state the reason for confining this examination to the two classes of His Majesty's subjects named in the advertisement to the exclusion of others.”

The Hon'ble SIR ARUNDEL ARUNDEL replied:—

“The Government have seen the advertisement in question and have ascertained that it was inserted by the local Telegraph Superintendent because recruits of the classes in question are specially required. The service for which they are wanted is that known as the General Service List of the Telegraph Department, which involves the liability of transfer to any part of the country. For this purpose Europeans and Eurasians are generally found to be more suitable than Natives. On the other hand, the latter hold the majority of posts in the Local Service, which does not involve liability of transfer. Candidates are procured from both classes, *i.e.*, Europeans and Natives, according as they are required in either case.”

#### DISCUSSION OF THE FINANCIAL STATEMENT FOR 1904-1905.

The Hon'ble DR. ASUTOSH MUHOPADHYAYA said:—“My Lord, as the junior Member of this Council, I enjoy the privilege of being in a position to offer the first congratulations to Your Excellency's Government for the satisfactory Budget which has been laid before the Council by the Hon'ble the Finance Member. Ever since the days of Sir Richard Temple, who was Finance Minister to the Government of India from 1868 to 1874, it has not fallen to the lot of any Finance Member to present four successive Budgets showing a substantial surplus, and I trust I may be permitted to offer my sincerest congratulations to my Hon'ble friend.

#### “SURPLUSES.

“But, my Lord, if the Hon'ble Member has repeated the record of Sir Richard Temple, I am glad to be able to point out that the successive surpluses which have marked Your Excellency's Administration have never been equalled, either in sequence or in amount, ever since the dark days of the Indian Mutiny. As will be evident from the statement (Table A)\* which I have prepared, there was heavy deficit during the Viceroyalty

\* *Vide Appendix.*



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of the Earl of Canning due mainly to the Mutiny, during the Viceroyalty of the Earl of Northbrook due mainly to famine, during the Viceroyalty of the Earl of Lytton due mainly to the Afghan War, during the Viceroyalty of the Marquis of Dufferin due principally to the Burma War and increased Army expenditure, and during the Viceroyalty of the Earl of Elgin due mainly to famine and fall in Exchange. But although, during the administrations of each of the Viceroys other than those I have just mentioned, a surplus might be shown as the net result of the accounts of the whole period of their *regime*, it will be found on examination that, if individual years are taken, the administration of every one of them was marked by a year or more of deficit. In the long and distinguished roll of Indian Viceroys, the administration of Your Excellency is the first which has been characterised by an absolutely unbroken record of surpluses the total amount of which exceeds twenty-four crores of rupees; this amount, my Lord, is about four times the largest surplus during the administration of any previous Viceroy, and in fact considerably exceeds the total of the surpluses during the administration of all the Viceroys who were fortunate enough to be able to show a surplus upon their whole administration.

#### "REASONS FOR SURPLUS.

"My Lord, this unbroken record of successive years of surplus, unrivalled in the annals of Indian administration for a period well-nigh approaching half a century, is at first sight a matter for congratulation; at any rate, it is undoubtedly a matter for congratulation that this magnificent surplus has not been swallowed up by calamities like war or famine. But, in order to enable us to judge whether the mere existence of a surplus is a matter for unqualified satisfaction, it will be desirable to examine for a moment the reasons for the surplus and the conditions under which it has been found possible to secure it. Two of the principal factors which have contributed to this result may be described to be, *first*, stability of exchange, based upon the recommendations of Sir Henry Fowler's Currency Committee of 1898, and, *secondly*, increased taxation from 1883-84 onwards. I must gratefully acknowledge that a portion of this increased taxation has since been remitted by a reduction in the duty on salt and by an exclusion from the operation of the income-tax of all incomes up to one thousand rupees.

#### "STABILITY OF EXCHANGE.

"As to the first of the two reasons I have just mentioned, namely, the stability or artificial fixity of exchange, I desire to point out that its operation

must prove injurious to the poorer classes of the population. So far as exports of Indian merchandise are concerned, the lower the exchange the larger the amount received by all the persons from the producer to the exporter, assuming, of course, that the quantity of merchandise exported does not suffer a corresponding reduction with the fall in exchange. I shall discuss presently the accuracy of the assumption I have made, but I may point out, the lower the exchange, the larger the benefit conferred on the poor by reason of a fall in the prices of articles of import used by the poor. With regard to the exports of Indian merchandise, if we take the figures for 1902-1903 in respect of articles grown by ordinary cultivators, we find from the following table that the total value of the exports comes to 74.26 lakhs :—

Grains and Pulse	.	.	.	.	.	.	.	.	24.48
Seeds	.	.	.	.	.	.	.	.	14.88
Raw Cotton	.	.	.	.	.	.	.	.	14.76
Raw Jute	.	.	.	.	.	.	.	.	11.12
Jute, manufactured	.	.	.	.	.	.	.	.	9.02
									<hr/> 74.26 <hr/>

"I have not included the figures for Opium, Tea, Indigo and Lac as they are hardly grown by the poorer class of cultivators. If now, we take the value of articles of import, we shall find for the same year that the value of articles of food and drink, agricultural implements, grey piece-goods, mineral oil, iron and matches, we shall find from the following table, that the total value of the articles imported into India is 23.97 lakhs :—

Articles of food and drink—

Spices	.	.	.	.	.	.	.	.	85
Salt	.	.	.	.	.	.	.	.	62
Agricultural implements	.	.	.	.	.	.	.	.	8
Grey piece-goods	.	.	.	.	.	.	.	.	15.46
Mineral oil	.	.	.	.	.	.	.	.	3.46
Iron	.	.	.	.	.	.	.	.	3.03
Matches	.	.	.	.	.	.	.	.	47
									<hr/> 23.97 <hr/>

Assuming roughly that 80 per cent. of this is used by the agricultural population, we get for the value of the articles used by the poor 19.18 lakhs. The difference, therefore, between the value of the exports of Indian merchandise grown by the

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agricultural classes and the value of the articles of import used by them, amounts to 55 crores of rupees. A rise in the exchange by one penny, that is to say, from 1s. 3d. to 1s. 4d., would mean a loss of one-sixteenth upon this amount, amounting to 3,44 lakhs of rupees. Of course, this loss has to be borne by all the persons from the producer of the raw articles to the exporter; but it is obvious that a substantial portion of the burden must necessarily fall upon the first link in the chain, namely, the producer himself. I therefore venture to point out that one of the two reasons for the large surpluses of recent years, namely, an artificial stability of exchange, has been productive of hardship to the agricultural classes of the country. I have already stated that the above line of reasoning is based upon the assumption that the quantity of exports is not appreciably affected by a rise or fall in exchange. I am fortified in this view by the opinion of the Currency Committee of 1898. In their report it is pointed out that Lord Herschell's Committee of 1893 examined the statistics of Indian exports for a series of years, and came to the conclusion that 'although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, an examination of the statistics of exported produce from India does not appear to afford any substantial foundation for the view that in practice this stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary, the progress of the export trade has been less with a rapidly falling than with a steady exchange.' The Currency Committee then proceed to point out that it was not necessary to quote the statistics of the export trade to which the Committee of 1893 had called attention, but they went on to add that 'we have been unable to find any statistical support for the theory that exports are largely and permanently stimulated by a depreciation of the standard of value resulting in a fall in the exchange.' They then set out the figures of gross exports from India during the twelve years from 1887-88 to 1898-99, which I quote in Table B\*, and conclude with the following statement: 'We hesitate to draw any positive conclusion from these figures, but they afford no support to the theory that large exports are incompatible with a rise in the rate of exchange.'

#### "INCREASE IN TAXATION.

"I shall now proceed with the second of the two causes of the surplus I have mentioned above, namely, increased taxation. The increase of taxation from 1883-84 up to the last year, when a portion of the income-tax and the duty on salt were remitted, to which I shall refer presently, may be distributed

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\* Vide Appendix.

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under the following heads : (1) income-tax, (2) duty on petroleum, (3) enhancement of duty on salt, (4) increase of duty on imported spirits, (5) general import-duties, excluding the duty on petroleum, (6) import-duty on cotton-goods, (7) increase of Kohat salt-duty, (8) re-imposition of the patwari-cess, (9) excise-duty on cotton-goods, (10) excise. As will be seen from Table C,\* the total increase of taxation under all these heads is about 8,78 lakhs annually ; if from this we deduct the amount remitted of the salt-duty and the income-tax, the amount will be reduced by 2,08 lakhs ; in other words, the net increase of taxation from 1883-84 onwards has been 6,70 lakhs a year ; and I venture to hope that when we have a succession of years of surplus, it is not quite unreasonable to ask the Government to consider whether any of the taxes imposed in recent years may not be reduced or, if possible, remitted. I think an examination of our financial history will prove conclusively that additional taxation has been imposed from time to time upon grounds specified on the occasion. I venture to point out that it is by no means prudent or desirable to keep on a tax after the necessity for its initial imposition has ceased to exist. It is quite open to the Government to increase its expenditure indefinitely, and if this process is followed without limit or restraint there would be no chance of the recently imposed taxes being diminished or withdrawn. I have enumerated the heads of increased taxation in recent years, and I propose to examine in detail one of these taxes, namely, the income-tax.

#### "ABOLITION OF THE INCOME-TAX.

"I confess I was disappointed to read in the Financial Statement laid before us that the abolition of the income-tax is considered to be beyond the range of practical politics. In spite of this declaration of policy I regret I am unable to change my views on the subject which have been formed after a careful examination of both sides of the question. My objections to the continuance of the tax are based mainly on the following grounds :—

(1) The tax was imposed at a time of great financial exigency, brought about by a fall in exchange, an increase in the army, and the heavy cost of frontier fortifications and defensive railways. That exigency has passed away, and as the Government has secured large surpluses during the last few years the policy of continuing the tax is of doubtful necessity and propriety.

(2) The income-tax is looked upon by every nation as the great financial reserve, which may be drawn upon in times of emergency. In the present state of Indian finances all possible sources of taxation appear to be exhausted, though there may be no end to human ingenuity ; the Government is bare of all resources and, should there be any sudden and extraordinary emergency, must

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\* *Vide Appendix.*

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inevitably fall back for funds on loans. The Indian money market is limited, as pointed out in paragraph 116 of the report of Lord Welby's Commission, and large sums must necessarily be borrowed in England. This will have the undesirable effect of increasing the sterling liabilities of the Government, against the warnings of Finance Ministers and contrary to the recommendations of the Currency Committee of 1898 (paragraph 70 of the report). If Government abolishes the tax, husband its resources, exercises a resolute economy and lives within its means, a reserve of extraordinary potentiality will be at its disposal.

(3) If the revenue from income-tax continues to be raised even after the emergency is over, it is merged in the ordinary revenues of the Empire, and at last it becomes difficult to abolish the tax without greatly dislocating the balance-sheet.

(4) Taxation is usually resorted to at a time when the Government finds itself face to face with a sudden and grave financial difficulty, in order to enable it to balance revenue with expenditure. Such taxation ought to be continued only so long as this strained state of finance lasts; to retain a tax so imposed side by side with large surpluses appears to be contrary to all sound principles of finance, contrary to the purpose for which the tax is raised, and liable ultimately to encourage extravagance. So far back as 1859 Mr. Gladstone pointed out that the tendency of income-tax was to foster the spirit of expenditure, and that 'the facility of recurring to, and of maintaining, income-tax has been a main source of extravagance in Government.'

(5) 'Evasion is so entirely the rule that forms and returns are declared to be perfectly useless, and, surcharge, or, in other words, arbitrary assessments, made almost at random, has been universally necessary to attain anything like a decent financial result.' This view receives support from the opinion of Mr. Gibbs, Special Commissioner of Income-tax, Bombay, recorded so far back as 7th May, 1861; as also from a report submitted to the Government of India in 1865 by a Committee composed of five representatives of Local Governments.

(6) The assessment proceedings are of an inquisitorial character and lead to oppression and corruption, necessarily rendering the tax most unpopular.

(7) One of the primary canons of taxation handed down to us from the days of Adam Smith and accepted by all subsequent authorities on economic subjects, 'is that persons should contribute to it as nearly as possible in proportion to their respective abilities. The income-tax as levied in this country

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violates this principle, as it is extremely unequal in its incidence. A person with an income of Rs. 2,000 a month is more easily able to pay Rs. 2-1-4 than is another with an income of Rs. 100 to pay Rs. 2-1-4: the ability of the latter to spend on necessities is proportionately much less than that of the former; and consequently also his ability to pay the tax.

“MR. LAING ON THE INCOME-TAX.

“My Lord, in support of the views I have set forth, may I be permitted to recall to mind the opinions of two Finance Ministers. The Hon’ble Mr. Samuel Laing, in his speech on the 16th of April, 1862, said in this Council: ‘I hail, therefore, every proposal which shows signs of independence and self-reliance; and, if the income-tax were to be perpetual, I would much rather see it transformed into a local tax than continued as an imperial tax. But before acting on this view there is one paramount consideration which has to be weighed, *viz.*, whether the income-tax is to be looked upon as a permanent or a temporary measure. Upon this point I have myself no doubt. The tax was imposed for a limited term (five years), and at all hazards we must strive to keep faith with the people of India, by not prolonging it. It is, of course, impossible to give any absolute pledge as to what may occur three years hence. Necessity knows no law, and unforeseen events may upset all calculations. But the question is, are we to look upon the implied pledges given by passing the Income-tax Act for five years only as a serious promise which we must strive every nerve to fulfil, or are we to follow the example of England and treat it as one of those common forms which like ‘lovers’ vows’ are only made to be broken? It is my firm conviction that the latter course will be alike wrong and impolitic. The people of England can understand that, whatever a Chancellor of the Exchequer may say to round a period or elicit a cheer, the income-tax cannot be repealed unless they are prepared either to abdicate the position of a first-rate Power by disarming or to retrace the steps of Sir Robert Peel’s legislation by imposing crushing duties on commerce and consumption. But the people of India see no such reasons for continuing the Indian income-tax, and they would simply feel that the Government, having got the tax on false pretences, was determined to keep it. Now, if there be one thing more than another on which our Indian Empire is based, it is our character for speaking truth. The idea that the ‘word of the British Government is as good as its bond’ is the keystone of the fabric of our power in the East. Hence, without in any way pledging the Government as to what may or may not be possible three years hence, I venture to say this—that in my judgment the main

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object to which the financial policy of the Government should now be directed is to keep faith with India by getting rid of the income-tax.'

"MR. MASSEY ON THE INCOME-TAX.

"The Right Hon'ble W. N. Massey, on the 14th March, 1868, in the course of his speech on the Budget, in this Council, said:—'I am not here to disparage the income-tax. It is, as it has been described by Mr. Gladstone, 'a mighty engine of finance,' but it is an engine of finance which has never yet been resorted to except under emergent circumstances. The income-tax was first proposed by Mr. Pitt in the stress of the revolutionary war. It was submitted to as a tax of necessity, but it was never imposed as a permanent part of the fiscal system of England. It continued during a period when England was engaged not in a sort of diplomatic war but in a struggle for her existence as a nation, and the people were prepared willingly and loyally to submit to any tax or any mode of obtaining money which the Ministry of the day thought fit to propose. But the income-tax was dropped directly on the conclusion of the Treaty of Peace. It was revived thirty years after by Sir Robert Peel under very special circumstances. It was the object of Sir Robert Peel to carry out a policy of the most extensive and beneficent character. He proposed to liberate the commerce of England from the fetters by which it was cramped and to afford a full development to enterprise and capital. To carry this policy into effect it was necessary to make a large sacrifice of revenue, to give up customs-duties of a considerable amount . . . . The Minister proposed, for a limited period, the imposition of an income-tax for the purpose of indemnifying the revenues against the loss which they would sustain; . . . . No Minister has ever ventured to declare that it is continued as a permanent tax. These, Sir, were the circumstances under which the tax was imposed in England. Under what circumstances was it proposed in India? India was just recovering from the suppression of the mutiny. In making the effort she had largely added to the debt. She had not only increased the debt but had created deficit in the income to the amount of several millions. Such was our position when Mr. Wilson brought forward his income-tax. The circumstances were of that urgent character which, in my view, justify a measure of such stringency . . . . But Mr. Wilson did not venture to propose the tax as a permanent addition to the finances. He asked the country to submit to it only for a limited period during which he calculated the resources of the country would recover themselves. That period arrived and the income-tax was suffered to expire. But let me remind you that, when this impost is described as a great engine of finance, an income-tax of 3 per cent. is

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computed to produce no more than a million of money here. This is a very small result to compensate for the difficulties which attend the assessment of such a tax. The peculiar objection which is entertained to an income-tax is not so much the amount exacted under a moderate scale of assessment but the inquisitorial process to which it is necessary to resort . . . This process is not very much to the taste of the English people; but it is specially repugnant to the habits and feelings of the people of India.'

#### "GRADUATED SCALE OF INCOME-TAX.

"My Lord, if in spite of all these objections to the permanent retention of the income-tax, the inquisition that it entails, the frauds to which it leads, and the sense in the public mind of its injustice in laying the same rate upon the holder of idle and secured public funds, upon the industrious trader, and upon the precarious earnings of the professional man,—if, in spite of all this, the abolition of the tax is deemed to be beyond the range of practical politics, may I venture to suggest that the method of a graduated income-tax which has been so ably advocated by Mr. Chamberlain and which now obtains in England, should in fairness be introduced in this country. The people welcomed with rejoicings the substantial concession which was made last year by Your Excellency's Government in drawing the line of demarcation between taxable and non-taxable incomes at  $\text{Rs. } 1,000$  instead of  $\text{Rs. } 500$ ; but I venture to point out that one uniform rate for all incomes under  $\text{Rs. } 2,000$  and another uniform rate for all incomes above  $\text{Rs. } 2,000$ , cause a great deal of hardship to many middle class men. In England, incomes up to  $\text{£}160$  per annum, or  $\text{Rs. } 2,400$  per year, are exempted from the operation of the tax; an abatement of  $\text{£}160$  is allowed upon all incomes exceeding  $\text{£}160$  but not exceeding  $\text{£}400$ ; an abatement of  $\text{£}150$  is allowed upon all incomes exceeding  $\text{£}400$  but not exceeding  $\text{£}500$ ; an abatement of  $\text{£}120$  is allowed upon all incomes exceeding  $\text{£}500$  but not exceeding  $\text{£}600$ ; and an abatement of  $\text{£}70$  is allowed upon all incomes exceeding  $\text{£}600$  but not exceeding  $\text{£}700$ . Thus, whatever the rate of the income-tax may be, a person with an income of  $\text{£}161$  has to pay the tax only upon  $\text{£}1$ , and similarly a person with an income of  $\text{£}500$  has to pay the tax only on  $\text{£}350$ . It is obvious that this graduated system has been planned with a view to the circumstances and conditions of the taxpayer. Table D\* will show what the practical effect of this rule is. For instance, if the tax be at the rate of 1s. in the  $\text{£}$ , the man with an income of  $\text{£}161$  has to pay at the rate of '07d. in the  $\text{£}$ ; whereas the man with an income of  $\text{£}500$  pays at the rate of 8'40d. in the  $\text{£}$ ; and the individual who has an income of  $\text{£}700$  pays

\* Vide Appendix.



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at the rate of 10'80d. in the £. In other words, although the tax is at the rate of 1s. in the £, and, therefore, apparently affects all persons equally, by reason of the graduated abatement upon all incomes exceeding £160, the rate itself becomes a gradually progressive one, affecting unequally, as it ought to do, different grades of persons enjoying different grades of income. My Lord, I venture to press upon Your Excellency's Government for serious consideration the possibility of introducing this system of graduated income-tax and also the question of raising further the minimum limit of taxable income. It does seem to me to be somewhat anomalous that in England the minimum limit of taxable income should be £160, whereas in this country it should be Rs. 1,000.

#### "PRESSURE OF INCOME-TAX.

"My Lord, the graduated scale of income-tax now prevalent in England to which I have just drawn the attention of the Council leads, I think, to some remarkable conclusions. The present graduated scale of abatement was introduced in 1898-99 in England, the scale which had been used before being on somewhat different lines. During the years 1898-99 and 1899-1900 the tax was 8d. in the £, subject, of course, to the abatements I have just described; in 1900-01 it was raised to 1s. in the £, and in 1901-02 it was further raised to 1s. 2d. in the £. Now, taking the Indian rates, a tax of 4 pies in the rupee is equivalent to a tax of 5d. in the £, and a tax of 5 pies in the rupee is equivalent to a tax of 6'25d. in the £. Now, if we take a nominal tax of 8d. in the £, subject to abatement as in the English rules, it is equivalent to a virtual tax at a rate which amounts to 4'8d. in the £ upon an income of £400, and it is obviously at a smaller rate upon all lower incomes. Even upon an income of £540 it is equivalent to a virtual rate of 6'22d. per £. It is obvious therefore, that according to the English rule of abatement a tax of 8d. in the £ causes less pressure upon incomes up to £540 than the Indian rate of 4 or 5 pies in the rupee. If we take the tax at 1s. in the £, which I may call the war-rate, a virtual rate of 5d. in the £ is not exceeded till we reach an income of £280, and a virtual rate of 6'25d. in the £ is not exceeded till we reach an income of £340. Similarly, if we take the tax at 14d. in the £, a virtual rate exceeding 5d. in the £ is not exceeded till we reach an income of £260, and a virtual rate of 6'25d. is not exceeded till we reach an income of £300. With a tax of 15d. in the £ a virtual rate of 5d. in the £ is reached only upon an income of £240; and the rate of 6'25d. in the £ is just exceeded only upon an income of £280. It is obvious, therefore, that whether we take the English tax at the ordinary rate of 8d. in the £, which prevailed from 1894 to 1900, or at a higher rate varying from 12d. to 15d. in the £, 'due to the extraordinary exigencies of a great war, the Indian rates are

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not reached except upon tolerably large incomes. The Indian rate, therefore, without the moderating influence of the wholesome principle of graduated abatement, presses far more heavily upon the Indian people than the English rate does upon the English people. This, my Lord, is a circumstance which requires careful consideration, and I trust Government may find it possible to recognise the principle of graduated abatement in this country. I hope I shall not be told in reply that, if the English principle of graduated abatement is introduced in this country, the amount of the realisable tax will be greatly reduced; if this be true, it would only be an argument in favour of the total abolition of the tax, for it is virtually an admission that it is impossible to raise a substantial amount unless we adopt the obviously inequitable doctrine of allowing no abatements at all.

#### “PRESSURE OF STAMP-DUTIES.

My Lord, I have just pointed out that the pressure of the income-tax in India is much greater in a large number of cases than the pressure of the tax in England. Your Excellency may perhaps be surprised to hear that the pressure of many other taxes is considerably higher in this country than in England. It is extremely interesting to compare the stamp-duty payable upon various instruments in India and in the United Kingdom. Thus, as will appear from Table D,\* the stamp-duty for a receipt or acknowledgment for money exceeding Rs. 20 is one anna under the Stamp Act of 1899. According to the English rule, it is 1*d.* for any sum exceeding £2; in other words, for a sum just exceeding £2, the rate is  $\frac{1}{40}$ ; in India, for a sum just exceeding Rs. 20, the rate is  $\frac{1}{320}$ ; that is to say, for the minimum the Indian rate is 50 per cent. higher than the English rate. Again, in England the stamp-duty upon a conveyance is 6*d.* for £5, or £1 for £200, that is to say, it is .5 per cent. upon the value of the property conveyed or transferred. In India the stamp-duty upon a conveyance is 8 annas for Rs. 50, or 10 rupees for Rs. 1,000; in other words, the rate is 1 per cent. upon the value of the property conveyed. Consequently the Indian rate is precisely double that of the English rate. To take a third illustration, in the case of mortgage-deeds, the English rate is 3*d.* per £10, or 5*s.* for £200, which reduces to a rate of .125 per cent. upon the value of the property. In India, the rate is that applicable to a conveyance, or that applicable to a bond, according as possession is or is not given to the mortgagee; in other words, the Indian rate varies from 1 to .5 per cent., which shows that the Indian rate is in some cases four times as much as the English rate, and in other cases quite as much as eight times the English rate. Similar observations apply to the case of leases in the two countries. Again, if we

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examine the stamp-duty payable upon bills of exchange, we shall find that it ranges between '08 to '025 per cent. in England. The Indian rate averages about '06 per cent., showing that in the majority of cases the English rate is considerably less than the Indian rate. Other cases of a similar nature will be found in Table E.\* I venture to think that instances like these hardly bear out the declaration that India is the most lightly taxed country in the world.

#### "BURDEN OF TAXATION GENERALLY.

"In order to support my position that Government ought to consider the question of reduction of taxes whenever a handsome surplus is available, I shall calculate the pressure of taxation in this country. If we adopt the principle laid down in East India Blue Books No. 683 of 1901 and No. 1164 of 1902, the taxation calculated under the different revenue heads of Salt, Stamps, Excise, Provincial Rates, Customs, Assessed Taxes and Registration amounted in the year 1902-03 to Rs. 30,06 lakhs (*vide* Table F).<sup>\*</sup> To this sometimes Land-revenue is added, which in 1902-03 amounted to Rs. 27,65 lakhs. The total taxation, therefore, is 57,71 lakhs of rupees, which, divided among a total population of 230 millions, gives an incidence of Rs. 2-8-1 per head. If now we assume that the income of an individual is Rs. 30 a year, as stated by Your Excellency in this Council on the 27th March, 1901, the taxation is about 8½ per cent. of the total income of the masses. In reality, however, the pressure of land-tax on the population is considerably in excess of that represented by the figure 27,65 lakhs; for it is really the gross rental the cultivators have to pay, whether to the Government or to their landlords, which must be taken into account in calculating the average pressure of taxation on each individual. These figures are of paramount importance, and when recently I put a question in this Council I was told in reply that complete figures are practically not available. The figures in Table G,<sup>\*</sup> however, though undoubtedly susceptible of correction, will give us a tolerably accurate idea of the pressure of taxation as it ought to be calculated. According to this calculation the total pressure of taxation is about 83,75 lakhs of rupees, which, distributed among a population of 230 millions, gives an incidence of Rs. 3-10-1 per head, or a percentage of 12·1 on the average income of Rs. 30 per year. If now we calculate the incidence of taxation in the United Kingdom in 1899-1900, that is to say, the normal year just before the war, the total income from taxation was 99½ millions sterling. This, being distributed over a population of 41½ millions, gives an average incidence of taxation of £2-8s. per

\* *Vide* Appendix.

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head. Now the average income per head being taken to be £36, as recently calculated by Sir Robert Giffen, the pressure on the income of an Englishman is only 6·6 per cent. against 12·1 per cent. in the case of an Indian. I need hardly point out that, even if we accept the less accurate method of determining the amount of the land-tax, we find the burden of taxation to be 8·5 per cent., which is about 33 per cent. higher than the burden of taxation in England. It seems to me that the correct solution of this problem is to be obtained not by determining the amount of taxation but by calculating the ratio of the amount of taxation to the income. It has been held by a high authority that the *burden* imposed by taxation in a country is determined not so much by the taxation which the people pay, as by the amount of wealth which they retain for themselves. It is calculated that Italy paid 56s. per head of population in taxes of all kinds in a certain year, whereas Great Britain paid 80s. per head in the same year. But the *burden* of taxation was far greater in the former country because the total average yearly income of each individual was only £8-17s. while it was £33-10s. in Great Britain. I may observe in passing that, as pointed out by the Famine Commissioners of 1880, we ought to have fuller and more detailed information relating to the land-tax in India, and I venture to express the hope that statistics upon the lines suggested in my question may be prepared at the instance of the Government. I may also add that I have not included Forests and Land-revenue due to Irrigation in Table F,\* nor have I included the net Post Office revenue in my calculations, though, as pointed out by Sir E. W. Hamilton in Section IV of his memorandum dated 14th July, 1897, prepared for the Royal Commission on Local Taxation, there are good grounds for its inclusion; it is hardly necessary to point out that, if these items are included, there would be a consequent increase in the pressure of taxation.

#### “ Famine and Taxation.

“ My Lord, the accurate determination of the incidence of taxation in this country, which I have suggested the Government should undertake, assumes great importance from another practical point of view. It is found at the time of every famine of any intensity that the power of resistance of the poorer or agricultural classes of the community is almost infinitesimal; the readiness with which they flock to relief-works and receive famine wages affords almost conclusive proof that, although they may have just means enough to carry on their daily business under ordinary conditions of life, they have practically no margin left to enable them to struggle successfully against even one season of scarcity. Indeed, the small amount of famine wages which enables them to pass through a season of scarcity is ample proof that their reserve strength is insignificant and in many

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cases nominal. It may no doubt be suggested that this condition of utter helplessness on the part of the agricultural classes is traceable in some measure to their improvidence as also to the effect of loans at usurious rates of interest. The operation of these causes will no doubt be practically removed by the establishment of co-operative credit societies, and the restriction placed upon the right of alienation of land, both of which reforms we owe to Your Excellency's Government, though, I am afraid, their beneficial effects may not now be widely appreciated throughout the country. But I venture to point out that the effect of the reforms thus introduced will be materially strengthened if an investigation were undertaken to determine the incidence of taxation upon the agricultural classes, which can only be done effectively after we have fuller and more improved agricultural statistics than the Government seems to possess at the present moment. The remarks which I have already made upon the subject of taxation justify the conclusion that this lamentable want of resisting capacity on the part of the agricultural classes is traceable, in considerable measure, at least, to the great pressure of taxation upon members of that class. It seems to me to be somewhat anomalous that the Government should not possess full and accurate statistics upon this matter, and that at the same time confident declarations should be made on behalf of the Government that India is one of the most lightly taxed countries in the world and that there is no relation between taxation and famine in this country.

#### " AGRICULTURAL INSTRUCTION.

" My Lord, from this subject of the effect of famines upon our agricultural population, I may be permitted to pass on for a moment to the subject of agricultural instruction and the development of agriculture and agricultural industries. No one will doubt for a moment in the beginning of the twentieth century that the most vital relations subsist between agricultural instruction on the one hand, and the development of agriculture and agricultural industries on the other; and I would suggest, for the consideration of the Government, whether systematic arrangements should not be made with a view to impart agricultural instruction throughout the Empire. I am encouraged to make this suggestion here, because I believe that no Government of India has ever been more profoundly impressed with the importance of encouraging agricultural instruction than the one over which Your Excellency presides. What is required is not merely a Department of Agriculture of the Government of India under the expert direction of an able and experienced officer, but also schools and facilities for elementary, secondary and advanced agricultural instruction.

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"We might perhaps take as an example the rapid and solid progress made in agricultural instruction in Germany, where the foundation was laid by Dr. Thaer only so far back as 1802, and the country is now covered with high schools, institutes, and rural schools for imparting instruction in agriculture; there are even agricultural institutes at the Universities. The principal object aimed at by the agricultural high schools and institutes in Germany is the theoretical and practical instruction of owners of estates, tenants and farmers, and even of professors, lecturers and teachers in the science of agriculture. This is supplemented by the training of future officials of the Land Administrative Departments and of scientific research for the furtherance of agricultural progress and knowledge. My Lord, it has been stated on the highest authority that in Germany agricultural science and its practical application have resulted in an important increase of agricultural and agricultural-industrial products, and it is noteworthy that this has resulted principally from funds furnished by the State. At the present moment, there is no branch of agricultural management, no branch of special agricultural production for which special facilities for instruction are not provided in Germany. The expenditure of the German States for agricultural instruction in its three stages,—elementary, secondary and advanced—is considerable; for Prussia, alone, I find, it is £75,000 annually. But this State expenditure for the furtherance of agricultural instruction has proved a profitable investment; and I have little doubt that the same will be our experience here, for there is no country more likely to be benefited than India by the application of agricultural science to practical agriculture. My Lord, I may refer, for a moment, to one practical illustration of the agricultural instruction given in Germany. The discovery of the presence of sugar in beet-root and experiments for its production were first made in Germany during the latter half of the 18th century and today Germany is the greatest sugar-producing country in the world. The bounty system has, of course, materially assisted the growth of the industry; but this does not detract from the value of the chemical-agricultural co-operation. In 1836 the number of sugar works was 147, which had risen to 400 in 1899. In 1836 the yield of raw sugar was only 5 per cent. upon the quantity of beet treated; in 1899 the percentage of the yield of raw sugar upon the quantity of beet had increased to 13 per cent., proving conclusively that the gradual and steady rise in the percentage yield of sugar was due mainly to the researches of agricultural chemical science. The consequence was that, whereas in 1836 the yield of raw sugar in Germany was 8,000 tons, in 1899 it was 1,600,000 tons; in about 60 years the industry had increased two hundred fold. My Lord, these are startling figures, and

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they would have startled Dr. Thaer, the founder of agricultural instruction in Germany, and Dr. Leibig, the founder of agricultural chemistry; 'they have truly sown a seed which after their death has brought forth fruit a hundred fold, because chemistry, the youngest of the sciences of their day, has been summoned to the aid of the oldest of all human occupations, the tilling of the soil.' I earnestly trust, my Lord, that agricultural instruction may, under Your Excellency's Government, be placed on a wide and enduring foundation, so that it may confer even higher benefits on this country than it has done on Germany. We all recognise with gratitude that an excellent beginning has been made by the establishment of the experimental farm and agricultural college at Pusa which has been materially aided by the munificent donation of Mr. Henry Phipps. I hope the time is not far distant when some wealthy countryman of mine may realise the importance of the institution and fittingly supplement the princely donation of a foreigner in aid of this noble institution.

#### "MILITARY EXPENDITURE.

"My Lord, the next subject to which I wish to make a reference is the recurring and perplexing question of military expenditure. It is a steadily, rapidly, but necessarily growing burden on our finances. I accept it as an elementary axiom that a thoroughly efficient army is essential for the maintenance of the British power in India, both for its internal security and for its external defence; and that the efficiency and the mobility of the army are prime factors in the prosperity of the country. The loyalty and contentment of the people are factors of paramount importance in the stability of the British rule in this country; but I think it is a great mistake to deprecate the importance of the Army as its ultimate defence. My Lord, I yield to none in my appreciation of the elements which must characterise an efficient army, namely, its mobility, equipment and discipline; and I do not demur to any expenditure which our finances can bear and which our military advisers, presided over by the illustrious soldier who sits in my front, may deem necessary for the safety of this magnificent Empire. But, my Lord, what causes me the utmost disappointment is what I must plainly describe as an element of unfairness which comes in when any question arises as to the mode of apportionment of military expenditure between the Indian and the British Exchequer. This matter, my Lord, was never more painfully evident than recently when a difference arose between the Secretary of State for India, the Government of India and the War Office, with reference to the increase of pay of the British soldier. The whole question was whether the initial annual charge of £220,000 and the ultimate annual charge of £786,000 rendered necessary by the decision of His Majesty's

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Government to raise the pay of the British Army could be rightly charged upon the revenues of India. My Lord, if I may say so without impropriety, the cause of India was strenuously fought by Your Excellency's Government in March 1902 and again in October of the same year. Fairness and justice was entirely on the side of the Indian Government, and it deeply pains me to say that the Lord Chief Justice of England, as arbitrator, should have determined that the whole of the additional pay issued in India from the 1st April 1904 should be borne by the revenues of India. As a consequence our Budget is weighted, on the expenditure side, with a burden of £493,900. It may perhaps be said that in this particular matter history has only repeated itself, and that there is no occasion for surprise or disappointment. If we examine the published correspondence between the Government of India and the Secretary of State for India relating to the incidence of the cost of Indian troops when employed out of India, we shall find from Despatch No. 239 of 4th August 1882 that the Government of the Marquis of Ripon protested, with only partial success, against the cost of the Egyptian Expedition being thrown upon the Indian revenues. The very next year the Government of the same Viceroy protested against the Indian revenues being burdened with non-effective military charges; in other words, charges incurred for retiring pay and pensions, and other expenses of that nature, arising in respect of His Majesty's forces serving in India. It was pointed out that the system under which the capitalised value of the pensions was paid by the Indian to the English Treasury was intolerable, inasmuch as under its operation charges were thrown upon the Indian revenues in an extremely uncertain manner and created a financial position of great embarrassment; it was added that when charges so incalculable and wholly beyond control were thus suddenly thrown upon the revenues, all efforts to secure a proper equilibrium of revenue and expenditure must necessarily be defeated. But, my Lord, this remonstrance, so emphatic and so well-reasoned, proved wholly ineffectual. The story was repeated when in Despatch No. 70, dated the 25th March 1890, the Government of Lord Lansdowne sought for an abatement of the claim made by the War Office against the revenues of India for the service of the British troops employed in this country. Later on, when the Government of Lord Elgin, in Despatch No. 134 of 2nd June 1896, protested against Indian revenues being used to defray any of the expenses of the Indian contingent sent to Suakin, the decision was equally unfavourable to the interest of India. My Lord, the real truth of the matter seems to be that although successive Viceroys have demanded that England should show that her treatment of India in this matter has been just and considerate, the authorities in England have been impervious to reason and remonstrance. My Lord, as was pointed out in one of the despatches to which I



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have referred, 'the tax-paying community of England is amongst the wealthiest, whilst that of India is amongst the poorest in the world.' It cannot surely be in consonance with justice or sound Imperial policy that the wealthy and dominant race should relieve itself of charges at the expense of the poor and subject race, if the smallest doubt can be thrown on the equity of such a proceeding.

#### " FICTITIOUS SURPLUSES AND THEIR EFFECTS.

" My Lord, I shall now pass on to an examination of some specific points arising upon the Budget Estimates which have been so lucidly explained by the Hon'ble Sir Edward Law. The first point to which I wish to invite attention is that, during the last four years, the amount of the surplus has been uniformly understated in the Budget; thus, in the Budget for 1900-01, the surplus was estimated at £160,300, whereas the actual turned out to be £1,670,204; in other words, the actual exceeded ten times the Budget amount. In the next year, 1901-02, the Budget surplus was £690,900 whereas the actual was £4,950,243, or the actual exceeded more than seven times the Budget amount; in 1902-03 the Budget amount was £837,700 and the actual £3,069,549, or the actual was very nearly four times the Budget amount; in 1903-04 the Budget amount of the surplus was £948,700, and the revised estimates show £2,711,211; in other words, the actual surplus is likely to be three times the Budget surplus. My Lord, this systematic under-statement of the surplus in framing the Budget cannot but be regarded as somewhat misleading, and one finds it difficult to understand why the operation should be repeated year after year, although we have no longer an erratic exchange to spoil our financial calculations. As pointed out by Sir Michael Hicks Beach, the test of a great financier is the accuracy of the estimates as shown by the final returns of income and expenditure. One effect of this under-estimate of the surplus is that a Government does not devote as much of the money of the taxpayer to systematic works of improvement previously planned and carefully worked out as ought to be done; in other words, the effect of a large surplus at the end of a year is to encourage, what are euphemistically termed, special grants, but what in reality are grants for objects which the Government did not contemplate as deserving of encouragement when the estimates were framed. To put the matter from another point of view, if the Government announces that its financial operations during the year are likely to result in a surplus of three or four million pounds sterling, Government would be pressed either to make a substantial reduction in taxation or to put forward schemes for the real improvement of the administrative machinery.

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I think there is hardly any room for doubt that the amount of the surplus ought to be anticipated with tolerable accuracy, and it ought to be applied for the improvement of the material prosperity of the country in certain selected directions. The course which has been followed has certainly a tendency to encourage recklessness in expenditure. The observations which I have made apply with peculiar force to the surplus of the year 1903-04; as I have already pointed out, the Revised Estimate shows that the surplus is expected to be three times the amount stated in the Budget. But I venture to point out that the surplus as shown by the Revised Estimate is in itself misleading, as indeed is pointed out in paragraph 81 of the memorandum by the Financial Secretary. But for the special grants, the surplus would have been Rs. 6,72 lakhs. Now consider for a moment what these special grants mean. An examination of the figures in paragraphs 80 and 223 will show that a large portion, if not the whole, of the special grants has not been, or will not be, spent during the year 1903-04; they are expressly granted for expenditure during the year 1904-05; but I have little doubt that even a portion may remain unspent during the year 1904-05, for instance, the 50 lakhs granted to the Government of Bengal as contribution towards the scheme for the structural improvement of Calcutta, the appropriation of which is expressly made conditional on the scheme being approved by the Government of India. My Lord, I cannot but feel that it would have been more fair and accurate to show 6,72 lakhs as the surplus for the year 1903-04 and to provide in the Budget for 1904-05 for such special grants as might appear necessary to the Government. I may further add that, if this method is pursued in future years, we shall always be furnished with fictitiously low surpluses, and there will be no possibility of any reduction of the burden thrown upon the Indian taxpayer.

#### " Famine Insurance Grant.

"The next point to which I wish to invite attention relates to the Famine Insurance Grant, the details of which are shown in paragraph 181 of the Financial Secretary's memorandum. The revenue provided by the measures of 1877-78 is shown at a uniform figure of £1,000,000 for the 27 years between 1878-79 and 1904-05. I find considerable difficulty in accepting the figure at £1,000,000 for the two years 1894-95 and 1895-96. So far as I can gather, the amounts for those years appear to have been reduced from £1,000,000 (=150 lakhs) to 100 lakhs. I find it stated in the Explanatory Memorandum by the Secretary of State for India relating to Accounts and Estimates for 1897-98 and presented to Parliament (page 7) under the head Famine Relief and Insurance that 'the absence of famine for many years and

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the near completion of the scheme of Protective works advocated by the Famine Commission led the Government to decide that from April 1st, 1894, the annual expenditure might be reduced to Rx. 1,000,000, which is the amount entered in the accounts of 1895-96.' Similarly, on turning to the Explanatory Memorandum by the Secretary of State for 1896-97 (page 12) under the head 'Famine Relief and Insurance,' I find it stated that, although in accordance with the policy adopted in 1881 respecting famine insurance it was decided annually to set aside Rx. 1,500,000 from revenue for the actual relief of famine, for the construction of works calculated to protect the country from famine, or for the reduction of the existing debt, or avoidance of debt otherwise about to be incurred, yet 'in 1894-95 and the subsequent years, it has been decided that in view of the provision which has already been made, it is sufficient to allot Rx. 1,000,000 for this object.' Again, when I refer to the Financial Statement presented to this Council on the 21st March 1898, I find, from the tabular statement in paragraph 169, the total expenditure chargeable to the famine grant for each of the years 1894-95 and 1895-96 is fixed at Rx. 1,000,000. The policy of reduction appears to have been discontinued by reason of the famine which followed, and the grant appears to have been restored in subsequent years to its original figure of Rx. 1,500,000. The matter deserves inquiry and consideration, and if the view which I have stated be correct—I speak with great hesitation upon this matter—the balance at credit of the Famine Relief and Insurance Fund shown in the last column of the tabular statement in paragraph 181 of the present Budget will have to be reduced by one crore of rupees.

#### " EDUCATION.

" My Lord, I cannot conclude my observations without pointed reference to two items of expenditure of radically different characters to be found in this Budget. The first, my Lord, is the grant of 40 lakhs to Provincial Governments for educational purposes. The only exception which can be taken to this grant is on the ground of its inadequacy; but I am not without hopes that funds may be furnished more liberally in the future for the purposes of educational work, specially of the work which the re-constituted Universities are expected to undertake.

#### " TIBET MISSION.

" The second item of expenditure to which I wish to invite attention stands out in singular contrast to the one I have just mentioned, namely, the expenditure on the Sikkim-Tibet Mission exceeding 83 lakhs of rupees as may be gathered from the details furnished in paragraphs 112, 115, 155, and 159. My Lord, one feels considerable hesitation in touching upon delicate matters relating to high

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imperial politics ; but I hope one may be pardoned for exhibiting a curiosity to know whether the whole of the expenses in relation to this Mission is to be charged to the revenues of India, and, if so, whether any serious endeavour was made to throw a portion, at least, of the burden upon the British tax-payer."

The Hon'ble RAI BAHADUR BIPIN KRISHNA BOSE said :—" My Lord, it is gratifying to know that the decision taken last year to utilise a portion of the surplus to reduce the duty on salt has led to a material fall in prices accompanied by an increase in consumption, thereby reducing the estimated loss of revenue. Equally beneficial in its results has been the other measure of relief granted last year—the raising of the level of income for the assessment of the income-tax. In its present form it is a tax which is eminently just and fair, and I am glad to find it authoritatively stated that, if at any future date circumstances come into existence justifying measures further to alleviate the burdens of the people, it will not be the well-to-do income-tax payers whose claims will receive prior consideration. In fact, there is no reason why this tax should not now be accepted as constituting an integral part and a permanent feature of the financial arrangements of the Government. I much regret that the Hon'ble Dr. Mukhopadhyaya thinks otherwise. He apparently does not realize that the policy he advocates must result in transferring the burden from persons more capable to persons less capable of bearing it, from the well-to-do lawyers, merchants and officials, for instance, to the toiling millions who eke out a scanty and precarious living from cultivation of land. The agricultural classes already contribute their fair share—according to Dr. Mukhopadhyaya himself more than their fair share—to the revenues of the Empire. He overlooks the further fact that the progress of the country depends not so much on the prosperity of those who form the majority of the income-tax payers as the prosperity of the communities on whose toil depends the successful cultivation of land, the foundation upon which the whole fabric of our national wealth rests. And to lighten the burden on these communities should be the paramount duty of the Government. The analogy drawn from the state of things existing in England is fallacious, inasmuch as the conditions here are wholly different from the conditions obtaining in England. As regards irregularities and hardships to which reference was made, they are inseparable from every system of taxation that can be formulated for introduction among a population like that of India, and ought not therefore to be a determining factor in the decision of the question involved, namely, the comparative equity and justice of the various taxes that it is possible to introduce here.

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*"Economic condition.*—It has been my misfortune during the past four years that I have sat in this Council to bewail the heavy losses caused by grievous crop-failures in the Central Provinces, reaching, according to expert calculation, the enormous total of 40 crores of rupees. Even last year, a portion of the province, the rice-country of the Waingunga Valley and Chhatisgarh was unable to escape famine. It gives me great satisfaction that I am able at last to speak of an improvement in the prospects. The agricultural season about to close has been, taken all in all, one of the most propitious within recent times.

"The monsoon, though late in coming, was adequate, and all parts of the Province have, more or less, participated in the blessings of a seasonable and well-distributed rainfall. The area lost to the plough under the blighting influence of famine has been recovered back. Displacement of superior by inferior crops was another distressing sign of deterioration. In this respect, too, there has been an improvement; the area under wheat, the most valuable crop, has increased by 20 per cent. as compared with last year, and is one per cent. above the decennial average. The outturn is estimated to be 107 per cent. of a normal crop.

*"Cotton cultivation.*—Reference was made to the recent speculation in cotton in America and to the possibility of a great development of the supply of the raw article taking place in India to meet the demands of the manufacturers in England. One noticeable feature of agriculture during the past few years in the Central Provinces has been the great expansion of cotton cultivation. Unfortunately, however, almost every indigenous variety has deteriorated. The agricultural department has been engaged since some time past in experiments on exotic varieties, but the result has been disappointing. Foreign seeds are found to be more subject to the vicissitudes of the season, and they deteriorate as fast as they get acclimatized. Experiments carried on by the Manager of Mr. Tata's mill at Nagpur and some private landholders with the help of our local agricultural department have been equally unsatisfactory. Cross-breeding with indigenous varieties is now being tried, and it is very much to be desired that this may yield some new vigorous varieties. Apart from the question of meeting demands outside India, the further profitable development of our own cotton industry, the most important of the industries employing Indian capital, depends largely on the introduction of varieties yielding superior lint so as to permit of finer counts being woven. It must be admitted that with farms of 10 acres each and with cultivation carried on mostly on capital borrowed at high rate of interest, the

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introduction of improved methods is by no means an easy matter. Nevertheless, even under existing circumstances, something might be done in the direction of careful selection of seed and its distribution among the cultivators. Seeing that as against our yield of 80 lbs. an acre we have the American yield of 200 lbs., sometimes rising to 500 lbs., no question can arise as to the great room for reform.

*"New Industries.*—It was pointed out that the most important step that could be taken to improve the condition of the raiyats would be found in the development of industries based directly on agriculture. In the Central Provinces there has been a considerable increase in the number of cotton-ginning factories. One unexpected and somewhat unfortunate result of the establishment of these factories has been the loss to the country of an important article of cattle-food. When cotton used to be ginned in the villages by hand-labour, the seed was utilised locally to feed the cattle. Now most of the ginning is done at the factories started at various trade-centres, and the seed, instead of finding its way back to the villages, is being exported in enormous quantities outside India for oil-making purposes. If some means could be devised to treat the seed here, the bye-product cake would then be available as cattle-food. I venture to submit that our Agricultural Department would be fulfilling one of its most important functions if it were to import for experimental purposes the machinery that is used in Hull (England) for treating the Indian seed or any other suitable machinery. If the experiment succeeds, private enterprise, I have reasons to think, will not be slow to take advantage of it and to set up, side by side with the gins, oil-pressing factories. The benefit would be two-fold. A new industry would be created, and the valuable cattle-food that is now lost to the country would be available for home-consumption, though in a modified form.

*"Land-revenue collection.*—The appropriation report shows that in the Central Provinces during 1902-03 the collections under the head of ordinary Land-revenue amounted to a little less than 78½ lakhs as against a Budget estimate of about 80 lakhs. At the last revision of settlement the assessment was fixed at 91 lakhs in round figures. The revenue report gives 84 lakhs as the land-revenue on the roll on 1st October 1902. The difference, 7 lakhs, between the new assessments and the demand on 1st October 1902, represents, I presume, the abatements granted on account of deterioration caused by famine. The actual realization was less by 5½ lakhs than even this figure. I further find that more than a quarter of a crore of outstanding under land-revenue and loans was remitted. Suspensions are never popular, for there is always a strong tendency on the part of the collecting

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agency to recover the suspended demand with the first good crop. I am glad therefore that suspension has been very largely followed by remission. All this indicates a liberality of treatment which cannot fail to evoke feelings of gratitude. I hope the same generous policy will be steadily maintained until, under the vivifying influence of a succession of good seasons, the scars left by the misfortunes of the last decade heal up completely. I further hope that till then proceedings with a view to a new settlement may be kept in abeyance. For even, though the new assessment may not be brought into operation at once, the very institution of these proceedings has a tendency to unsettle men's minds and to substitute for the stimulus of hope the discouragement of uncertainty—a feeling which can not but paralyse all efforts to recover from the effects of the famine. Referring to the revenue report, I find the Chief Commissioner remarking that 'after such a prolonged cycle of bad seasons it was not to be expected that the revenue would be promptly collected without considerable resort to coercive processes.' It is further said that 'Mr. Hewett finds it difficult to believe, since less than 1,000 writs of demand were issued during the year, that unauthorized processes were not resorted to by the Tahsildars.' I am glad the matter has attracted attention. For not only in private conversation but sometimes in Courts of Justice from the lips of witnesses, one hears of expedients adopted for which sanction may in vain be looked for within the four corners of the Land-revenue Act. I am afraid, to some extent, this is always likely to happen. For the range of vision of an officer, whose main duty is to collect, is limited. He seldom looks ahead and is unable to realize that to screw out the maximum sum which a landholder could be made to pay by exhausting all his resources and his credit, may swell temporarily the State coffers, but greatly aggravates the troubles and difficulties of the payer, reduces him, in many cases, to the position of the money-lender's serf, and has altogether a depressing effect on his powers of future recovery. It is satisfactory to know that the Chief Commissioner has placed his doubts on record and has pointed out that 'the matter requires constant attention at the hands of the Commissioners and members of the district staff.' As it is, Mr. Hewett does not 'upon the whole regard the figures regarding coercive processes as altogether satisfactory.' The budget estimate for 1904-5 has been put down at 89 lakhs, which is 5 lakhs more than the revenue on the roll on 1st October, 1902. I hope the estimate has not been pitched too high and that the excess represents past arrears and does not imply withdrawal of abatement concessions.

"*Patwari-cess.*—Referring to the last year's Central Provinces Administration Report I find that the Patwari Fund closed with a surplus of Rs. 1,15,000.

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Now the patwari-cess has a history of its own. Formerly the patwaris were either village-servants or private servants of the malguzars. But now they have become members of the Land Record Department. They owe no allegiance either to the malguzars or to the villagers. They are appointed by, and are absolutely under, the orders of Government. They devote only a small portion of their time to the discharge of duties regarding preparation of village-papers which the malguzars are under a statutory obligation to discharge. Such being the case, the landholders ought not, I submit, to be made to bear the entire burden of the cost of the patwaris' staff. Not only they are made to do so, but the considerable surplus that used formerly, before the amendment of the Land-revenue Act in this behalf, to accumulate out of the proceeds of the patwari-cess after meeting the pay of the patwaris, is now appropriated towards the cost of the controlling staff of the Land Record Department. As would appear from the famous Resolution of 16th February 1902, the imposition of extra duties unconnected with the preparation of village-papers on the patwaris is in some Provinces acknowledged by Government grants towards the remuneration of the patwaris. I submit that the landlords and tenants in the Central Provinces have a just claim on the Government for the same liberal treatment in the matter of this cess as is meted out to their *confrères* in other provinces. The incidence should be so regulated as to cover the patwari's remuneration for the performance of what, before the present system was introduced, constituted village work proper.

*"Irrigation.*—The past year will be memorable in the history of the Province as that in which the State for the first time recognised its duty to carry out irrigation works at the cost of the public revenues. This new and important departure, pregnant with potentialities of great future progress, is the outcome of the deliberation of Your Excellency's Irrigation Commission. The first step may be said to have been taken by the substitution during the last famine of tank-works for metal-breaking and road-making as the backbone of famine relief in tracts where such works were feasible. The recommendation of the Commission that irrigation is likely to be useful only in the rice-country, is in entire accordance with the experience of the people as evidenced by the tanks made to irrigate rice-lands during pre-British days. Fortunately the configuration of the country here lends itself to the construction of storage-tanks and a considerable number of them have been suggested by the Commission. Construction of irrigation-works from the State fund is somewhat complicated by the question of return they are likely to yield. But I may be permitted to point out that their value should not be measured by their financial success, but that account should also be taken of the protection they give in years of drought, while in



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seasons of average rainfall they give certainty to agriculture, increase the outturn and enable more valuable crops to be grown. I may mention here that the utility of tanks was fully established during the great drought of 1899. The fertilising streams from two well-known private tanks in one of the affected districts (Bhandara) saved the crops of all villages served by them, giving them the appearance of an oasis in the midst of a burnt-up desert, and the value of the crops thus saved more than compensated the expenditure incurred. The Government also benefited, inasmuch as the revenue was paid in full and no relief had to be given to the people in this tract. Summing up the Indian peasant's financial position, the late Famine Commission remarked, 'in good years he has nothing to look forward to but a bare subsistence, in bad years nothing to fall back upon than public charity.' The margin of profits of our raiyats is so slender and the uncertainties of their position so great, that a compulsory water-rate imposed at the very beginning before the utility of tanks had been brought home to their minds by an appreciable and permanent addition to their profits, would make the tanks unpopular and mar their usefulness. In course of time, when experience will have demonstrated their value, a reasonable water-rate may with safety be imposed. But a hasty step at the beginning dictated by purely financial considerations is likely to defeat the beneficent object the Government has in view.

*"Octroi in Municipalities.*—Last year the Hon'ble Mr. Sri Ram and myself had referred to the Resolution on Octroi in Municipalities. We had pointed out how a rigid application of the rule laid down therein would lead to financial dislocation. I am happy to find that very recently another Resolution making substantial concessions has been issued on the subject. The principles it lays down are so important that I cannot resist the temptation of summarising them. It points out that no system of taxation can be regarded with satisfaction which runs counter to the traditions and opinions of those whom it affects, that Government cannot resist the consensus of a authoritative opinion that indirect taxation is strongly preferred to direct imposts, and that the Governor General in Council is concerned to find that, in order to make good the deficit resulting from a reduction of the octroi-rates, certain Municipalities have been compelled to enhance the rates of octroi on necessities of life or to resort to the unpopular expedient of a house-tax. He has accordingly been pleased to rule that the maximum duty may be Rs. 3-2 in some and Rs. 4-11 in other cases. We in Nagpur have promptly taken advantage of this concession, for which I beg to offer our grateful thanks.

*"Collegiate education.*—One result of the labours of the Universities Commission, so far as the Central Provinces are concerned, has been that attention has

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at last been drawn to what I cannot but call the very inadequate aid collegiate education in Nagpur receives at the hands of the Government. Up till 1885 Nagpur was without a College. In that year the people by strenuous efforts raised a subscription of one lakh and three-quarters, and with this as a nucleus an aided College with a competent staff headed by an European Principal was founded, to which the Government and the local bodies sanctioned liberal grants. At the same time, the Free Church Mission of Scotland, to whom the people owe a deep debt for all that they have done and are doing for education, raised the status of their school to that of a College. When the new College had been in existence for about two years, a proposal was made by the Chief Commissioner (Sir Alexander Mackenzie) to close it as an institution to impart collegiate education and to utilise its trust-fund for an agricultural school. The subscribers could not see their way to agree to this diversion of the fund from its original object. This was followed by the withdrawal, under Chief Commissioner's order, of the Government grant as also the contributions by the local bodies, except that by the Nagpur Municipality, which, however, was reduced. The promoters of the College faced the situation thus created partly by reducing the staff and partly by appeals, which were successful, to the well-wishers of the cause for special aid. Even under these somewhat depressing circumstances, in course of time a commodious building to hold the classes and a hostel to lodge the students were constructed. To the latter the Government (Sir Charles Lyall's) made a liberal grant. In 1893, 'in recognition of the good work the College was doing,' the Chief Commissioner (Sir Antony MacDonnell) gave it a monthly grant of fifty rupees. In connection with the enquiries of the Universities Commission, the attention of our late Chief Commissioner (Sir Andrew Fraser) was drawn to the above state of things, and before leaving the province he left instructions to raise the College to a high standard of efficiency. The matter was promptly taken up by his successor, Mr. Hewett, himself a member of the Commission, and, in consultation with the governing body of the College, he has drawn up a scheme, which provides for an Arts Department manned by a staff of two European professors with English University qualifications and a suitable number of Indian professors. On grounds both of economy and convenience, the arrangements for teaching Science have been made in connection with our Victoria Technical Institute, which is intended to be the centre of industrial and agricultural education in the province and which is now fast approaching completion. I understand these schemes are now before Your Excellency's Government. I earnestly hope and pray they may be sanctioned and thus our collegiate and scientific education placed on a sound and solid basis. One noteworthy feature of

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- the schemes which I must not omit to mention is that the popular element has been adequately represented on the governing bodies of both the institutions, co-operation on terms of equality between the official and the non-official elements being the key-note of their constitution. I would fain hope that the days of doubts and difficulties are over and that, animated as all are by a single-minded desire to advance the best interests of the province, the two institutions fully equipped and working side by side, will, by solid work honestly done, realize the hopes and aspirations of those who have laboured long and hard to bring them into existence.

" *Co-operative Credit Societies Act.*—The Co-operative Credit Societies Act passed last week, though not likely to prove a panacea for all the evil influences that now operate to keep our agriculturists down, is undoubtedly an useful piece of legislation. In the case of those who are in a fairly prosperous condition and are sufficiently advanced to be able to combine for their common benefit, there is every likelihood of the societies under the Act taking root and proving a success. The real difficulty lies in the application of the Act to those who are not so favourably circumstanced and who are in need of some extraneous help to lift them out of their present condition. Under this category come the majority of the raiyats in the Central Provinces. I am inclined to think, as I have submitted on one or two previous occasions, agricultural banks somewhat on the lines laid down in the Government of India's despatch of 31st May 1882, would perhaps better meet the requirements of the case here. At the same time, the Act, I think, could be made to yield good results even in these cases if some of the respectable moneylenders, who now deal with individual raiyats, could be induced to deal instead with the societies formed under the Act. I must confess I do not share in the morbid dread of the moneylenders as a class which seems to dominate the judgment of some in this matter. As a result perhaps of the hard times, there has sprung up within recent years a class of petty saukars, who perhaps deserve all that is said to their prejudice. But we have among us a class of moneylenders in whose family the business may be said to run from generation to generation. I do not think that taken as a whole their profits are either extravagant or unreasonable, or that their terms, so long as they are punctually fulfilled, are oppressive. I hold strongly the view that in my province the success of the measure would depend largely on enlisting the sympathy and co-operation of these people. If you alienate them, I should like very much to know who is to finance the societies. I entirely agree in thinking that the State cannot take it upon itself this duty. It is not possible for it to lend annually to thousands of raiyats all over the country. Nor is it a good policy that it should add to the odium of the tax-collector that of the money-

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lender and debt-collector. *Takavi* is for seasons of distress and not for ordinary times. Lately, my Local Government advanced 16 lakhs for seed, etc., in the rice country, where the rains had failed, and rightly so. But it could not, and should not, do so in a normal year. I see therefore no way out of the difficulty except by calling in the aid of the class of moneylenders I have mentioned above. To found altogether new banking institutions for the object in view would present many practical difficulties. The substitution of societies in place of individuals would largely reduce the cost of establishment and Court expenses, as also the loss resulting from the insolvency, and not unoften the dishonesty, of the debtors. This must automatically, as it were, lead to the gradual introduction of an easier rate of interest than is possible under existing circumstances. Your Excellency was pleased to speak last week of the responsibilities of my countrymen in this matter. Permit me to say, my Lord, that the leaders of my community in Nagpur have been anxiously looking forward to the day when discussion and deliberation would end and the time for action would come. And now that the opportunity has at last come, they will be found, not sulking in their tents, but at the post of duty.

*"Increased pay to British Soldiers.*—The item of £493,900 referred to in paragraph 13 of the Statement is, as has been kindly explained to me by the Hon'ble the Finance Minister, part of the sum of £800,000, in round figures, representing the recent permanent addition to the Indian military expenditure on account of increased pay to British troops. The circumstances under which this heavy burden has been imposed in disregard of the protest of Your Excellency's Government are, I feel bound to submit, such as are ill calculated to inspire the Indian people with an abiding faith in the justice of the Government in England in its pecuniary dealings with India. To quote the words of one of Your Excellency's predecessors, Lord Mayo, the Government 'would not be justified in spending one shilling more on our army than can be shown to be absolutely and imperatively necessary', and that 'every shilling that is taken for unnecessary military expenditure is so much withdrawn from those vast sums which it is our duty to spend for the moral and material improvement of the people.' . .

*"India and fiscal reform.*—Reference was made to the despatch of 22nd October last setting forth the views of the Government on the movement now in progress in the United Kingdom for the transformation of the fiscal system that has prevailed there for the past sixty years. I may be permitted to make a few remarks on the subject from the point of view of Indian interest. We have no protective tariffs. All our import-duties are revenue taxes. The excise-duty on cotton-goods removes the only argument which could be urged against our

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system as having a protective character. My countrymen are not of the same mind as to the wisdom of this system. Some are of opinion that the infant industries of India in their competition with foreign countries are entitled to some protection, and that without it they are not able to carry on a fair fight with countries having the advantage of a long start in the progress of industrial development. Others again hold the view that defective knowledge, want of adequate capital and a spirit of conservatism—these retard more effectively the progress of our industries than any want of protection. Looking at the matter from a practical point of view, it strikes me that we are not called upon to decide at this juncture which of these contending views is sound. For there is no likelihood of India being granted a perfectly free hand in adjusting her tariff for the protection of her industries, supposing protection is good for them. The experience of the past shows that the interest of the British manufacturers will have to be duly safeguarded in any scheme that may be formulated. It is inconceivable, for example, that the powerful manufacturing interests in Lancashire will ever permit the imposition of protective duties of any kind on their goods in order that the Indian mill-industry may be fostered. Such being the case, our interest lies in the maintenance of the existing state of things. A modified scheme, which will subordinate Indian to British interests, while doing no good to India, will only create heart-burning, which, instead of promoting, will arrest the growth of consolidation of the Empire, which it is the avowed object of the new policy to bring about.

*"Excise-duty on cotton-goods.*—After the emphatic declaration of the Hon'ble the Finance Minister, it would serve no useful purpose to discuss over again the question of excise-duty on cotton-goods, though I must confess I am not at all convinced of the justice of the impost by his arguments. But there is one point to which I beg respectfully to draw attention. Lately an attempt was made to find out from statistics whether the mills in Lancashire manufactured any goods similar to those made in India and which paid the excise-duty. It appears the necessary information cannot be had. The only returns which the Lancashire mills have to submit are as to the number of hands they employ and some subsidiary matters arising under the Factory Acts, and no official statistics exist to indicate production of yarn and cloth. This state of things places our mills, which have to submit returns of production, at a considerable disadvantage. For it is clear that rival manufacturers outside India profit by the knowledge of what the Indian mills produce, while our mill-owners are unable to have similar information regarding theirs. I submit that the returns, even if they must be maintained for the assessment of the duty, may not, so far as they disclose details of production, be made public.

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*Technical education.*—The question of industrial development, which has received considerable attention during the past few years, is no doubt, as pointed out, surrounded with difficulties. The present economic conditions, the comparative smallness of the available capital, its slow tendency to increase, the ignorance of the means and methods necessary for its judicious employment, the high charge for banking accommodation, all these combine to present serious obstacles. It is also very true in the abstract that nothing is gained by training our youths for a trade in which there would be no opening for employment; that technical education cannot create industries but only supplies skilled labour to the already existing demands of capital. I believe, however, that a demand for educated labour in many branches of commercial and industrial activity is rapidly coming into existence, and I therefore hail with satisfaction the various measures that have been initiated of late for the introduction of a system of technical and industrial education culminating in the establishment of State Technical Scholarships. These have inspired the hope that we may at no distant future be privileged to see a wide development of our industries and manufactures. The policy which would make India produce only raw materials can only result in reducing the population to the dead level of poverty-stricken agriculturists. A wise and statesman-like generosity has inspired the present policy and, carried out loyally in future in the spirit in which it has been conceived, it will have as its reward a great addition to the wealth of the country and a consequent increase in the happiness and well-being of the people."

The Hon'ble MR. HAMILTON said:—"My Lord, in the first place let me congratulate Your Excellency's Government, and the Hon'ble Sir Edward Law in particular, on the Budget. The fact that such excellent results have been achieved while still within sight of the recent famines, shows that the finances of the Empire are in very capable hands.

"To one like myself who takes a general interest in the problems connected with agriculture it is gratifying to find the Finance Minister devoting so large a portion of his Statement to the claims of this all-important branch of the business of the Empire, and, as Your Excellency and the Hon'ble Member in charge of the Revenue and Agricultural Department are equally interested in the same subject, it may be taken for granted that we shall soon be able to record as marked a development in agricultural affairs as is possible in a country where progress must inevitably be slow.

"From the tone of his remarks, I take it that the Finance Minister is eager to devote all the money he possibly can to the cause of agriculture, and the

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recent Government Resolutions on Education and the Pusa Farm may be taken as assurances to the same effect. As a guide to what is required in this direction I may here refer to what is considered necessary in the United States of America, my authority being the Official Agricultural Year Book for 1900 which traces the history of agriculture in that country during the previous century. The annual income of the land grant colleges and other institutions in which agriculture is taught is  $6\frac{3}{4}$  millions dollars or Rs. 2,01,00,000. On the 54 Agricultural experiment stations the sum annually spent by the National Government is \$720,000 or Rs. 21,60,000, besides an additional Rs. 9,00,000 contributed by the Provincial State Funds. The number of agricultural colleges and other institutions in which agriculture is taught is 64, including the 54 experiment stations referred to. The staff of all the experiment stations numbers 685, of whom 308 are scientific teachers. In this connection it would be interesting, for purposes of comparison, to know what the staff consists of which is now engaged in supervising and encouraging agricultural operations in India, and what are the qualifications of that staff for the work of supervision.

"The Hon'ble Sir Edward Law has mentioned the fact that in the Central Provinces there are now 1,800 subscribers to a monthly agricultural magazine, and that 1,800 copies of a pamphlet in the vernacular have lately been sold to cultivators. The number of publications issued annually by the American Board of Agriculture is 6 millions, besides numerous bulletins issued by the various States.

"While on the subject of agricultural education, might I, in view of the recent debate in this Council, quote the following words of the Director of the American Experiment Stations, *viz.* :—

"Along with the improvement of the college courses in agriculture has come the realization of the true function of these courses. It is understood that they are for the training of the leaders in agricultural progress, and not for the general education of the agricultural masses. For this purpose they are to be made as thorough and complete internally and externally as the manifold needs of American agriculture for well-trained and intelligent leadership may require. Their success is to be judged by the same standard that is applied to other college courses, and the number of students is not of so much importance as their quality."

"My Lord, the figures I have quoted may send a shiver of despair through the Hon'ble Members in charge of the Finance and Agricultural Departments, but a Finance Minister who can spend 15 crores on a famine and shortly after come forward with handsome surpluses may be trusted to find the money.

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"Rs. 30,60,000 is the sum annually required to run 54 agricultural experiment stations on the American scale, but four or five such institutions, or the equivalent of Rs. 3 lakhs, will, for some years to come, suffice for India, and the paltry sum named will not upset either the Finance Minister or his Budget. It need not even come out of the taxpayer, for less than one million of the ten and-a-half million sovereigns now lying fallow in the gold reserve, if invested in three-half per cent. paper, would yield sufficient to run half a dozen experiment institutions, and would at the same time reduce the national debt.

"My Lord, is it too much to ask that the farms which it is proposed to attach to the experimental institutions should be large enough to serve as commercial object lessons? Your Excellency has on several occasions expressed surprise that capital does not flow more freely from Europe into India; the reason, my Lord, is simple; capital does not see the dividends. Surrounding the American experiment stations are a great body of intelligent farmers with some capital at their command who eagerly co-operate with the stations and give practical effect to their teaching. In this country there is no such medium, and a bridge is therefore necessary to cross the gulf which separates the proposed institutions from the practice of the people; and it is here that a great opening may be found for European capital and enterprise. My Lord, when the institutions believe they have got hold of a good thing, let them plant out 500 acres and publish the financial results; if these are satisfactory, Government will be in pocket by the experiment, and capital will at once begin to flow.

"In a recent memorandum Mr. Mollison pointed to theft of the crops grown, as a difficulty in the way of European enterprise in agriculture. To meet that difficulty he suggested some sort of share system with the native cultivator. Difficulties of this kind can, I have no doubt, be surmounted; perhaps as good a share system as any would be for the European, or the Indian capitalist working on Western lines, to become the landholder, and take his share by way of rent. If the 100 million acres of cultivable waste-land which are still available in India and the millions of landless labourers who are the first to go down in famine could be brought together under a system of this kind, some interesting problems might be solved. Only the other day I heard of a large European zamindari in Eastern Bengal in which the proprietor has had only one law-suit for rent in thirty years. My Lord, these are the zamindaris which are wanted throughout the country, and which Government should do their best to foster. What India wants is fair dealing and cheap capital. What the raiyat wants is a place in which he and not another shall reap the fruits of his labours, and



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legislation like the Punjab Land Alienation Act and the Co-operative Societies Act may, I hope, be taken as an earnest of the fact that Government has decided to clear the path of progress of the pests which now suck the life of the people.

"The Hon'ble Sir Edward Law describes the additional Army expenditure as 'regrettable' but 'inevitable.' My Lord, if Indian agriculture is to hold its own, further expenditure in that Department is also inevitable and would not be regrettable, for the welfare of India is inseparably bound up with agriculture. The raiyat pays the land-revenue and the bulk of the salt-tax, the raiyat's labour yields the opium-revenue. The raiyat pays the best part of the excise-income, and all the other branches of revenue are more or less dependent on his labours. The raiyat fills the railway waggons and loads the steamers; the raiyat grows the jute and fills the gunny bags; the raiyat grows the cotton and wears the manufactured cloth. In short, to quote the ancient sage, 'the profit of the earth is for all, the king himself is served by the field.' My Lord, while the empire rests as much on the raiyat as it does on the sword, the claims of agriculture must have a first place in the Budget. I might go even further and base these claims on military as well as on agricultural grounds, for in an empire like India, which is subject to fears within as well as to fightings without, what better protection against both could there be than a great army of well-fed and contented peasantry? With the Himalayas in front of him and an army composed of millions of the peasantry of Northern India at his back, His Excellency the Commander-in-Chief might safely 'hang the trumpet in the hall and study war no more.'

"I am glad to find £8,107,600 budgeted for capital expenditure on Railways. The amount budgeted for Major Irrigation Works, namely, £833,300, seems comparatively small, but we may hope for an increase next year, when, if approved, a commencement may be made with the programme sketched out by the Irrigation Commission. That programme, involving, as it does, a capital expenditure of Rs. 44 crores, will require a capital outlay of over Rs. 2 crores per annum for a period of twenty years, and the Irrigation Commission wisely suggests that it should be carried out in a regular and systematic fashion by loans; irrespective of the exigencies of the Budget. As the expenditure taken as a whole is not likely to prove remunerative, provision will have to be made from revenue for a possible loss in working, and the Hon'ble Finance Minister is perhaps wise in not holding out hopes of wholesale reductions in taxation. I should certainly like to see a reduction made in the salt-tax, salt being a necessity for man and beast, but I should deprecate anything in the shape of permanent

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remissions in the land-revenue, that being the soundest form of taxation ; while the remissions are apt to find their way into the pockets of men for whom they are not intended. I would again congratulate Your Excellency's Government on the extremely satisfactory condition of the Empire's finances."

The Hon'ble MR. BILDERBECK said :—" My Lord, I ask your kind permission to touch briefly on one or two matters in which the interests of higher education demand consideration in connection with the Budget proposals.

" In the first place, I would refer to a matter in respect of which I made an appeal to Your Lordship's Government a few days ago—the necessity of giving early effect to those sections of the new Universities Act which empower Universities in India to appoint University Professors and to erect, equip and maintain laboratories, museums and libraries. The importance—nay the urgency—of the question is undeniable, but I shall not occupy the time of the Council by repeating arguments with which Members must be quite familiar. The prosperous financial conditions of the country, indicated by the Budget Statements of this and recent years, and the fact that Government has determined to spend money liberally on the establishment and maintenance of the Agricultural Institution at Pusa and of a Staff College for the training of military officers in India, inspire the hope that Government will at an early date be prepared to take into serious consideration a scheme for raising the character of University education and promoting the influence and utility of Universities.

" Associated with the subject just mentioned is another—the recruitment of Educational officers for the Colleges maintained by the State. In the debates on the Universities Bill that have lately taken place in this Council, very strong language was employed in criticism of the qualifications of gentlemen sent out by the Secretary of State to fill professorial chairs in the Government Colleges in some parts of India. Now, my Lord, while the strength of the language seemed to me to be disproportionate to the circumstances in connection with which such language was employed, it must be admitted that it is an open secret that the various Local Governments do not always obtain the men with the qualifications they indent for ; that the article supplied through the India Office is not always in accordance with specifications ; and, secondly, that Government Colleges are in a chronic difficulty in respect to the engagement of the services of suitable men to fill temporary vacancies in the chairs of Professors who go on leave or are transferred to other posts. In reference to the first of these matters, I would most respectfully urge that in the interests of good administration generally, and in justice to the Colleges and their students

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in particular, a strong representation be made to the Secretary of State for India in view to the adoption of some more satisfactory system of recruitment than that which now prevails. In the second place, I would suggest that special provision be made in the Budget for the formation of a *Professorial Reserve* the members of which would be available for service in any part of India. The officers belonging to the Reserve might be brought out as probationers on terms similar to those obtaining in the covenants of members of the Indian Educational Service, and be held eligible for substantive appointment on the occurrence of vacancies in the different provinces. In some cases, the members of the Reserve might be men with particularly high qualifications in some branch of Science or Literature who could be employed as University Professors and called upon to deliver special courses of lectures or conduct special classes at convenient times of the year in different parts of the country. I am well aware that many objections can be raised against this proposal, but in view of the many advantages likely to accrue from it, the scheme is well worth a trial.

"My Lord, I have so far suggested proposals which necessarily involve an increase of expenditure on education. I have another which possibly carries with it a potentiality for increasing the funds available for educational purposes, or for meeting educational wants without an appeal to the tax-payer.

"In the Madras Presidency—and doubtless analogous conditions exist in other parts of India—there are institutions known as *mutts* and *chattrams*. The *mutts*—which are of the nature of monastic institutions—were established by pious founders in times long gone by mainly for the encouragement of learning, but in some cases have fallen into unworthy hands that squander and misapply the income arising from their valuable endowments. The *chattrams* are often endowed institutions established for the purpose of providing board and lodging for travellers and poor people. The administration of the latter institutions is, I believe, in some measure under official supervision, and possibly the endowments attached to them are not misapplied to any serious extent.

"I wish to point out in reference to the *chattrams* that it would, I believe, be in some cases perfectly consistent with the object for which they were established if some portion of the income of their endowments could be set apart for the erection of hostels and the provision of meals for poor and worthy students. In other words, the funds of these institutions might be utilised for the establishment of sizarships for this class of students. Such an application of these funds, while promoting the extension of the residential system in connection

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with the educational institutions of the country, would at the same time greatly weaken the force of the arguments of those who condemn the extension of the system on the ground that it increases the cost of education and is therefore unfair to the poor student.

"As regards the *mutts* and similar institutions, it seems to me that, if their administration could be taken over by Government, the value of the endowments attached to them might be considerably increased, and the State would come into the control of funds which could be legitimately employed in promoting the cause of sound learning. It would, I think, be greatly in the interests of the country and of the *mutts* themselves if a small Commission could be appointed—subject to reasonable restrictions—to collect information as to the number of these institutions, the nature and value of their endowments, the objects for which they were established and the way in which the institutions have been administered and also to make proposals for reforms in their management if such be expedient. The report of such a Commission would lay bare the facts and would prepare the public mind for the necessity of reform. From my personal knowledge of the views of many educated men in Southern India, I can say that the mismanagement of some of these *mutts* is regarded as a grave scandal, and I believe that there are many who would sympathise with, and give their support to, a well-considered effort to reform them. If reform be decided on, it would probably be necessary, in order to meet the case of the *mutts* and *chattrams*, to pass a new enactment somewhat on the lines of the Charitable Endowments Act of 1890."

The Hon'ble DR. BHANDARKAR said :—"My Lord, with Your Excellency's permission I will make a few remarks on some points suggested by the Financial Statement. Though the surplus is stated to be 672 lakhs or, after providing for special grants to Local Governments, 406 lakhs, I am somewhat concerned to find that 6 lakhs and 29 thousand only have been allotted for Education. My Lord, the Government of India has acknowledged, in the Resolution on Indian Education recently issued, that India is entitled to ask for the highest intellect and culture that English or Indian seats of learning can furnish; and, in the words of Lord Reay quoted by me in my speech the other day, 'India should have the best representatives of English learning.' Higher education cannot be placed on a satisfactory footing unless we have men of this stamp. And the number of Professors in the Colleges must be increased. No teacher should have a larger class than one of fifty students. If the number of men reading a certain course is very large, they should be divided into separate classes each entrusted to an independent Professor. To secure all this a liberal allowance

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from the Imperial Funds will necessarily be wanted. The present arrangement of sending out men to us from England is clearly defective and must be improved.

"I would at the same time ask Your Excellency's attention to the great importance of creating among us a class of learned men. Not only will they be the means of advancing knowledge and creating a thirst for it among others, but devoting themselves to study and reflection, away from the turmoils of practical life, they themselves will truly become lovers of wisdom or philosophers and constitute so many centres of influence. To effect this purpose a good many Fellowships in connection with our Universities should, I submit, be endowed. These Fellows should devote themselves to the study of Literature, Antiquities, History, Philosophy and Science in its numerous branches. Their initial allowance should be about Rs. 100 *per mensem*, and it should gradually rise to about Rs. 250 in the course of ten years. They should be required to show that they have been really working, by delivering lectures in connection with the Universities or assisting the College Professors. They should be eligible at the end of the period of ten years for Professorships in Colleges or Head Masterships of High Schools. At present the Colleges maintained by the Native States in our Presidency and some aided Colleges also have only one European on the staff and the rest Indians. Fellows who have been studying a subject for ten years after graduation will make better Professors for these and also for Government Colleges than those who are now appointed.

"I notice a grant of five lakhs to the Calcutta Museum and of one lakh to the Zoological Gardens. Excellent as these institutions are at present, it is proposed still further to improve them. Calcutta is the metropolis of the Indian empire, and it is but proper that the Government of India should provide it with two such first class institutions. But India is a vast country, equal in extent to the whole of Europe except Russia, and Calcutta is situated at the extreme east end of the line of its greatest width. The Museum and the Zoological Garden, therefore, can be of no use to other parts of the country than the Province of Bengal. To expect the people of Bombay, Madras and Lahore to derive any benefit from them is to expect English people to derive benefit from institutions established in Vienna. The interests of the Province of Bengal are committed to the care of the Government of Bengal; but the Government of India should, I submit, look to the interests of the whole country. I, therefore, hope, if we have a succession of such prosperity Budgets, the Government of India will set aside liberal sums for providing such insti-

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tutions for the instruction and amusement of the people of Western, Southern, Central, and Northern India. Bombay, Madras, Nagpur, Allahabad or Delhi ought to have such Museums and Zoological Gardens as Calcutta has. And may I say the same thing about the Imperial Library, which institution also has won my admiration?

"The next point that I will allude to is about agricultural education. The Hon'ble Member for Finance has endorsed the opinion of competent Europeans that the Indian raiyat is a first class agriculturist. Still he admits that there is room for instruction in certain points. I, too, readily admit that, but the methods of training suggested in the recent Resolution of Government do not appear to me to be quite satisfactory. These methods I came to know of some months ago in Poona, and that was the opinion I formed of them there. A six months' course, for pupils of the Training College at the Government Farm to fit them to be teachers of agriculture in primary schools, which is the better method of the two, can furnish the pupils with but imperfect knowledge, and supposing that they did acquire competent knowledge, the method of giving agricultural instruction to boys in a class-room can, in my opinion, serve no good purpose. At present the agriculturists teach their boys, not by means of words spoken, but actually showing to them what they do in the field and making them do it. This is a very effective method and the one now thought of must, I think, fail. And information on the points alluded to by the Hon'ble Member for Finance should rather be communicated to adult agriculturists than to boys. For this purpose the methods at present thought of would be of no use. What I would suggest is this: there is in connection with the College of Science in Poona an Agricultural Branch, where young men are trained for the Degree of Licentiate of Agriculture. The course laid down for that Degree is very high, including, as it does, Trigonometry, Physics, Botany and such other subjects. The preliminary qualification also is high. In connection with the Engineering Branch of the College there is a class for training Overseers required for the lower branch of the Public Works Department. So there ought to be in connection with the Agricultural Branch a class for training what might be called Agricultural Inspectors. The preliminary qualification need not be high and instruction in the practical agricultural portion of the course for the Degree should only be imparted to them. After they have gone through this course and passed their final examination, they should be employed by the Agricultural Department on salaries beginning with Rs. 30 and rising to about Rs. 75 per mensem. About two such Agricultural Inspectors should be employed for each taluq, and it should be

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their duty to visit the fields and give instruction to the peasants working there on the points mentioned by the Hon'ble Member for Finance. But in the present state of circumstances what our agriculturists want is manure. It has been the time-hallowed custom of these men to dry the farmyard manure and sell it or use it themselves as fuel; and they have not the means of procuring manure of this or any other kind elsewhere. I should, therefore, think that the *takavi* advances that are at present made should be made by the Agricultural Department through these Inspectors, and it should be their duty to see that those advances are properly spent, *i.e.*, on the purchase of good seed, necessary agricultural implements and especially manure.

"As regards the statement showing the accumulation of wealth in India, I leave it to those who have closely studied the question of the poverty of India to determine whether that statement makes out a point opposed to their views. But the Hon'ble Member's statement that the rise in the prices of certain articles that he mentions must have benefited the producers, I beg leave to question. As a matter of fact we do observe an immense disparity between the wealth at trading centres like Bombay and Ahmedabad and that in small towns and villages. While the dealers in wheat and cotton roll in wealth, those who grow those articles live from hand to mouth, and are unable to bear the stress of a single unfavourable season even in such a Province as Gujerat, which before was considered impervious to famine. There is evidently an unequable distribution of wealth. The cultivators are unable to take advantage of the rise in the prices of wheat, cotton and other articles. The reason probably is that a good many months before the harvest the traders enter into contract with the cultivators and secure the produce, and hence a rise in the prices at the time of the harvest or later the latter cannot avail themselves of. Besides, the intelligence that is required for securing a due advantage in this respect is wanting. So even here the importance of the education of agriculturists forces itself on our attention.

"The fourth point I wish to notice is that concerning the cotton excise-duties. It is a good deal contentious, but I will venture to say a few words on it. The Hon'ble Member for Finance says in answer to those who maintain that there can be no direct competition between Lancashire goods and Indian goods, that the cheaper price of the Indian textiles will attract to them the purchasers of the finer textiles from Lancashire to the detriment of the latter. But it appears to be forgotten that, except in a few solitary instances, the higher classes, who use the finer cloth from Lancashire, think it derogatory to their position to use the coarser cloth produced by the Indian mills. So that there is really no competition between the two countries except within very small

limits. Again, he says that the charges between Manchester and Indian bazars, including packing, freight, etc., add to the cost of Lancashire goods while the Indian goods are free from those charges; but what I have to urge on the other side is that the initial cost of the construction of a mill in India is greater than that of one in Lancashire, because we have to import from England all the machinery that we require and to pay the charges for packing, freight, interest, etc. The interest on the additional capital must contribute to enhance the cost of production of Indian goods. Stores also have to be imported and those charges paid on them. The Hon'ble Member considers that the additional  $3\frac{1}{2}$  annas which the purchaser has to pay on account of the excise-duties does not bear heavily on the consumer. I am sorry I cannot think so. Those who use the coarse cloth manufactured by our mills are mostly the same class of people to whom the diminution of the salt-tax has given relief, and certainly an additional  $3\frac{1}{2}$  annas to such people is not inconsiderable. The remission of the duty, therefore, would be of great benefit to them. As to the necessity of additional revenues for the administration of Government, the deficit caused by the abolition of cotton excise-duties may be made up by raising the duty on the rich man's cloth, that is, the cloth of finer texture imported from Lancashire; or, when the growth of home industries diminishes the imports and materially reduces the revenue, there will be time enough to consider and frame a consistent policy calculated to make up the loss. And, finally, one of the chief reasons why these excise-duties are disliked is that they were imposed at the instance of Lancashire. India has become an agricultural country and depends for most of the manufactured articles she wants on foreign countries. The effect is that when there is no rain, or when the crops are destroyed by disease or by locusts or by rats, the country becomes helpless. India's economic salvation lies in the growth of the manufacturing industries as is tacitly acknowledged by the Government of India itself by the recent institution of scholarships to be held by Indians learning certain arts in Europe and America. One such industry has taken root; and it is supposed to have come in conflict with an English industry; and the Home Government compels the Indian Government to over-weight it in the race. The anxious heart of an Indian, therefore, asks itself the question, whether, if fortunately other such industries grow up in India and compete with English industries, they will be similarly dealt with, and whether England, immediately that some of her sons nearer home raise up a cry, will always act the step-mother to her Eastern sons.

"The last point that I will touch on, is the steady increase in the Excise-revenue. During the last two years it has increased, we are told, 21 per cent,



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I quite believe that there is no desire on the part of the Government of India to increase the revenue by encouraging indulgence in alcohol, as stated by the Hon'ble Member, but the large increase of excise-revenue during the last four years from 590 lakhs to 738 lakhs cannot but show that drinking has largely increased; and this is confirmed by one's daily observation. However, I am quite satisfied with the assurance that Government of India know their full responsibility in the matter and are now paying special attention to it in the interests of temperance and morality."

The Hon'ble MR. MORISON said :—" Ever since the Government of India entered upon a season of surpluses one complaint has been constantly repeated in the public Press, the complaint that by the closure of the mints in 1893 the Government of India increased taxation, inasmuch as the taxpayer has to pay as many, or nearly as many, rupees of the artificial value of sixteen pence as he had to pay when the natural value of the rupee was thirteen pence.

" I venture to say that if there is one thing demonstrably clear in currency problems, it is that the purchasing power of the rupee has not yet risen in consequence of the closure of the mints; I believe on the contrary that it could be far more easily maintained that the value of the rupee went on falling after 1893; it is generally admitted that an Index number is the only means of arriving at probable certainty with regard to the rise or fall in the value of money, and of all the Index numbers which have been composed I know of none which has been prepared with such elaborate safeguards against error as the series published by Mr. F. J. Atkinson in various issues of the Journal of the Statistical Society. Beginning with the years 1868—76 and taking the average prices of 100 commodities during these nine years as equivalent to 100, Mr. Atkinson has prepared a series of Index numbers up to the year 1901. This Index number stood in 1881 at 95, in 191 at 116 and in 1901 at 135; this last figure is perhaps unduly swollen by the famine prices of that year, but if the whole of that series of figures is consulted it cannot, I believe, be seriously contended that there has been any tendency towards a fall of rupee prices since 1893.

" The depreciation of the rupee since 1893 has been obscured by the stability of exchange with gold countries. I recognise that as soon as the rupee was linked to gold, local prices could not have long gone on rising if the value of gold had remained stable, but a glance at Sauerbeck's tables will show that the value of gold fluctuated greatly in that period; gold prices which had been represented by 102 in 1874 had fallen steadily, until in 1896 they stood at 61. Since that

year they have been rising and in 1900 stood at 75 and in 1901 at 70. As gold prices have been rising since 1896 it is no matter of surprise that rupee prices, though linked to gold, have risen too, and if this proposition is established that the purchasing power of the rupee has declined since 1893, there is no ground whatever for the assertion that by the same taxation the Government is taking more than formerly from the pocket of the taxpayer.

"If then the burden of taxation has not been increased the only question that recurring surpluses suggest is whether the people or the Government of India is likely to make the best use of the money collected in excess of the present needs of the administration; personally I do not believe that the small sums secured to each family by the remission of taxation are at all likely to be employed productively; the money will not, in the familiar phrase, fructify in the pockets of the people. But I can see many ways in which the Government of India might spend these considerable sums upon the people more wisely than the people themselves; and as there will be many claimants for the surplus which I hope the Hon'ble Member for Finance may have to announce next year, I venture to put forward two suggestions; both ideas have been suggested to me by my experience as an educational officer, but they raise such large questions of general principle that they could not, without irrelevancy, be discussed along with the Universities Bill; the first of these suggestions has reference to the organisation of higher education and the second has a direct bearing upon the moral and intellectual development of Indian society though it will hardly add anything to the burdens of the taxpayer.

"At the outset I should like to secure general assent to the proposition that our Colleges in India are in reality nothing more than schools; the age of the students, the methods of teaching, and the standard of attainments are all those of the school and not of the University. Such an estimate of the value of our Colleges may seem invidious from the mouth of an Englishman, and so I prefer to quote the opinion of an Indian friend of mine who took the highest degree in Mathematics that the Indian Universities could bestow, and then proceeded to Cambridge to study for a Research degree. After being a year in Cambridge he wrote to me that he regretted he had not read for the Ordinary Tripos as he found that many boys came up from English schools with a better knowledge of mathematics than he had brought from India; and my friend is a Master of Arts in Calcutta and a Doctor of Science in Allahabad.

"It simplifies many questions of educational policy to recognise that our Indian Colleges are really schools; it disposes, in the first place, of many

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irrelevant reproaches which are constantly made against them ; it is frequently said, for instance, that our Indian Colleges have done nothing for the advancement of learning ; this is true and it would be a serious indictment of a University, but it is no reproach to schools, the function of which is to give instruction in familiar and undisputed truths, and which are not constituted for research. In the second place, if we recognise that our Indian Colleges are really schools, we will realise that we cannot with impunity wrench them from their place in a system of secondary education and translate them to the superior grade of University Colleges ; as schools they are doing very good work, and if an Indian College cannot as yet claim equality with a german gymnasium or an English Public school, many of them are capable of an approximation to those types ; but if we wish to transform them to the likeness of Colleges in European University we shall be obliged, in the first place, to reorganise and reconstitute them from top to bottom and then to set to work to create substitutes to carry on the work which they have done hitherto. The wiser as well as the easier course is to leave our B. A. Colleges undisturbed at the work of secondary education and to make some provision, on a perfectly fresh foundation, for higher studies. This brings me to my first proposal ; if it is found this time next year that there is a considerable surplus after defraying the ordinary cost of administration, I make bold to ask that a sum of £1,000,000 be set aside as the endowment of a school of advanced studies.

“ The interest upon one million sterling amounts to a little over 5 lakhs, and for the first two years, during which the details of the proposed school were being worked out and Professors engaged, this income could be devoted to purchasing a site and erecting buildings ; and I should like to say in passing that there are in my opinion overwhelming reasons for placing such an institution in the hills. Of the capital sum of a crore and-a-half I would devote the major part, perhaps as much as 90 lakhs, to the natural sciences, because the spread of scientific knowledge is of such paramount importance for developing the material resources of the country. The school of science would perhaps comprise as many as ten chairs, filled by men who had already distinguished themselves in Europe by original work, and their salaries would probably absorb as much as Rs. 12,500 a month, or a little less than half the whole income of the school ; under them would be assistants and demonstrators on smaller salaries, and the remainder of the income would go all too quickly in the expenses of laboratories, libraries and subscriptions to scientific periodicals. But, though I recognise the importance of science in India, I cannot reconcile myself to the idea of a University solely engaged in the cultivation of such utilitarian knowledge. The 60 lakhs, still unassigned, would yield a monthly income

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of Rs. 17,500, and with this comparatively small sum we could not pretend to cover the whole circle of the *literae humaniores*, but we might at least hope to establish a school of Oriental studies which would eventually become the recognised authority upon all branches of eastern learning. This Oriental side would naturally fall into three schools of which the first and largest would be devoted to Pali, Sanskrit and the studies which would naturally be grouped about Sanskrit literature. The second school would be of Arabic and Persian, and I should like to put in a plea for a third smaller group of studies which would comprise Political Economy, Comparative Economics and the Economic history of India, and this school would form a natural link between Science and Arts.

"There is a considerable number of persons in India who honour Sanskrit or Arabic with their lips but who are strenuously opposed to any project for making Indian youths devote much time to the study of these venerable classics ; to allay the fears of this class I would explain that with regard to both Arabic and Sanskrit literature the methods [of study would be European though the subject-matter would be oriental. This in itself would imply a complete change in the manner in which the languages would be studied, but I mean something more than this—something more than the adoption of philology and of Western principles of Grammar. In Europe the study of the thought of a particular people is made to serve as an introduction to the study of similar speculations in other ages, as, for example the works of Plato and Aristotle at Oxford, though forming part of a classical education, are also made to form the basis of the teaching of philosophy ; and similarly I conceive that in India a thorough comprehension of Vedant would form an admirable introduction to the comparative study of European philosophy ; in like manner Indian history would be interpreted and illustrated by European analogies, and although the history of India is not as rich as that of Greece or Rome in political wisdom, it presents an unrivalled field for those speculations upon the constitution of early society which now occupy so large a place in the scientific study of history. However I must resist the temptation of dwelling upon all the details of such a school of advanced studies. I only wish to show that I conceive of it as a place wholly different from any existing College inasmuch as its object would not be to communicate and examine upon elementary or well-known truths but would be chiefly engaged in those higher reaches of knowledge where the master takes the pupil along with him in his investigations of the unknown. I may perhaps be told that there is no place in the framework of our Indian Universities for such a school ; to this I would reply that I don't think it important that this school should be affiliated to any University ; I do not think that it

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should prepare students for a degree; I do not even desire that its courses of study should terminate in an examination; let us have at least one institution where Indians may read for the love of learning and because they delight in study; on leaving they would take away with them a diploma to the effect that they had read certain subjects under certain Professors and I should trust their after-life to show what benefit they had derived therefrom. But there cannot, I fancy, be any doubt about the desirability of creating at least one such school of advanced studies for the whole of India if once we clear our minds of the illusion that the Colleges of our existing Universities are ever likely to undertake any really advanced teaching.

"I urge the endowment of this school in the interest of the Indian student, who is at present obliged to go to Europe if he desires to become proficient in any branch of science or scholarship, and I urge it even more strongly in the interest of Indian society generally as I am convinced that the intellectual level of a people must be sensibly heightened by the creation in their midst of a body of genuine scholars. This closes what I would say here about my first proposal, and with regard to what follows I speak with diffidence and hesitation as I am venturing outside the area with which I am personally acquainted.

"Scholastic education is not after all the only or indeed the prime factor in the moral and intellectual development of a people; the callings which they follow in after-life determine far more profoundly their position in the scale of civilization. I have often been tempted to wonder whether the intellectual benefits of academic training have not in India been counter-balanced by a loss of masculine virtues; schools and colleges have diffused a set of new ideas which the people have come to value very highly, but the effect of British rule has been to keep the people at large in *statu pupillari*, in which the opportunity never occurs of deciding upon momentous issues and of taking a responsible part in grave emergencies. If it is a fact that the leaders of Indian society have lost the capacity to act in a crisis, that fact would seriously detract from the ultimate and permanent value of British rule. Much of the political speaking and writing which one hears now-a-days is of a kind to make one fear that such has been the case. I confess that I would rather, were it possible, have the opinion of Mahdajee Sindhia or of Ranjit Singh upon a political question than of the leaders of the Congress. Such an enfeebling of the people is, I am convinced, altogether alien to the intentions of the Government; but the present seems an appropriate time to signalise the danger, because the division and redistribution of provinces which is now in the air suggests a means of

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partially counteracting it. I put forward the suggestion that a small Province or Chief Commissionership might be formed and be officered exclusively by Indians ; a suitable field for this experiment might perhaps be found in Orissa enlarged by the addition of the Uriya districts of Madras and the Central Provinces ; this area contains but a small number of vested interests which could take umbrage at such a change, and the administrative problems are not, I imagine, either so complicated or important as to offer an insuperable objection to the experiment. When the area has been selected and defined my suggestion is that the Government should declare their intention of reserving to Indians for a certain experimental period all the appointments in this province from that of the Chief Commissioner downwards.

"It would not, I believe, be impossible to find Indians in the higher ranks of the Civil Service, now serving in other Provinces, to act as Magistrates in so small a number of districts, and Indians already fill with honour a considerable number of District Judgeships. It is not incompatible with my proposal that there should be a transitory administration in which the Chief Commissioner and some of the Secretariat should be Englishmen. There are Englishmen in the Covenanted Civil Service who are admirably fitted by temperament as well as by capacity to initiate their Indian juniors into the higher branches of administration, and many of these men would warmly sympathise with a well-considered plan for placing Indians in positions of greater responsibility.

"While putting forward this suggestion I wish emphatically to dissociate myself from those who think that the administration of the country would be improved by reducing the number of Englishmen in Government employment. I am myself in the service of a governing body which is composed wholly of Indians, and of their own initiative my employers (who are a very representative body of men) are continually urging upon me the importance of adding more Englishmen to the staff of the College ; if these gentlemen find that, in so comparatively unimportant a concern, their interests are best served by employing the expensive Englishman in preference to the cheaper Indian, I cannot believe that the State can afford to reduce the number of Englishmen in its employment."

"But I should be glad to think that the efforts of the Government to elevate the people were not confined to imparting instructions in science and scholarship, but also comprised the far harder task of fitting them worthily to fill the highest offices in a civilized State."

The Hon'ble Mr. PEDLER said :—"My Lord, the Financial Statement made at the meeting of this Council last week was of so satisfactory a nature

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that it almost renders comment superfluous. It must be a source of the very greatest satisfaction to Your Excellency and to the Financial Member that the figures given in the Budget testify to the existence of prosperity in almost every part of India, and that so far as can be foretold the coming year is likely to be equally prosperous. It is, I imagine, the lot of few Indian Finance Ministers after having had to provide for an expenditure much larger than usual, still to be able to be generous in making liberal grants in settling certain Provincial contracts and also to have a most comfortable surplus to fall back upon after meeting such abnormal expenditure.

"In arranging the new Provincial Settlements I understand Bengal is to receive an additional lump grant of a third of a million pounds sterling, a sum which can be very well utilized in that Province in pushing forward various most necessary and urgently required reforms.

"It appears to me too the Government of India has taken a most important step in the matter of these new Provincial Settlements, a step which will have the most beneficial and far-reaching consequences in the development of the country. Indeed, the influence of this change of procedure is to my mind one of the most remarkable features in this Financial Statement.

"The Financial Member remarked at the time of making his statement :—

'It cannot be said that the system of quadrennial settlements proved satisfactory, for with such a short period of settlement it inevitably occurred that in the first year of the term the Local Government was necessarily feeling its way under new conditions and cautious about expenditure, while in the last year, if, as was generally the case, the balances were large, there was a natural tendency to extravagance lest the terms of a new settlement might reduce resources for expenditure.

'The object of the arrangements now proposed is to give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving expenditure with greater certainty as to future means of providing for their execution and at the same time have a more permanent interest in the growth of assigned revenues.'

"The previous system adopted by the Imperial towards the Local Governments and the system which still exists in the relations between the Local Governments and the various Departments working under them has always seemed to me to be anomalous and the principle underlying these arrangements to be distinctly unsound.

"The old system of the quinquennial settlements can be compared with the case of a wealthy father who says to his son who is setting up house for himself,

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I will give you a certain income for the next five years, but at the end of that period, if you have any cash balance left, I shall ask you to refund it to me, and as that balance will show me your income is too large for your wants, I shall probably reduce your future income by a corresponding amount. I am sure the natural outcome of such an arrangement would be that towards the end of the agreement the son would certainly not be inclined to save money or to be economical, but would spend every penny he was entitled to in order to prevent his future income from being reduced.

"Was not this the exact position between the Imperial and Local Governments up to the present new arrangements, and is it not also the position between Local Governments and the Departments serving under them at the present time, except that in the latter case the settlement is annual. If the change now introduced in the financial relations between the Imperial and Local Governments is pushed to its logical conclusion, it should, I think, be applied as far as is possible to the relations between the Local Governments and their subordinate Departments and even also in the sections of such Departments.

"Hence, it appears to me the principle now approved of by the Government of India is a most important one and may have the most far-reaching consequences in making towards steady continuity of work and real economy in carrying out all important developments, and I feel sure the principle will in the future be extended in various directions.

"There are a few special points in the Budget Statement to which I should like to make a passing reference. The Hon'ble Sir Edward Law drew special attention to what is being done by Government in the matter of agricultural enquiry and development, and there were few more important parts of his speech than those in which he indicated very briefly what had been settled as to the new Agricultural College and Research Institution at Pusa. I look upon it that this will form an entirely new departure in Indian agricultural work and, with research and teaching of a high order which will go on hand in hand in the future, the possibilities of advance are enormous. Hitherto in Bengal the only attempts at giving an agricultural education have been made at the farm at the Seebpur College, but this experiment has been far from a success from the unsuitability of its surroundings and from other defects. It is hence proposed that the Seebpore agricultural class shall be closed when Pusa starts work. In the future, with the highly qualified staff and the improved educational opportunities at Pusa, the training in agriculture of Indian students,



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and specially of those in Bengal, should give a wonderful impetus to Indian agriculture, and should open out new fields of work. One of the instances of such research dealt with by the Hon'ble Member shows how much can be done by expert attention to details in any industry, and he indicated how by improved processes of indigo-cultivation and manufacture and by improvement in the general management of the industry the fierce competition from synthetic indigo has been and is being met. He mentioned, it is true, that prices have now fallen largely and that the synthetic indigo had been reduced from a price of 17 pence a pound to 8 pence a pound; so that it is clear the competition has been and is most severe, but Sir Edward Law holds out the hope that by further improvements the natural product may still hold its own in competition with the artificial. Every one interested in this industry in India will be glad therefore to know that the fight is to be continued, and that Government is trying its best to help in the matter by the grant of substantial assistance.

"It must not, however, be forgotten that we have already had parallel cases in history and that thirty years ago the madder industry in Europe passed through a similar trial. The colouring matter of madder was first chemically isolated and its inner constitution accurately determined. Two German chemists later on worked backwards from the colouring matter of madder, which is called alizarine, to one of the constituents of coal-tar, and then proceeded to reverse the process and work from anthracene, the coal-tar body, up to alizarine. This colouring matter was thus synthetically produced from coal-tar, but at first by an expensive process so that it could scarcely compete with the natural dye, but improvements in the manufacture of the artificial dye were soon discovered in England which resulted in its cost being largely diminished. Up to this point the parallel is complete. The price of the artificial dye alizarine was not reduced suddenly but only by slow degrees, so as to keep its price about the same or a little lower than the natural product, and thus the artificial alizarine gradually drove a large part of the madder industry entirely out of existence. In these days of rapid advance of chemical science it is well to be forearmed, and hence every help should be given to the indigo industry to enable it to maintain its present position as long as possible. It would of course be madness to give up the struggle at present, but as science advances this might become inevitable. Even sugar, to the cultivation of which many indigo-planters are turning their attention, may in the future come to be a chemically synthesized product, for one of the forms of sugar has actually been synthetically produced within the past few years, but by a most difficult and troublesome process. There is no danger in the direction of producing synthetic sugar on a manufacturing scale at present.

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“There are many other points in the Financial Statement which show how large-minded are the views of Government and how desirous Government is that true progress should be made in all directions. Most liberal grants are being made for the fostering of science and culture in the matter of aid to museums. Prominent amongst these grants is that of five lakhs to the Imperial Museum and that of one lakh to the Zoological Gardens of Calcutta. As a member of the governing bodies of both these institutions I cannot help expressing the warmest thanks for this most liberal help which will place these institutions on a much more satisfactory basis than hitherto. In the case of the Imperial Museum it is hoped to practically rearrange it and to make it not only more valuable and useful from a scientific point of view, but also to make the Museum more popular and attractive. With this large grant it is hoped most valuable scientific work may be done. In the case of the Calcutta Zoological Gardens, for a long time many of the animals have been housed in such a manner that it must have been most unhealthy and even cruel for the animals which are kept in captivity, the cages being in many cases much too small for the free movement of the animals in them. The grant of one lakh will enable much to be done and will make it possible to show the animals under much more healthy and happy conditions. The public of Calcutta will also be deeply grateful for the most liberal grant of fifty lakhs as a contribution made towards the improvement of this town, but it is scarcely my province to criticise this section of the Budget.

“The Government of India has done so much during the last two or three years towards putting education on a more satisfactory basis, and has recently spent so much time in educational debates that I scarcely like to take up the time of the Council by again entering into any detail on this subject. Education is, however, such an important matter that I may be pardoned if I say a few words specially on the ground that the subject is really one in which every thinking person is vitally interested. Education, however, frequently suffers for the fact that its effects are not always to be seen on the surface. Most of the points dealt with in a nation's financial statement represent matters in which an immediate return can be looked for corresponding to any increased expenditure. Thus, when a certain sum of money is devoted, say, to improve the prospects of, or to increase the number of, men in the executive services, an immediate result can be seen in the improvement of such services and in the quickness of despatch of Government business. An increase of expenditure on education, on the other hand, does not show itself at once but only after the lapse of some time or it may be only after a generation. If I were to state facts broadly I should say while it is the executive services which are responsible for the well-being, progress and order

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of the present time, it is on the nature and extent of the education which is now being given that the future of the Indian nation will depend. Proper systems of education now will mean the future success of Government, the future commercial prosperity of the nation and the happiness of India. Improper education will mean the opposite. Hence the strong plea which I put forward for the continuance of the more liberal treatment which education has secured within the past two or three years and for a still more liberal treatment, if that is possible, in the future. The experience of European nations has shown that progress and prosperity are intimately bound up with facilities for, and the development of, education, and that without appropriate educational arrangements commercial and industrial progress is paralysed. England has recently become awake to this fact and is now putting forward immense efforts in the direction of specialized education, and it is for India to follow on in the same lines as rapidly as circumstances will permit. Money spent on education, whether it is by a parent in the case of a single child or for the children of a nation by the nation itself, is the best laid out money it is possible to conceive. India wants more education of all forms, from the highest to the lowest, for all classes of individuals and as a preparation for all forms of work.

"I would therefore express the hope that with the continued improvement of the finances of the country which is foreshadowed in this Financial Statement Government will see its way to foster and develop education to a still large extent than has already been the case. I need give no details of requirements in such matters, but to any one interested in education it is clear on all sides improvements and advances are possible. We want better colleges, also training colleges for teachers, better schools, and more practical courses of education; we also want more contented and better paid educational services, more inspectors, and more highly paid and more highly trained teachers, and many more of them. We want a larger proportion of boys to come to our schools than is the case at present, and still more do we want to see in India as many girls at school as there are boys. For all these money is wanted, and I trust as time goes on it will be made available."

The Hon'ble MR. ADAMSON said :—" My Lord, there are three points in connection with Burma, the province that I represent, on which I desire to make a few remarks. The first is the European police. The police throughout India are anxiously awaiting the issue of the report of the Police Commission, and the action to be taken thereon. From the answer to a question asked recently in this Council, and from the answer to a similar question asked in Parliament,

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I infer that there may be considerable delay in issuing the report and taking action on it. But the European police in Burma are in a far worse condition than members of their service in other parts of India, and their case urgently demands an early remedy. Memorials were submitted by them in 1901 and 1902, and it was practically admitted that they had grievances which required early action. But as the Police Commission was about to sit, orders were deferred until their recommendations were received. The result is that up to date nothing has been done, and the facts which I am about to mention will show that the position of the Burma police is a very hard one. There was a very large increase in the European staff immediately after 1885 when Upper Burma was annexed. The addition consisted of young men fresh from English public schools. The consequence of a great number of young men of about the same age joining almost simultaneously is that there is a very serious block in promotion. This fact cannot be better shown than by a perusal of the last quarterly civil list of Burma. It shows that in the lowest grade of Assistant Superintendents, whose pay is Rs. 300 a month, the lowest officer has 16 years' service. Beneath him there are numerous officiating Assistant Superintendents drawing Rs. 180 a month, whose average service is 14 years. The total number of District Superintendents is 40, and of these as many as 23 are in the lowest grade drawing Rs. 600 a month. The pay of the highest grade of District Superintendent is Rs. 900 a month, as compared with Rs. 1,000 in other provinces of India. Owing to the block of promotion only four officers must retire on account of age within the next five years, so that by 1909 every Assistant Superintendent in the force will have over twenty years' service. All this happens in a province where the necessary cost of living of a European is at least 75 per cent. higher than in the average province of India. The men who are in this lamentable position, living from hand to mouth, unable to afford to take furlough, without even the prospect of earning a full pension, are the survivors of the men who took the most prominent part in adding Upper Burma to the Empire, and who saved Lower Burma when it was in the throes of a rebellion that has not had its parallel in any province of India since the days of the great mutiny; for, as every one who knows the history of Burma is well aware, the third Burmese War was essentially a policeman's war. It is unnecessary for me to enlarge on the subject. The memorials of the police-officers and the reports on them are in the hands of the Government of India, and clearly and completely state their case. I desire to urge the strong necessity for taking immediate steps to improve the condition of the European Burma police without waiting any further for the result of the Police Commission, which has already

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deferred for long a question that, but for the existence of the Commission, would have been recognized years ago as admitting of no delay.

"The second point to which I desire to refer is the importance of pushing on railway construction in Burma. For the last two years practically no railway construction has been going on at all. At the present moment there is not a yard of railway under construction, although the projects for the Pegu-Moulmein line and the Henzada-Kyangin line have been approved. The reason is that the Burma Railway Company were not prepared to construct these lines on the terms provided in their existing contract. New terms have now been suggested by the Secretary of State to which the Company have agreed, and these new terms are to apply to—

- (1) the Pegu-Moulmein line,
- (2) the Henzada-Kyangin line,
- (3) the Daga loop to the Henzada-Bassein Railway.

It is to be hoped that work on the first two of these lines will be begun this year. A survey is at present being carried on of a railway to Arakan, and I understand that the Engineer, Mr. Lilley, has obtained an excellent length through the Yomas from Prome, which with a tunnel of 4,000 feet long will not involve a rise of more than 1,800 feet. The surveys will probably be ready soon. The Southern Shan States line to Taunggyi has been surveyed and estimated on the 2'6" scale, and the estimates have been received. The Chamber of Commerce is strongly pressing for this line, and Sir George Scott, the Superintendent of the Southern Shan States, who has a unique knowledge of the country, believes that it will pay. If it can get to the plateau through the Terai as far as Kalaw, it would cost only 45 to 50 lakhs. This line would open up the Southern Shan States with its fertile soil and European climate, and would give a great opening for European enterprise. It might advantageously be included in the new terms, and work on the Pegu-Moulmein, Henzada, Kyangin, and Southern Shan States lines might be commenced simultaneously, and before the Daga loop which has not yet been surveyed. Later on will come the Arakan railway, the estimates for which are being prepared. To show the enormous advantages of railway communications in Burma I will take the cases of two districts, Tharrawaddy and Toungoo, where water communication is deficient. In Tharrawaddy the land-revenue has increased from two lakhs to ten lakhs since the railway was opened 27 years ago. In Toungoo, since the

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railway was opened twenty years ago, the population has nearly trebled, cultivation has quintupled, and the revenue has been multiplied eleven times. Of course we cannot expect these results on lines outside the delta, or rather outside the plains of Lower Burma, but there is little doubt that, if indirect returns are taken into consideration, the railways which I have mentioned will eventually pay. Above all I desire to urge that now that the Government and the Railway Company have come to terms adequate grants should be given at once to enable the railways to which the terms apply to be completed as soon as possible. It would be a thousand pities if we are to lose the whole of this year owing to grants not being forthcoming.

"The third point that I desire to mention is the importance of a liberal expenditure in Burma on public works generally. During our last provincial contract we spent over 70 lakhs a year on an average, and during the last two years we spent over 80 lakhs. Unfortunately we did not spend enough, and in consequence we ended the contract with a balance of 138 lakhs. The result was that in our new contract the standard figure for public works was fixed at 55 lakhs, and when a protest was made and a standard figure of 73 lakhs was asked for, the Finance Department naturally enough pointed to the fact that we had accumulated a balance which could be expended on public works. In the current contract we spent 94 lakhs in the first year, 97 in the second, and this year we shall spend about the same. We are therefore trenching largely on our balances, which will soon come to an end, and when they do we will have to restrict our public works very largely. Bengal spends about 55 lakhs, but the important point to us is that all work in Burma costs double what it does in India. Consequently 55 lakhs in Bengal is equivalent to 100 lakhs in Burma. We also are an unequipped province. Cultivation and population are rapidly extending, all of which means heavy expenditure on both buildings and roads. Hitherto in this respect the province has been run very much on the cheap. Many of our officers still live in mat houses. Many buildings in Lower Burma require renewal—among others the police buildings, many of which are falling to pieces; and the requirements for satisfactorily housing the police are estimated at at least 17 lakhs. In the province of Tenasserim there are few roads. The large district of Mergui has only about eight miles of road. In Lower Burma we have no great open plains, as we have in India, and we cannot expect forest to be cut down and waste-lands to be cultivated if communications are not provided to enable produce to be brought to the market. No doubt Burma revenue is increasing rapidly every year, but it will increase still more rapidly with liberal expenditure. Though Burma is a rich country it is undeveloped. The demands

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for absolutely necessary expenditure increase as fast as the revenue. But it is a country that would pay to develop, and the Government of India should deal with it liberally. I may mention a few big works that must be undertaken soon, *vis.* :—

The Chief Court . . . . .	12 lakhs.
Completion of public offices . . . . .	16 "
General Hospital, Rangoon . . . . .	20 "
Provincial Museum . . . . .	7 "
Barracks for military police, Shan States . . . . .	8 "
TOTAL . . . . .	63 "

"It is difficult to see how these big projects can be carried out without starving the ordinary public works requirements for the districts unless Burma is liberally dealt with. Burma is a distant province. It is not under the immediate eye of the Government, and its capabilities are not always very well understood, or invariably kept in mind. What I desire to urge is that in Burma the Government have a magnificent country with a soil and climate that will respond at once to every effort of development, and that the best policy towards it is a wise liberality in all financial matters."

The Hon'ble NAWAB SAIYID MUHAMMAD said:—"My Lord, the time has again fortunately come round for congratulating Your Excellency's Government and the Hon'ble Finance Member upon a most satisfactory Budget. The revised estimates for the year which has just closed show a surplus of £2,711,200, which is higher by £1,762,500 than the sum estimated in last year's Budget. This increase is the more remarkable since the Hon'ble Member found it safe to announce a reduction of taxation last year. In exempting incomes below Rs. 1,000 from taxation a definite loss of revenue was expected, but even under this head the actual loss has been less than the estimate. Of far more importance and much wider in effect was the reduction of the duty on salt by 8 annas on the maund. A loss of revenue under this head also was estimated for in last year's Financial Statement, but, as announced by the Hon'ble Finance Member, the actual loss has been less than what was anticipated. And the loss would have been still less but for the unfortunate accident by which the salt stocks in the Bombay Presidency were damaged. This, as the Hon'ble Member says, had the effect of causing 'a scarcity and considerably raising prices in that part of India and thereby unduly checking consumption.' Nevertheless, an increase of 429,218 maunds over the figures of the previous year is reported. Though this may not represent the exact increase in consumption,

it must be regarded as some indication in that direction. Considering that salt is an absolute necessary of life and the tax presses most heavily on the poorest section of the population, the Government wisely determined upon a reduction of this tax when the prosperous state of the finances permitted it. Any reduction of this tax must necessarily stimulate the consumption of salt. In summing up the debate on the Financial Statement last year Your Excellency observed :—‘ Some fear has been expressed that the benefits of the reduction on the salt-tax may be frittered away before they reach the consumer. But if we examine the result of what happened at the last reduction in 1882, and again when the duty was reimposed in 1888, we find good reason for thinking that a difference of 8 annas per maund does filter down to the people, and is reflected both in the price of the commodity and in an increase or decrease of consumption.’ While this is undeniable the fear to which Your Excellency referred is not quite without foundation, since we have the authority of the Hon’ble Finance Member who says in his present statement :—‘ The reports furnished are fairly unanimous in their conclusion that an immediate gain as regards the number of seers purchaseable for a rupee was secured by consumers who were in a position to buy salt by the seer, while it is generally held that a smaller, though direct, gain was also secured by all who were in a position to purchase salt by weight and as a commodity by itself. Unfortunately, however, it would not appear that the natural reduction in price has so far fully reached those consumers of the poorest classes who take their salt in doles from the *bantias* along with other articles. It may be anticipated that in due course the influence of competition will make itself felt in favour of the last class also.’ Until that happens the real object of the reduction in the tax will not have been gained. Salt is not an article which can be abused, and the increased consumption merely shows that formerly all classes of people could not afford to consume the quantity of salt necessary for the proper maintenance of health. Having regard to the state of the finances and the steady increase of revenue, which has already been tried by the severe test of one of the most terrible famines of all time, I earnestly trust the Government will, at no distant date, sanction a further reduction in the salt-tax, so that salt may become really cheaper for the great mass of the population, who have no other option but to take their salt in doles from the seller. This appears to be the more feasible since, in the long run, the surrender of revenue will not be very considerable as the reduction of the tax is likely to be compensated, in a gradually growing measure, by the increase in consumption.

“ My Lord, the next feature of the Financial Statement about which I should like to say something is the question of Provincial Settlements, formerly known



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as Provincial Contracts. The Hon'ble Finance Member observes that the system of quinquennial revisions has not proved satisfactory, as, indeed, is shown by the experience of 27 years. In the first year of the term the Local Government was cautious about expenditure while there was a natural tendency to extravagance towards the end of the term. In support of this view the Financial Secretary in his statement quotes a passage in which the following sentences occur:—'Each Local Government is supposed to be free to enjoy the fruits of its economy, or of the successful nursing of its revenues. But in practice its term of enjoyment is limited to five years, or, more correctly, to the last two or three years of the term of settlement, for during the earlier years it has usually little margin to spend. It is, therefore, under constant temptation to spend its money, not on carefully matured schemes of well thought-out improvement, but on such as can be carried through before the close of the settlement, in order to leave as small a balance as possible for resumption at the impending revision.' This is one way of looking at the question. From the point of view of the Local Government it may be said that it found by experience that the Imperial Government was usually inclined to resume the balance left at the end of the term. Consequently, the inducement to the Local Government for husbanding its resources and setting aside a large balance when the period of revision approached was not very strong. A very interesting and succinct history of provincial finance is given in the statement of the Financial Secretary, who also describes the changes that have taken place in the system and the apportionment of revenue and expenditure between the Imperial and the Local Governments. In the new system that is being introduced the limit of five years has been abandoned and a permanent settlement subject to certain conditions has been made. The new arrangements proposed, to quote the Hon'ble Finance Member, will 'give as great permanence as possible to settlements, so that Local Governments may be able to form plans involving expenditure with greater certainty as to future means of providing for their execution, and at the same time have a more permanent interest in the growth of assigned revenues. It is evident that the Imperial Government cannot undertake any absolute obligation to maintain at all times a definite proportion between the share of increase of revenues assigned to provincial administrations and that which it is necessary to retain to meet the growth of Imperial expenditure, and it must always reserve the right to make either special temporary or more permanent reductions from provincial revenues, if the exigencies of the State should require such measures.' This leaves the position of the Local Government somewhat uncertain, since, although there is the likelihood that the new arrangement may not be disturbed for

several years, there is also the probability that the terms of the settlement may be revised at any time, even within a period of less than five years. I notice also that the proportion of allotment varies in different provinces: in the divided heads of revenue three-fourths are assigned to the Imperial Revenue and one-fourth to the Local in Bengal, the United Provinces, Bombay and Madras; in the Punjab and Burma, five-eighths to Imperial and three-eighths to Local Revenue; and in the Central Provinces and Assam the proportion will be half Imperial and half Local. The Hon'ble Finance Member will, I hope, favour the Council with the reasons for the difference in the proportion between the various provinces. I recognise fully the generous treatment accorded to the Provinces where the new settlement has been already introduced in making to them initial grants of 50 lakhs each in the case of Bengal, Madras and the United Provinces and 20 lakhs to Assam. At the same time, by the alteration made in the shares, the Local Governments, under the new arrangement, will receive a smaller share for some years than they would have received had the old arrangement been maintained. That being so, it is to be hoped that the permanency of the new arrangement will be real, and the contingency of the Government of India revising the settlement will seldom arise.

"It is gratifying to find that of the rupee loan of three crores which it is proposed to raise in India about half will be spent on Irrigation Works, provision having been made for Rs. 1,25,00,000 in the Budget. So far the increase in the revenue from irrigation is derived chiefly from the Punjab, where irrigation works on an extensive scale have been established and are being extended. In a country like India, where the Government as well as the people are but too painfully aware of the terrible calamity that comes in the wake of the failure of the rainfall, irrigation is justly regarded as the only safeguard against the uncertainty of the monsoon. It will be long before the whole of this vast country can be covered by a network of canals, if indeed, all tracts of country can be placed within reach of irrigation works, but we gratefully acknowledge all efforts that are made to extend irrigation works in different parts of the country. Apart from the fact that the spread of canalisation and every other form of irrigation is a help to the solution of the gravest problem the Government has to face in this country, namely, the uncertainty of the periodical rainfall, irrigation works are distinctly reproductive and are certain to yield a fair interest on the capital investment. As the Hon'ble Sir Denzil Ibbetson said last year:—'Nothing was impressed upon me more forcibly, when serving upon the Irrigation Commission, than the large scope which exists for the immediately profitable expenditure of capital upon minor irrigation works to the advantage both of Government and the people.' With the light thrown on

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the subject by the labours of the Irrigation Commission, with the funds about to be raised for the purpose, the Government should be able to proceed to give effect to Your Excellency's words spoken last year:—'We shall have to set to work to provide for every province its reasoned programme of tanks, or reservoirs, or wells, or canals, mapped out over a long series of years, and devised with strict regard to the experience or the exigencies of drought.' I am glad the Hon'ble Finance Member has drawn attention to the experiments made in the Madras Presidency in minor irrigation of drawing water from wells by oil engines and windmills, specially by the former. It is necessary that minor irrigation works should receive as much attention as major irrigation works, for both are of equal importance, though the latter of course are of larger protective value.

"My Lord, in bringing the lengthy debate on the Financial Statement last year to a conclusion Your Excellency made a pointed reference to one of the most serious problems of the administration—a problem which has been constantly before the public and the Government and which has been urgently pressing for a statesmanlike solution. Your Excellency said:—'There is a subject long under our notice, which we hope to deal with in the ensuing year. This is that of the union or separation of judicial and executive functions.' After referring to the great diversity and difference of opinion on the subject, Your Excellency concluded by saying:—'But the question is of great importance, and, whatever our ultimate decision may be, I should like it to be taken up and dealt with in my time.' Among the many expressions of opinion that the Government of India has received upon this question some are constructive as well as critical, showing how a separation between the two functions may be effected, with little or no additional expenditure. The question is one that goes down to the very root of the administration, and the general character of the prevailing difference of opinion may be easily described by saying that while the separation of the two functions is being urged, in the main, from without, the administration it is being resisted, also in the main, from within, the administration. There is nothing unusual in this fact. Whenever a reform of the first importance has been proposed—a reform likely to bring about a radical change in the existing state of things—it has been strenuously opposed by those whom it is likely to affect, in their opinion, in a prejudicial manner. On the other hand, the proposed reform is in strict conformity with the instinct and genius of British administration and also in accordance with the highest justice and the truest statesmanship. Without presuming to anticipate the ultimate decision of Your Excellency's Government, I may respectfully point out that the question is one of reform, and not a

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choice between two courses of action. It is not as if a new system of administration were about to be established and the question for decision were whether executive and judicial functions should be united or separated. The two functions have been long united; the present system has had a very long trial. If it is found, as is contended, that the union of the two functions is not conducive to good administration, then their separation should be effected; if the present arrangement is found the best, of course it will not be interfered with. In the former case such opposition as I have indicated will have to be counted with, but that having been overcome the matter will have been set at rest and the Government will have accomplished a reform which will earn for it the never-ending gratitude of the country and the approbation of history; in the latter case it will amount to the adoption of the line of least resistance, but the question will remain precisely where it is now and will not have been closed.

"My Lord, only one word more and I have done. The increase in expenditure on the army over the estimates for 1903-1904 is shown at Rs. 1,37,69,000, the principal item being the increase in the salary of the British soldier. While regretting the enormous addition to the permanent recurring military expenditure I cannot help recalling the fact that but for the firm and courageous opposition offered by Your Excellency's Government the finances of this country would have been further burdened with the charge of a large resident garrison in South Africa. There was a determination, in disregard of every principle of justice and equity, of saddling India with the cost of an establishment which has not the remotest connection with this country, which owes to Your Excellency's Government an immeasurable debt of gratitude for the unflinching and successful resistance offered to that attempted impost."

The Hon'ble MR. CABLE said :—"My Lord, it must be, I am sure, extremely gratifying to the public generally that the Hon'ble the Finance Member is once more in a position to place before us what may be fitly described as a prosperity Budget. Speaking on behalf of the commercial community, I venture to offer to the Hon'ble Member our hearty congratulations on the handsome surplus. I notice, however, that of this surplus a large portion, which has accrued from profits, will be devoted to railway construction: in other words, the Hon'ble Member proposes to add to block out of revenue. I should be the last person to oppose the fullest possible expenditure on railways. On the contrary, I take the earliest opportunity of expressing my appreciation of the present liberal railway programme; but it appears to me that funds for such purposes might be more properly raised exclusively by loans. Our balances would then be available for the remission of taxation, or for

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the formation of a liquid reserve fund. Such a fund, which should be kept within suitable bounds, would accumulate in fat years, and would serve to counterbalance deficits in lean years; and thus impart to Indian finance an equable stability which would of itself be, I venture to think, a valuable asset in the London market. At the same time constant changes in taxation, which in an Eastern country are much to be deprecated, would be avoided. I am aware that my suggestion may not be entirely in accord with the principles of sound Western finance; but I respectfully submit that the same remark applies with equal force to the present methods of Your Excellency's Government under which profits are devoted to block expenditure. I observe also that, owing presumably to the financial policy of the Government, the closing balances at the end of the year 1904-05 will, it is estimated, be about £3 million less than at the end of the year 1903-04. This appears to me to be a serious matter, particularly in view of the hesitation and difficulty experienced in meeting the demands of trade for telegraphic transfers in January last. My views are not altogether those of my Hon'ble friend Dr. Mukhopadhyaya as expressed today, but I think we both desire the same result, although we approach the matter from a different standpoint.

"My Lord, before leaving the subject of accounts, I would beg leave to tender to the Government the hearty thanks of the mercantile community for the donation of fifty lakhs to the scheme for improving the insanitary areas of this city. I would also venture to ask if the Hon'ble Member will be pleased to afford some information as to the present position and future prospects of the negotiations for a new mail contract between India and the United Kingdom.

"At the instance of the Hon'ble Member the question of establishing a combined Mint to supersede the two Mints at present in existence has been from time to time very seriously considered by the commercial community; and I am bound to say that there is among all classes a growing feeling, amounting almost to a positive conviction, that in view of the great area of this country and of the peculiar circumstances of our rule here, it would be a mistake to be entirely dependent upon one Mint only for our coinage. For instance, and by way of illustration, let us assume the occurrence of a period of internal commotion or mutiny in the country. At such times currency is as much a munition of war as are shot and shell; and the paramount importance of having two Mints instead of one for the production of coin would be then immediately manifest.

"My Lord, the statement of the Hon'ble Member with reference to the income-tax is a frank declaration that that tax should continue to be levied as a

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permanent impost, and the Hon'ble Dr. Mukhopadhyaya has addressed forcible remarks to this Council on the subject today with which I find myself in agreement. This Council is aware that when the income-tax was introduced the chief justification for it was found—I quote the words of the Marquis of Dufferin—'first of all in the extraordinary fall of silver which has recently taken place and in the uncertainty which prevails as to the future fluctuations which may affect its value.' My Lord, by reason of the currency legislation of the Government, fluctuations, such as those to which Lord Dufferin referred, are no longer possible; and consequently the argument based upon their existence disappears. But at the same time I desire it to be understood that the commercial and trading communities by no means wish to shirk their fair share of taxation. Their objections to the tax are based on the ground that it is unsuited to the circumstances and conditions of this country; that it is inquisitorial in character; that it is largely evaded; and that it is therefore unfair in its incidence. It is upon these grounds that hopes have been entertained for some years past that if circumstances permitted the tax would be removed. I would now ask if we are to take the declaration of the Hon'ble Member as setting the Government seal upon the permanency of the tax; for to my mind in matters of taxation a feeling of uncertainty should be always avoided if possible.

"The Hon'ble Member has made a remarkable statement regarding the cotton excise-duties. The commercial public must have deeply regretted to hear those duties defended on grounds of principle. Hitherto it has been always understood that they were levied as a sop to Lancashire; and I feel bound to protest against their being regarded—and they evidently are so regarded by the Hon'ble Member—as being in any way a legitimate source of revenue. The Hon'ble Member states that the freight and other charges outwards on cottons constitute of themselves a sufficient protection on our Indian goods. I beg leave to differ upon this point, for, apart from other considerations, the law of surplus production, as it may be called, must be reckoned with. Countries like England, where industries are thoroughly well-established, and have reached a great pitch of perfection, are able to produce far more than is necessary for home consumption. Consequently they easily can, and undoubtedly do, often sell to foreign countries at absolutely cost prices in order to keep mills running. The Hon'ble Member observes that a certain amount of revenue is necessary for the administration, and he then goes on to say that as Indian industries develop and check imports, there must be a steady decline in customs returns for which some taxation must be framed; and the trend of his remarks leaves no room for doubt that he looks to excise-duties to fill the gap which will thus be-

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created. Where, I would ask, in the slender ranks of our Indian industries, may we expect the next blow to fall? Not, I trust, on, for instance, the paper-making industry of Bengal, because the paper-mills here are, I am told, barely able to pay expenses, by reason of the fact that the Austrian mills are, in spite of the 5 per cent. import-duty, dumping their surplus here at ruinously low prices. The indigenous industry is thus being ousted by cheap importations of a foreign made article; and surely in these circumstances the Hon'ble Member would not suggest that a duty upon paper could be justified as a legitimate source of revenue. The fact is, my Lord, that our nascent industries require, and I think may fairly claim, a certain amount of sympathetic consideration; at any rate our policy should not go beyond what we ordinarily understand to be free trade principles.

"My Lord, the figures of coal exports given by the Hon'ble Member are certainly striking, inasmuch as they show, at least in my opinion, that the export trade in Bengal coal has almost reached its zenith. The Hon'ble Member has made certain remarks as to the quality of the coal exported; but I can assure him that during the last two years at all events practically none but the best qualities have been exported, for the simple reason that only the best have found a sale. In the meantime Cardiff coal is being delivered in increasing quantities at Colombo, while down the coast wood fuel still continues to be used. The trade at the present moment presents a very curious spectacle. On the one hand, collieries in Bengal are, with few exceptions, being worked on the barest margin or being closed altogether, while, on the other hand, as I have before remarked, coal from abroad is being delivered almost at our doors. It follows, therefore, that if it is desired to change this unfortunate state of things the transit charges on the product must be reduced. If not, the export trade in coal will not materially increase; and an increasing export trade is fast becoming a vital consideration for the Bengal coal-fields. The inland demand for Bengal coal is in danger of being curtailed by the development of coal-fields in the interior of India; and Bengal coal has already begun to be displaced at Cawnpore by coal from Daltongunge, while similar displacements will probably ensue elsewhere. If I venture to allude to the fact that my prediction of three years ago as to the future of the export trade in Bengal coal has been fulfilled by the figures now before us, I do so merely with the object of adding some weight to my opinion that the palmy days of the Bengal product may be regarded as past, unless important reductions in transit charges can be made. I offer these observations quite as much in the interests of the railways as of the coal trade itself; and, although there is no need for precipitate action, there are abundant reasons for immediate investigation. Upon this point—I mean the reduction of

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railway freights—I am glad to find that the Hon'ble Member is in full accord with the mercantile community. Coal is, after all, only one branch, and that but a small branch, of our vast trade; and the recognition by the Finance Minister that we must in future reckon with the cultivation of new lands in foreign countries and must meet that new competition by improvements in our communications in India, and by reductions in our railway tariffs, may, I hope, be regarded by the mercantile community in the light of a definite promise upon this important question, which will, I imagine, be agitating the Indian Chambers of Commerce during the year.

“On the question of agriculture, I desire to associate myself, if he will permit me to do so, with the remarks which have fallen from the Hon'ble Mr. Hamilton, who has made the subject his own by great study and personal interest. I feel tempted to cap his quotation by one from a more modern authority: it was the Right Hon'ble Mr. Jesse Collings who said that the true position of agriculture in the world's industries is manifest when it is considered that all manufacture is only the manipulation of produce and all commerce is merely its distribution. The question is not only of paramount importance to India, but has become of Imperial concern, the tendency of modern political efforts being entirely in the direction of the absolute independence of the whole British Empire in the matter of food-stuffs and raw produce. Now that the Government of India are paying such great attention and upon such wise lines to the development on a commercial basis of the agriculture of India, I am inclined to think that difficulties may arise unless the principle is thoroughly understood and accepted that commerce and agriculture are in this country mutually interdependent. It appears to me to be unfortunate that in the existing organisation of Government these closely connected subjects are represented in different Departments. For to my mind the trade prospects in any particular product should always be permanently in the thoughts of those who are concerned with its cultivation, in order that its development may bear some relation to the possible demand for it. I merely venture to make these observations for Your Lordship's consideration, as I am convinced of the truth of the apt remark of the Hon'ble Member that 'the trader can make no profit which is not shared by the agriculturist: under present conditions in this country their interdependence is absolute.' Both Departments will be engaged on a mission having the same ends in view, and means should be taken to ensure that they should see eye to eye and work hand in hand.

“And now, my Lord, in conclusion, I beg to be allowed to congratulate the Government upon the prospects before them. The evidence of growing pro-



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perity as portrayed in the various tables given in the able and interesting Budget Statement before us are most reassuring, and must be a great source of pride and satisfaction to those who have been engaged in the government of the country during the recent times of trial. There is no sign of decadence in the country's forecast. Difficulties of course there will always be, but none which courage cannot surmount; problems will arise, but none that intelligence cannot solve."

The Hon'ble MR. GOKHALE said :—" Your Excellency, I join heartily in the congratulations which have been offered to my Hon'ble friend the Finance Member on the very interesting Financial Statement which he has presented to the Council this year. I think the Hon'ble Member has been the luckiest Minister that has ever held charge of the Financial portfolio in this country. Large surpluses have been the order of the day during his time. They indeed began before he took charge of his office. For the year that is about to close is the sixth year in succession when a large surplus has been realized. In the opening paragraphs of the new Financial Statement, the surplus for the closing year is shown at £2,711,200, *i.e.*, a little over four crores of rupees. But, as Mr. Baker points out in his note, the true surplus is about 6.72 crores and that of this sum special grants, aggregating 2.65 crores, have been made to Provincial Governments. We thus have the extraordinary phenomenon of a year in which taxes bringing in a revenue of close upon two crores of rupees were remitted, showing, in spite of the remission, a surplus of about 6½ crores. Never before, my Lord, were such huge surpluses realized in the history of Indian finance, and the fact that they have shown themselves year after year for six years in succession proves conclusively that the level of taxation has been fixed much higher than the needs of public expenditure require or the circumstances of the country justify. The surpluses of the last six years have aggregated nearly 29 crores of rupees. If we take the twenty years immediately preceding this period of six years, we find that the total of surpluses in those years was only 17½ crores and the total of deficits 19½ crores—or a net deficit of two crores. A total surplus of 29 crores in six years as against a net deficit of two crores in twenty years—this illustrates with sufficient clearness the startling change that has taken place in the position of the country's finances. What has brought about this change? There have been no sudden accessions to the wealth of the people, nor has a policy of severe retrenchment been adopted, resulting in a reduction of public burdens. On the other hand, the earlier years of the period were marked by two of the severest famines that India has ever known, causing enormous losses to the people in

crops and cattle, and necessitating a large outlay on the part of the Government for famine relief; and during the later years there has been a notable increase in public expenditure. How then have these large and recurring surpluses been caused? The explanation, my Lord, is not far to seek. For twelve years, from 1885 onwards, the country passed, financially speaking, through a period of exceptional storm and stress, the falling rupee and the failing opium causing the Finance Minister the utmost anxiety and giving him practically no rest. And the level of taxation had to be continuously raised so as to maintain, even in the most adverse circumstances, a budgetary equilibrium between the revenue and the expenditure of the country. The lowest point reached by the rupee was 13*d.* The lowest level reached by the opium-revenue was about five crores of rupees. Since then the rupee has risen to 16*d.* and has firmly established itself there, owing to the currency legislation of Government, and a rise of 3*d.* means a saving of about five crores in the remittances necessary to cover the home charges. There has also been a remarkable recovery in the opium-revenue, the figure for the closing year being actually over 8½ crores. The rise in the rupee and the recovery in the opium-revenue have thus brought about an improvement of about eight crores a year in the financial position of the Government of India. From this we must deduct about two crores, being the amount remitted last year, under the salt-tax and the income-tax; and if we assume that the normal increases in the ordinary sources of revenue go to cover the normal increases in expenditure, we get, on the present basis of taxation, an annual surplus of about six crores of rupees. It may, however, be urged that the improvement in the opium-revenue may not last and that it is not prudent to lower the level of taxation on the strength of the present improvement. Even allowing this to be so, we still have a large permanent excess of revenue over expenditure, and this excess fully justifies a prayer on the part of the people for further remission of taxation. The relief granted last year evoked a general feeling of gratitude throughout the country and nobody has forgotten it. Looking, however, to the prosperous condition of the national exchequer, we feel we are entitled to ask for a larger measure of relief. My Lord, in the twelve years of storm and stress to which I have referred, it was perhaps necessary for the Finance Minister to act on the safe, if somewhat over-cautious, plan of under-estimating the revenue and over-estimating the expenditure. But though the difficulties of that position have passed away, the tradition, once established, still holds the field. And our budget estimates continue year after year to be so framed as to show the smallest possible surplus, when everyone, including, I believe, the Finance Member himself, fully expects that a large

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surplus will be realized at the end of the year. My Lord, an equilibrium between the ordinary revenue and the ordinary expenditure is, of course, a necessity in a solvent nation's finance. Under favourable conditions, even extraordinary charges might be met out of revenue. And, further, to assure the position, a moderate surplus may be provided for. But anything beyond this is opposed to all the received canons of good finance. Nothing, to my mind, can be more indefensible than to raise from the people, year after year—as has been done for the last six years—a larger revenue than is fairly needed for the requirements of the country. As Major Baring (now Lord Cromer) put it in his Financial Statement for 1882-83:—‘It is, of course, desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable.’ The Hon’ble Member himself expressed a similar view in his Financial statement of last year. In announcing last year’s remission of taxation, he said:—‘In view of the present satisfactory situation, it is the opinion of the Government of India that it is neither desirable nor good financial policy to continue levying taxation at present rates, yielding such large recurring surpluses as have been realized during the last four years. It is true that our expenditure is necessarily increasing with the increasing development of the country, and some of our present sources of revenue do not show much sign of elasticity, but for the present our receipts are in excess of our needs, and even should it be necessary some years hence to seek the means of increasing revenue, we hold that we are not justified in continuing taxation at its present level during an interval, which we trust may be prolonged.’ My Lord, in a country admittedly so poor as India is, where, again, the people are just emerging from a series of calamitous years, it is essential that the weight of public burdens should be kept as light as possible. The existence of a large surplus is a direct invitation to the Government to increase expenditure, and further it constitutes a temptation to the authorities in England to try and shift a portion of their own burdens to the shoulders of the Indian Government. I cannot help wishing, therefore, that my Hon’ble friend had seen his way, in view of his large surplus, to recommending further relief to the taxpayers of this country. As the recurring surpluses have been made possible by the currency legislation of the Government, it is but fair that the class whose interests have been most adversely affected by that legislation—the bulk of our agricultural population—should receive the major portion of whatever relief is granted. My Lord, the fall in general prices, as a result of the artificial appreciation of the rupee, has, I think, already begun, however its operation may be hidden from view by other causes. The Hon’ble Member

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himself seems to recognize this, inasmuch as he warns us to be prepared for a decline of prices during the next few years. When the full effects of the currency legislation unfold themselves and the final adjustment of prices to the standard of the new rupee takes place, it will be found that a grievous addition has been made to the burdens of the agricultural producer and that virtually his assessment has been enhanced by nearly fifty per cent. The delay that has occurred, owing to various circumstances, in such adjustment taking place, has enabled some people—including even persons in high authority—to make very astonishing claims for the new rupee. Thus we find that the late Secretary of State for India, at the time of presenting the last Indian Budget to Parliament, expressed himself as follows:—‘While the exchange value of the rupee has externally risen, and has without difficulty been maintained practically at the rate of 1s. 4d., prices have not been adversely affected. In fact the prices of commodities of general consumption have risen rather than fallen. By reducing the number of rupees to be remitted to this country to meet gold obligations, surplus after surplus has been secured during the past four years. And the present remission of taxation is mainly due to the success of our present currency policy.’ I do not wish to trouble the Council with any lengthy discussion on this point, but all I would like to ask is, if the Secretary of State for India really imagines that such an impossible feat as that of raising the exchange value of the rupee without involving an indirect increase in the taxation of the country can be performed, what is there to prevent the Government of India from raising the rupee still higher—say, to 1s. 6d. or 1s. 9d. or even 2s.? The surpluses then would be even larger than now and as, according to Lord George Hamilton’s argument, no harm is done to anybody in India by such artificial appreciation, there is no reason whatever why such a wonderfully easy and simple method of increasing the resources at the disposal of the Government should not be adopted. I think, however, that the Lords Commissioners of the Treasury showed a better appreciation of the true effects of any artificial appreciation of the rupee than the late Secretary of State for India, when, in a letter, dated 24th November 1879, they wrote:—‘It appears too that the Government of India, in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their taxpayers. If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others, who desire to remit money to

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England, but this relief will be given at the expense of the Indian taxpayer or with the effect of increasing every debt or fixed payment in India, including debts due by raiyats to moneylenders.' I submit, my Lord, that there should really be no difference of opinion on this point, and that the authors of the currency policy should freely admit that whatever its counterbalancing advantages may be, that policy involves a most heavy indirect addition to the burdens, especially of the agricultural population, when its full effects manifest themselves. Of course we all recognize that a reversal of the currency policy, adopted more than ten years ago, is not now within the pale of practical politics. But that only imposes upon the Government the responsibility to take every opportunity that offers itself to grant such relief, as may be reasonably possible, to those to whom the State undoubtedly owes some reparation.

"My Lord, I think that three particular forms of relief may be specially suggested for the consideration of Government on the present occasion. The first is the abolition of the excise-duty on cotton-goods; the second is a further reduction of eight annas in the salt-tax; and the third is a lowering of the land-revenue demand—especially in the North-West Provinces, Bombay and Madras. Of these, the subject of excise-duty has been more than once discussed in this Council, and I do not wish to refer to it at any length today. I think there is now no doubt that this duty is really paid by the consumers, which means by the bulk of our poorer classes; and thus while it hampers the mill-industry to a considerable extent, it also constitutes a serious and perfectly unnecessary addition to the burdens of our poorer classes. The Hon'ble Member says that 'it is impossible to believe that the average enhanced cost to the individual consumer of cotton cloth on account of the excise exceeds 3½ annas per annum.' But I submit that even 3½ annas a year is a serious matter to those whose annual income—taking official calculations alone—does not exceed Rs. 27, as calculated by Sir David Barbour and Lord Cromer, or Rs. 30, as calculated by Your Excellency three years ago, and whose normal state is one of abject poverty and, in the case of a considerable proportion, even of chronic destitution. I think, my Lord, that the arguments in favour of the abolition of this duty are unanswerable and that the moral effect of its maintenance is even more disastrous than the financial or economic one. The Hon'ble Member has, however, urged a strange plea in his Financial Statement to justify the continued levy of so objectionable a duty, and I confess it has surprised me not a little. The Hon'ble Member says:—'Moreover, it must be remembered that a certain amount of revenue is a necessity to provide for the administration of the country and the

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cotton excise-dues now return upwards of 20½ lakhs, having increased from Rs. 11,62,947 in 1900-01. It is very easy to object to any and every class of taxation, but those who make objections should, I think, offer suggestions as to how revenue could be maintained if their objections were to be admitted.' My Lord, if my Hon'ble friend really believes that the excise-duty is maintained because it brings in a revenue which the Government cannot afford to give up, he is probably the only man in India or in England who thinks so. Moreover, can the Hon'ble Member be serious when he advances such an argument with a surplus of nearly 6½ crores in hand, reduced to four crores by special grants made to Provincial Governments? Why, my Lord, instead of the Government being unable to sacrifice 20 lakhs a year, there seems to be such a plethora of money in the country's exchequer that the Government do not know what to do with it! I could have understood Sir Auckland Colvin or Sir David Barbour or Sir James Westland using the language that my Hon'ble friend has used. But he, the fortunate realizer of surplus after surplus—such as were never before dreamt of in the history of Indian finance—surely he must not speak as though he knew not which way to turn to make the two ends meet!

"My second suggestion for granting further relief to the poorer classes of the country is that another eight annas should be taken off the salt-duty. This duty was reduced by eight annas last year, and the measure of relief was received with deep gratitude throughout the country. The reduction might, however, be carried still further without any inconvenience. The salt-duty question in India is essentially a poor man's question; for it is the poorer many—and not the richer few—who eat more salt when it is cheap and less when it is dear. The soundest and best policy in the matter—even financially—would therefore seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties. Again, every reduction effected in this duty gives the Government a valuable financial reserve, which may be used without difficulty in times of sudden emergency. A further reduction of the salt-duty is, therefore, from every point of view, a most desirable form of relief. In this connection, there is one matter which I would respectfully urge upon the attention of Government. The manufacture of salt in India is strictly under Government control, and practically a Government monopoly. And the monopoly is enforced under restrictions, and in a manner which have the effect of transferring about a third of the industry to the foreign manufacturer. Numerous small salt-works which formerly existed on the coast have been suppressed and the manufacture has been concentrated at a few places with a view to bringing it under effective control. The result is—

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restricted production. We have an extensive sea-board and salt-mines too, and can manufacture every pound of salt we need. And yet, under the existing fiscal system, about a third of our supply comes from foreign countries. The following figures, taken from the Material and Moral Progress Report for 1901-02, are instructive :—

Imports of salt from	1891-92.	1901-02.
	Tons.	Tons.
The United Kingdom . . . . .	222,300	259,200
Germany . . . . .	103,400	76,700
Red Sea and Persian Gulf ports . . . . .	45,700	147,700
Other places . . . . .	2,600	32,600
<b>TOTAL .</b>	<b>374,000</b>	<b>516,200</b>

“The imports have thus increased 38 per cent. in ten years ! I submit that in respect of such a prime necessary of life as salt—especially when we have plenty of it within the four corners of this country—we ought not to be forced to depend on foreign supplies to a steadily-increasing extent !

“The third measure of relief which I would respectfully urge upon the attention of Government is a lowering of the land-revenue demand, especially in North-West Provinces, Bombay, and Madras. The most noticeable feature of this branch of revenue is its large and almost continuous increase. In 1890-91 it stood at 24·04 crores. Its rise since then may be seen from the following figures :—

1890-91 . . . . .	24·04 crores.
1893-94 . . . . .	25·58 ”
1895-96 . . . . .	26·20 ”
1898-99 . . . . .	27·46 ”
1901-02 . . . . .	27·432 ”
1903-04 (Revised) . . . . .	28·89 ”
1904-05 (Budget) . . . . .	29·38 ”

“An increase of over 22 per cent. in fourteen years ! On the other hand, the figures of cropped acreage are :—

1890-91 . . . . .	194·41 millions of acres.
1893-94 . . . . .	197·38 ”
1895-96 . . . . .	188·92 ”
1898-99 . . . . .	196·48 ”
1900-01 . . . . .	198·31 ”

"Or an increase of just 2 per cent. in eleven years! Coming to the three Provinces that I have specially mentioned, we have the following interesting figures:—

*North-Western Provinces.*

Year.	Ordinary land-revenue.	Cropped area.
1886-87 . . .	580.7 lakhs.	33.92 million acres.
1902-03 . . .	636 "	34.61 " "

"Or an increase of nearly 10 per cent. in revenue on a practically stationary cropped acreage.

*Madras.*

Year.	Land-revenue.	Cropped area.
1886-87 . . .	460.5 lakhs.	23.01 million acres.
1902-03 . . .	582.5 "	24.50 " "

"Or an increase of nearly 25 per cent., in revenue with an increase of only  $6\frac{1}{2}$  per cent. in the cropped acreage.

*Bombay.*

Year.	Land-revenue.	Cropped area.
1886-87 . . . . .	270 lakhs.	24.2 millions.
1894-95 . . . . .	289 "	24.5 "
1900-01 . . . . .	298.2 "	21 "

"Or an increase of 10 per cent. in revenue with hardly any increase in the cropped area, which shows some fluctuations owing to the prevalence of famine during the closing years of the last century.

"My Lord, agriculture is the only surviving economic stand-by of the mass of the people, and yet no industry in the country is in deeper distress. The soil, under a system of generally unmanured cultivation, is undergoing steady exhaustion. The yield of crop per acre is falling—being now little more than 9 or 10 bushels as against 20 to 35 bushels in western countries with far less favourable agricultural conditions. And the raiyat in most parts is a poor, struggling cultivator, with his resources all but exhausted, and himself more or less involved in debt. In these circumstances, the increases of land-revenue—especially in the Provinces referred to above—are large, and weigh with undue pressure on the land. And I submit that the question of granting relief to the hard-pressed cultivators by the lowering of the assessment is one which, in the present prosperous condition of the country's exchequer, deserves favourable consideration at the hands of Government. While on this subject I beg to acknowledge with pleasure and gratitude the liberal action of the Bombay Government in granting considerable reductions of assessment in the Guzerath districts."



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These reductions amount to 5·30 lakhs on an aggregate assessment of 85 lakhs—or over 6 per cent. Strangely enough, however, the Government have declined to concede any such relief to the Dekkhan raiyats, and yet the case of Dekkhan is the most urgent. The Dekkhan is an arid upland with a poor soil and a precarious rainfall, and yet pays an aggregate assessment of 120 lakhs on a cropped acreage of 11 millions of acres. The MacDonnell Commission have expressed the opinion that it is not only a full assessment, but weighs harder on the Dekkhan peasantry than elsewhere on account of scanty crop-yield, and is one of the causes of agricultural indebtedness. Besides, during the calamitous decade ending with 1901, this tract suffered as no other did throughout the country. The population declined from 62·1 lakhs to 59·4 lakhs; the cropped area fell off, and the crop-losses amounted to over 50 crores of rupees. The cattle loss was over 42 per cent. and there was an alarming increase of agricultural debts. Altogether there was in these districts a degree of agricultural deterioration and economic exhaustion such as had not been witnessed in any part of the country during the last century. And yet so far the only reductions which the Bombay Government have announced amount to a trifle over Rs. 3,000!

“My Lord, in explaining an increase of half a million sterling under excise-revenue in the revised estimates for the closing year, the Hon'ble Member says:—‘Increase of revenue is undoubtedly in great part due to improved administration and greater attention to preventive measures, but it is also due, and probably to a very large extent, to improvement in the condition of the people’, which is the Hon'ble Member's paraphrase of the expression ‘increased consumption’. And he proceeds to observe:—‘Satisfactory as is from one point of view a growth of revenue, we could not regard with satisfaction any increase which might possibly be attributed to increased consumption of alcohol in excess of the legitimate requirements of those classes among the population to whom, from long habit and custom, alcohol in moderation is a virtual necessity. There is no desire on the part of the Government of India to increase revenue by encouraging indulgence in alcohol. It is a matter in which we feel our full responsibility, which undoubtedly requires constant, careful watching, and to which at the present moment we are devoting special attention in the interests of temperance and morality.’ This declaration of the Hon'ble Member will be welcomed with sincere satisfaction throughout the country. The revenue under Excise shows an alarming growth during the last twenty years, having risen from 3·63 crores in 1882-83 to 6·64 crores in 1902-03, an increase of 82 per cent., or taking the year 1903-04 to 7·4 crores, *i.e.*, an increase over 100 per cent.

in 20 years. The increase in population during the period has been only 15 per cent. Part of the increase in the revenue has no doubt been due to enhancements of excise-duties and to stricter preventive measures. But a large part has been owing, as admitted by the Finance Member himself, to increased consumption. The import of liquors too has increased during the time by over 35 per cent., having risen from 4·12 million gallons to 5·57 millions. All things considered, there is the clearest evidence to show that the curse of drink is on the increase especially among the lower classes and the wild aboriginal tribes, spreading ruin and misery among them. As appears from the Material and Moral Progress Report for 1901-02, in Bengal the consumption of country spirits in distillery areas shows an expansion of 55 per cent., having advanced from 3·9 lakhs of gallons to over 6·1 lakhs during the decade 1891-92 to 1901-02. So, too, in the United Provinces of Agra and Oudh, the reported consumption of country spirits was 24 per cent. higher. No accurate statistics are forthcoming on this point, but the fact of an expanding consumption is undoubted, and it behoves the authorities anxiously to consider whether more effective measures could not be devised than at present with a view to checking the spread of consumption of these intoxicants among the poorer classes. It is true that some reduction has been effected in the number of shops, but in this matter as much depends upon the sites of these shops as on their number—perhaps more. Were shops to be set down opposite schools, colleges, places of worship, hospitals, etc., as the Hon'ble Mr. Woodroffe said the other day in the Bengal Legislative Council they were in Calcutta itself, it would be of little avail to reduce merely their total number. Local option is the only remedy for an evil such as this. In the Material and Moral Progress Report, to which I have already referred, we are told that 'definite orders have been passed in accordance with the principle formulated by the Government of India in 1890 to the effect that before any new site is fixed for the establishment of a shop, reference shall be made to local opinion and that any reasonable objection shall be entertained.' The instruction here described as authoritatively laid down is as it should be; but it is open to question how far it is acted on in practice. Instances can be cited of shops, in reference to the location of which no deference whatever has been shown to local opinion or sentiment. Further, the existing arrangements of the excise administration leave much to be desired. The 'minimum guarantee' in Bombay, the general auctioning of licenses to keep stills in out-still areas and even the central distillery system, with its varying arrangements for the manufacture of spirits—these are some of the features of the existing administration which require close and careful investigation. The whole

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subject calls for a fresh examination and it behoves Government to institute a searching inquiry. Education would be an effective remedy, but its operation is bound to be slow. I think legislative effect should be given to the direction as to local option.

"My Lord, among the important topics of a general character, on which this year's Financial Statement offers some interesting observations, is the subject of India's balance of trade. The Hon'ble Member states at the outset that he has been much surprised to learn that 'there are considerable misapprehensions abroad on the question of the balance of trade.' And, after examining certain figures for the three years from 1900-01 to 1902-03, the Hon'ble Member records his conclusion that the figures 'entirely dispose of the erroneous assumption that India is paying for more than she receives under the three heads of imported goods, imported investment securities and payment abroad of budgeted Government sterling charges.' His argument is briefly this: during the three years under consideration, the excess value of exports over imports was £47'58 millions sterling. From this total must be deducted £1'45 millions, being the value of rupee paper transferred to India during the period; while we must add to it a sum of £2'14 millions, representing the value of stores, arms, munitions and animals, supplied to the Home Government in connection with their requirements in South Africa and China. This gives us a net excess of exports in three years of £48'27 millions. Now, says the Hon'ble Member, this is practically the amount of the Secretary of State's drawings during the three years. And thus the excess of the country's exports over its imports is no more than the amount of the Home charges, which means that the Home charges really represent *all* that India pays annually over and above what she has to pay in return for her imports. My Lord, I confess I was startled to read this paragraph, and I asked myself 'If the Hon'ble Member is right, what becomes of the profits which English merchants annually earn in India; what becomes of the freight the English Companies earn; what becomes of the savings of English lawyers, English doctors, English civil and military servants of the Crown? Does nothing really go out of India for all these?' And then I examined the Hon'ble Member's figures somewhat closely, when I found that he had left out of account two most important items. The excess of exports over imports that he gives is the excess of all our exports over all our imports, including merchandise and treasure and stores, both Government and private. The imports thus include (1) the capital raised.

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annually in England and spent on Indian railways and irrigation works, for which there is no corresponding export, and (2) the Government stores for which provision is made in the Secretary of State's disbursements for current purposes; these stores are worth about  $1\frac{1}{2}$  to 2 crores a year, and they represent a value received by India for a corresponding portion of the Home charges, and they are thus different from the rest of the Home charges. Our real imports, therefore, *i.e.*, those which we receive in exchange for our exports, are less than our nominal or total imports by the amount of the capital which is raised by the State and by Companies in England every year and spent on Indian railways and irrigation works. And, secondly, the net loss to the country under Home charges is represented not by the whole of the Secretary of State's drawings but by a sum which is equal to those drawings *minus* the value of the stores for which provision is made in his current disbursements. The amount raised in England during the three years under consideration and spent on public works in India was, I believe, about 16 millions sterling. This figure must therefore be deducted from our total imports to get at the imports which we received in exchange for our exports. We thus have during the three years an excess of 64 millions and not 48 millions of our exports over our real imports. As against this, we have to set not the whole of the Secretary of State's budgeted drawings, which have been stated to be 49 millions sterling, but these drawings *minus* the value of the stores included in them, which was over three millions. We thus see that while the Secretary of State's drawings for his own purposes would have been satisfied by an excess of about 46 millions sterling of our exports over imports, the actual excess was about 64 millions sterling or about 18 millions more in three years. I think, therefore, that we may well assume that this sum of 18 millions represents the amount which India paid more than she received during the three years under the three heads of 'imported goods, imported investment securities, and payment abroad of budgeted Government sterling charges.' Moreover, this figure does not take into account the capital imported into India by private individuals or Companies for minor industrial undertakings.

"My Lord, a most striking feature of this year's budget is the great increase that has taken place in the military expenditure of the country. The Finance Member himself is almost outspoken in the expression of his regret on the subject. The Budget Estimate for 1904-05 exceeds all previous record—the charge budgeted for coming to no less than 28·6 crores. The following figures

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show how steady and continuous has been the rise in our military expenditure during the last twenty years:—

Year.	Military expenditure in crores of rupees
1884-85 . . . . .	16.96
1887-88 . . . . .	20.41
1890-91 . . . . .	20.69
1894-95 . . . . .	24.09
1902-03 . . . . .	25.91
1903-04 (Revised) . . . . .	26.78
1904-05 (Budget) . . . . .	28.66

or an increase of nearly 70 per cent. in twenty years as against an increase of about 44 per cent.—from 51 crores to 73 crores—in the receipts under the principal heads of revenue. The Hon'ble Sir Edmund Elles gives in his statement what he will forgive me for calling a curious table, compiled to show that whatever may be the actual figure of military expenditure it is not only not rising relatively to the total revenue of the country, but that as a matter of fact there is a notable decline in the percentage of revenues spent on the Army. The Hon'ble Member takes two periods of four years each, one from 1896-97 to 1899-1900 and the other from 1900-01 to 1903-04, and he seeks to prove that while during the former period the net military expenditure of the country was 24.7 per cent. of the total revenue, during the latter period it has been only 21 per cent. The Hon'ble Member's method of instituting comparisons is, however, open to most serious objection. His first period is a period of famines and frontier wars, so that while the revenue during that time is not at its normal level, the military expenditure is at an abnormally high level, and thus he gets a higher percentage for purposes of his comparison. The second period, on the other hand, is a period during which the revenue is above the normal owing to specially good seasons, and the military expenditure is below the normal owing to a part of the troops being engaged in South Africa and China. Now this is bad enough, but worse than this is the fact that while he takes on the one hand only net military expenditure, he takes on the other the gross revenue of the country. Now, as we all know, the figures of gross revenue are altogether useless for purposes of a fair comparison; for they include large receipts under commercial services—*i.e.*, railways, irrigation works, post and telegraph—which are balanced by corresponding entries on the expenditure side and which therefore only go to swell the total figures of gross revenue without making any real addition to the resources available for administrative purposes. Moreover, railway receipts have been of late years going up by leaps and bounds. Of course the entries under railways on

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the other side have also been correspondingly increasing, but if you take into consideration only the figures of gross revenue, you get an altogether erroneous idea of the growth of the real revenue of the country. For purposes of a useful comparison, therefore, the only proper method is to take the figures either of net revenue or of the total receipts under what are known as the principal heads of revenue. Taking the latter set of figures, which are more favourable to the Hon'ble Member's point of view than the former, we find that the net military expenditure is about 36 per cent. of the revenue under the principal heads, and that this percentage has practically continued steady at that figure except during the years when the Indian exchequer secured some relief by lending a portion of the Indian troops for service in South Africa and China. The question of these percentages, however, is, comparatively speaking, of less importance than the question whether there is ever to be a limit to the growth of these military burdens. My Lord, the question of military expenditure is really one of policy, and in the shaping of that policy the people of this country have no voice. But may we not ask, as I asked in my budget speech of last year, that the Government should adopt a policy of a little more trust in this matter! For, while things continue as they are—with our Army maintained on a war-footing in times of peace, with no national militia of any kind and the people of the country altogether shut out from the privilege of citizen soldiery—there is no prospect that the heavy sacrifices demanded at present of the country will ever grow less heavy. My Lord, His Excellency the Commander-in-Chief addressed the other day a powerful appeal to Englishmen in India to come forward and enrol themselves as volunteers from a sense of public duty. May not the Government consider the desirability of permitting—aye inviting—carefully selected classes from among the children of the soil to share in the responsibilities of national defence? Both sentimental and financial considerations demand the adoption of a policy of this kind; and, unless this is done, the growing military expenditure of the country will in course of time absorb all available resources and cast its blighting shadow over the whole field of Indian administration.

“My Lord, these were some of the observations that suggested themselves to me when I read the Financial Statement which my Hon'ble friend has presented to the Council this year. I have said nothing today about some of the more important branches of civil expenditure, because we seem to be on the eve of great changes which will affect and practically reconstruct the entire basis of the civil expenditure of the country. An administration, in many respects the most strenuous, as it undoubtedly has been the most eventful, of any that the country has known for many years past, has formulated these

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changes after a prolonged inquiry, and the country is waiting to see how they work in practice when they are introduced. The advance that has been made this year in the matter of Provincial finance, the undertaking of a comprehensive programme of irrigation works that is expected as a result of the Irrigation Commission's labours, an improved Police Service, increased expenditure on education in all its branches, the institution of State scholarships for industrial education abroad, the establishment of an Agricultural College at Pusa, the encouragement of co-operative credit societies—these and other measures will require a large outlay of public money, if they are not to disappoint the expectations that have been formed of them in the public mind. It will be some time before we are in a position to watch the actual operation of these measures and to see how far the increased expenditure necessitated by them has been justified. Meanwhile my own frame of mind in regard to them is, I confess, one of great hope. I feel that, if they are carried out in the spirit in which they ought to be carried out, they will prove a source of no small benefit to the country. If this hope is realized, the increase in public expenditure, which these measures must involve, will not only not be grudged, but will be regarded with feelings of sincere satisfaction and gratitude all over the country."

His Highness THE AGHA KHAN said:—"My Lord, I congratulate Your Excellency's Government on the prosperous condition of the finances of India as exhibited by the Budget Statement for the coming year which the Hon'ble the Finance Minister presented to the Council last week. A careful study of that statement has convinced me that there has been during the past year a steady though slow improvement in the economic conditions of the country.

"My Lord, last year, at the close of the great and very weighty speech Your Lordship was pleased to deliver on the occasion of this same discussion, you drew attention to the great and momentous changes that were taking place throughout Asia—changes that were certain to affect the political and military interests of this great country, and Your Lordship was pleased to say that 'they require that our forces shall be in a state of high efficiency, our defences secure and our schemes of policy carefully worked out and defined. Above all they demand a feeling of solidarity and common interest among those (and they include every inhabitant of this country from the Raja to the raiyat) whose interests are wrapped up in the preservation of the Indian Empire both for the sake of India itself and for the wider welfare of mankind'. The prophecy has come true sooner than most of Your Lordship's hearers last year expected. We

now live in stirring times and hear the din and clash of arms in North-Eastern Asia. A Power that has been looming larger and larger on this Continent and has made the boundaries of her possessions almost contiguous on the North-west to the boundaries of India or of countries in which the people of India are vitally interested has now become a permanent menace to this country. History teaches us that the Muscovite when prevented from expansion on one side of his frontier naturally turns to another where he fancies the forces of resistance to be in less capable hands (witness expansion in Central Asia after the failure of Russian designs in the Balkans in 1878) ; so the fact that the Power that threatens the peace of this country seems to be failing in expanding in the Far East is the very reason why we should not feel more secure or less anxious about our defensive forces. We hear from all sources that troops are being massed in Central Asia. Misunderstanding the pacific disposition of the British Government and the perhaps too frequent occasions on which that Government gave way to her pretensions, Russia thought the time had come to use menaces when cajolery had failed. I refer to the communications which passed between the Russian Ambassador and Lord Lansdowne (which were recently published) regarding Thibet. They indicate that we must be constantly on the alert and be ever ready to defend ourselves if we wish to secure to this country the blessings of peace. It is, in fact, a necessary condition of our immunity from foreign invasion that our military power and organisation should always be in a state of high efficiency so as to remove from our neighbour the temptation of interfering with us. At such a juncture it seems to me necessary to consider whether the burdens which this state of constant preparedness and high efficiency entails on the Government of India are borne fairly and equitably by all those who are benefited thereby and whose possessions thereby are safeguarded against foreign intrusion. In order to ascertain this I venture to give a few figures. Roughly speaking, two-thirds of India proper is under the direct control of the Government of India and one-third of it is under the Government of the Feudatory States. At the same time, according to the Census of 1901, the population of the Native States was one-fourth of the entire population of India. The military expenditure of the Government of India has risen (and I for one do not grudge a penny of it) to £18,250,000. So for purposes of Imperial defence and in order to protect from invasion this country, one-third the area and one-fourth the population of which belongs to the Native States, the Government have no option but to spend quite 25 per cent. of the entire revenues of British India. Now let us consider whether and to what extent these States contribute towards this Imperial defence. Their aggregate revenues amount to well over £15,500,000 a year. Now, if the burden of Imperial



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defence were borne by the Imperial and the Feudatory Governments equitably, that is, proportionately to their revenues, the annual contribution by these Native States ought to be considerably over £3,500,000 a year. Now what do they contribute. In 1888 many Chiefs offered assistance in the defence of the North-West Frontier by placing large sums of money at the disposal of the Supreme Government. The offers of money were declined. But being renewed in another form, *vis.*, as offers of troops for Imperial service, such renewed offers were at once willingly accepted by Government. A scheme (which, my Lord, was then really in the nature of an experiment) was organised by which it was expected that the States would be able to render efficient aid to the Supreme Government in times of emergency by providing Imperial Service Troops capable of taking their place in line with the regiments of the Imperial Army. When the scheme was started it was believed that quite 25,000 would be supplied, and unless I am greatly mistaken some such number was promised. But there was one flaw in the scheme. From a delicacy of feeling (a delicacy of feeling that was then justified since the scheme was an experiment only) Government left it entirely to the Chiefs to provide or not provide Imperial Service Troops and thereafter to maintain the same number or more or less according as their patriotism dictated. The result of this voluntary system has been what was to be expected. Some have (as the figures laid on the table of this Council by Sir Edmond Elles prove) actually reduced their troops, and the total number of effective troops is now under 15,000. The generous enthusiasm which has hitherto animated many of the patriotic and far-sighted Chiefs and induced them honourably to carry out (and in some cases like that of that great wise and patriotic Prince His Highness Maharaja Scindhia more than carry out) their original promises to the Supreme Government may unfortunately not be shared by their successors. Moreover, while some of the Chiefs like His Highness the Maharaja Scindhia and the patriotic rulers of the Rajputana and the Punjab States and of the States of Bhojnagar, Jamnagar and Junagar in Kathiawar maintain a considerable number of Imperial Service Troops, there are others (by no means unimportant or petty rulers) who do not maintain even one Imperial Service trooper. They thus altogether escape the burden of bearing their fair share of Imperial defence.

“But, my Lord, my argument for organising a system by which each State should set aside a settled proportion of its revenues for maintaining Imperial Service Troops is not based on a mean desire to make the subjects of the Native States contribute towards Imperial defence in order to save the British Indian

taxpayers from paying more in the future. It is as much in the interests of the Rulers of the Native States that they and their armies should take an active, important and honourable part in the great work of Imperial defence as it is in the interests of the Supreme Government. Companionship in arms will more than anything bring about that feeling of solidarity, of unity and of devoted loyalty to the Emperor that is the aim and object of every one of the Protected Princes of India. Such a system would add enormously to the importance and the responsibilities of the Feudatory Chiefs. It would open honourable and suitable careers (as officers) for the hereditary Sirdars, Thakores and Nobles of each and every State. My Lord, if properly carried out this scheme need not add anything serious to the financial burdens of the Native States, nor reduce the amounts now devoted by Rulers of such States towards useful civil improvements. The Chiefs have always maintained and still maintain a large army of their own, amounting to nearly 100,000 men, which is, I am sure, always at the service of Government for purposes of Imperial defence. I have, however, no hesitation in saying that for these purposes such heterogeneous bodies of 'mere men with muskets' would be quite useless. These men differently or rather indifferently armed, drilled and equipped would be absolutely incapable of fighting against the trained forces of a European foe. The maintenance of such bodies of men, which can only by courtesy be called armies, is an utter frittering away of the resources of the country and dissipation of its means of defence. I would therefore respectfully suggest that Government should propose to the Chiefs that they should in a given number of years disband these men, who are useless for all purposes except for empty show, and that every Chief should contribute a definite percentage of his revenues towards Imperial defence. I am sure there is not one Chief so wanting in patriotism as to object to such a fair proposal. On the contrary, I am certain that the loyal and patriotic Princes who assembled last year at Delhi would be only too eager to adopt such a proposal. The whole scheme of Imperial Service troops was originally an experiment. If the experiment has been successful, why should it not be extended? The so-called armies of the Chiefs would be replaced by men who would add to the glory of their rulers and who would be worthy of fighting by the side of the flower of the British army. The States which now spend large sums on useless bodies of men dignified by the name of armies will get a genuine Army of which they may well be proud without any serious addition to the expenditure side of their Annual Budgets. If these reorganised troops are to be of any use and able to take their place in line with the regiments of the Imperial Army, they must be under the immediate and direct control of the Commander-in-Chief. There would be nothing in this arrangement in any way injurious to the right of the several Ruling

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Chiefs. Even the Sovereigns of the various German States, who are the equal allies of the Kings of Prussia and in no way subjected to their Emperor, when they joined the Imperial Confederation in 1871 placed their troops under the Imperial Commander-in-Chief. In fact, unless these reorganised troops were under the direct command of the Commander-in-Chief during peace, it would be impossible to place any reliance on their efficiency, and the Commander-in-Chief could never depend on their being as good as the troops that were trained under his direct control and supervision. The Commander-in-Chief would appoint inspecting officers to such reorganised troops, while the Ruling Chiefs would retain command of their own corps, who would, of course, carry the colours and the emblems of each princely house, and if the tastes of the Prince made him turn to an active study of military subjects then of course such a Prince would naturally be not only the *de jure* but the *de facto* Commander of his own troops, receiving only his *military* orders from the Commander-in-Chief. My Lord, this scheme may appear of little value since no ruler has suggested it. But I think it is but my duty to explain that these suggestions are not my own original ideas but that I have borrowed them more or less from various Princes who attended the Delhi Durbar last year and the Coronation Ceremony in 1902. I have no right or authority to use their names. But so much I think I have a right to ask every one here to assume, that there is no Prince so wanting in patriotism and loyalty as to reject these suggestions without giving the matter careful and sympathetic consideration. My Lord, the suggestions I have just ventured to make are both rough and crude, but it is for the Ruling Chiefs and the Government of India to evolve some permanent system by which the Feudatory States may enjoy the privilege of sharing with the Government of India the power of adequately defending this great country. My Lord, there has been recently a tendency to maintain transports only. I fear it is not quite in keeping with the dignity of a powerful State that entertains hundreds of useless but costly soldiers of its own to refuse to keep any active Imperial Service Troops on the ground of expense and offers to maintain transports only. Transports are undoubtedly essential, but from the point of view of those who wish to see the bonds of common interest between the Imperial and Feudatory States tightened it is a backward step when lancers and infantry are changed into transports. Of course let it be clearly understood that I suggest that the present useless armies should be converted into one corps of efficient Imperial Service Troops in every State and not that the present men should be kept on as well as additions made to the Imperial Service Troops. The rich zamindars who enjoy impartible estates and thus are specially cared for by the State may well be invited to maintain a certain amount of transports. Carts and ponies will, no doubt, entail a certain initial expense, but afterwards

such transports during peace time will cost practically very little or nothing, since they will easily earn enough to pay for the expenses of maintenance.

"My Lord, I feel it but my duty to thank Your Excellency for establishing the Imperial Cadet Corps of Native Princes and Nobles. This excellent institution was a desideratum, and among the many and great benefits which Your Excellency's Viceroyalty has already conferred upon this country, I would look upon it as one of the greatest. If Your Excellency will permit me to say so, it was a brilliant idea conceived in a happy moment and carried out to the great gratification of the Native Princes and Nobles. Their rank, traditional prestige and natural tastes debar them from every but a military career, and that Your Excellency has, by embodying the corps, opened the possibility of a military career to them proves your deep personal interest in their welfare. They yield to none in loyalty and attachment to their beloved Emperor and country, and such an institution, the credit of initiating which justly belongs to Your Excellency, affords them a unique opportunity of serving both. At no inconsiderable expense to themselves, many have come forward and volunteered for such service. But permit me to say that at present there is no certainty as to the future of the cadets. May I venture at this stage to ask whether the time has not yet come when a few commissions in the Indian Army may not be annually given, say, to three or four of the most successful of the Imperial cadets, who one day may be the pride of their country and achieve that glory which their forefathers had attained in bye-gone days. Is it too much to ask that three or four of the cadets, who might pass all the necessary tests and in whose character and integrity the commandant of the corps might repose absolute confidence, be nominated by the Viceroy, with the sanction of the Emperor, to commissions in the Indian Army? My Lord, while the Government of India trusts any young Indian, whatever his antecedents, whatever his character, who happens to get a certain number of marks at a competitive examination, to administer districts that often equal in size and population European Principalities, while the Government of India trusts tens of thousands of every class and of every community to wear as sepoys the honored uniform of the Indian Army, is the Government yet unable to see its way to trust even one of the Emperor's Indian subjects with the honour of being a regular commissioned officer? But I am sure that mistrust or want of confidence is not the cause of this singular omission. I rather put it down to the innate conservatism of the British race that is satisfied to leave things alone until it becomes such a grave scandal that its removal becomes an imperative duty. The same spirit of conservatism left our University reforms though badly needed in the background until Your Excellency's

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Government with characteristic benevolent energy and courage of conviction carried the measure of much-needed reform by the great Act which passed into law only the other day. My Lord, there are some objections to this scheme which I have often heard and which I will venture to try and dispose of. In the first place it is asserted in some quarters that there is no young man in India whose educational and moral training fits him for being an officer. This may have been true in the past. But since the formation of the Imperial Cadet Corps we have a right to expect that a few of the cadets after three or four years' training under the direct supervision and constant care of commanding officers may be deemed worthy and capable of receiving a commission. Even if after three or four years' training under such favourable conditions as prevail in the Imperial Cadet Corps, if there is not yet one noble youth worthy of being an officer, then, my Lord, there must be something so radically wrong and incredibly defective in the moral or intellectual fibre of the Chiefs and nobles of this country that the sooner Chiefs' Colleges and Cadets Corps are abolished the better for all. Another objection raised is that these cadet officers would crowd the Indian Army and thus change its character! If it was suggested that a competitive examination should be held and such as passed the test should be one and all enrolled as officers of the Indian Army, then I admit it might change the character of the army and none would be more strongly opposed to it than myself. Even if it was suggested that ten officers should be appointed every year, I should still oppose it. But, my Lord, the appointment of three or four a year could never change the character of the army. At the end of twenty years, even if there was no natural wastage, their number would be eighty in the whole of India. But we all know that when we take wastage into consideration, we should find not eighty but probably fifty in twenty years. Now, my Lord, I do hope this will not be called a wild, visionary or immoderate scheme. A third argument against the scheme that has come to my ears is the difficulty about messing. However, a large section of His Majesty's subjects have no caste rules whatsoever, nor have they any religious prejudices about dining with Europeans. I refer, of course, to the Muhammdans. We also know that a large and very rapidly growing number of Mahratta, Rajput and Sikh princes do openly dine with Europeans, Jews and Muhammadans. I think there would be no difficulty under this head. Another objection is that these cadets would be as Commanders superior to European officers. However, no one is insane enough to propose that cadets should be directly given commands of battalions and squadrons or be specially promoted. It would take a score of years at least before any of them got command of his regiment, and I am sure that after twenty years' comradeship in a regiment where he would have already won the respect and friendship of his

European brother officers, they would willingly serve under an ex-cadet. One other objection is that the European officers would not welcome Indian brother officers. I am sure it is only those who do not know the British officer that can accuse him of such blind racial prejudice. The officers of the British and Indian Army are the pick and the flower of the manhood of England. They are the cream of society. Gentle, just and noble alike by birth, tradition and temperament, they judge men not by their race and colour or creed, but by their intrinsic merits. If the cadets were well selected—and it is absolutely essential to the success of the scheme that every scrutiny and care should be taken that none except those of high moral and intellectual calibre should be selected—then, I for one am quite sure that ex-cadet officers would very soon be as popular as any European officer in their regiments, provided, of course, they behaved themselves properly and acted up to a high and model standard of duty. There is no doubt that in due time some of them would prove to be ideal officers. I have tried to meet all the objections that I have ever heard and I have asked only for a moderate and reasonable concession, a concession which, I hope, will, if made, prove to be a boon which will be gratefully accepted and acknowledged. I do hope that there is no one here who considers this suggestion of mine as wild, visionary or impracticable. My Lord, you have won the everlasting gratitude of the people of this country by your generous endeavours for the improvement of the Indian educational system in all its branches, the advancement of the agricultural classes, their relief from perpetual and harassing indebtedness, and your noble desire for the restoration of ancient monuments, which both Hindus and Muhammadans prize so highly, and also by taking up the question of much needed police reform, railway and irrigation improvements and many other reforms in the administration of this country too numerous to mention. Now that Your Excellency has removed so many abuses, conferred such numerous boons upon the people, will not Your Excellency settle this difficult question in the interests of the cadets, who owe their existence to Your Lordship's foresight. My Lord, I am appealing to one who has not only been a great ruler but who has proved himself an exalted but none the less devoted and true friend and patron of the princes, chiefs and nobles of India.

“My Lord, the Members who are not recommended for nomination to this Council by public bodies are at a certain disadvantage here, for their words are naturally supposed to come from them alone, and rarely carry the same moral weight with the Government as do the suggestions of their more fortunate Colleagues—the recommended Members. All the same, I think I am right in saying

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that when I earnestly appeal that three or four Cadets—and I appeal only for three or four—should be selected after a most careful and rigid scrutiny by the Viceroy for commissions in the Indian Army, I have behind me the sympathy and approval of every prince, chief and noble in India. My Lord, there seems to be no reason why such cadets as may qualify themselves by capacity, zeal and industry and also win the respect and affection of the Commandant of the Corps, should not be rewarded with commissions in the Indian Army. If such a prospect is ever held out to them, as the reward of an exemplary moral character and of diligent study, I am sure that the scions of the best and noblest of all the families in India would flock to the Cadet Corps and Government would prove and convince the people of this country that their Emperor has full faith in their unflinching loyalty to him and treats all his subjects alike. The remaining less successful cadets could be appointed as officers of the Imperial Service Troops. Regarding the question of Imperial Service Troops and of affording to all the Native States an opportunity of contributing towards their maintenance, I feel confident that such an opportunity will be eagerly embraced by those States. It will enable them to prove that the Chiefs are worthy of being Your Excellency's colleagues in the government of this country as Your Lordship so felicitously described them. It will show to those outside our frontiers whom it may concern that India no longer consists of segregated units with different aims and inconsistent aspirations. It will weld together and consolidate those units into a homogeneous and harmonious whole and foster and realize the ideal of a united country in the minds of these princes. They will have the proud satisfaction of knowing that, come what may, they and their troops will stand shoulder to shoulder with the armies of their Emperor and present a bold and united front to the enemies of their country, and that they have at their back the world-wide Empire based on liberty, justice and righteousness of which both the Raja and the raiyat may well thank heaven that they form a part."

His Highness THE RAJA OF SIRMUR said :—" My Lord, I have had the honour of going through the Financial Statement for the year 1904-05, and have the pleasure to observe that it has been most carefully prepared and aims at increasing the general prosperity of the Indian Empire.

" I heartily thank Your Excellency for many useful measures of administrative reform which have been introduced, and which tend to secure lasting good for India.

" I appreciate very much the usefulness of the Imperial Cadet Corps which has supplied the long-felt want of military training, by which I have every

[*The Raja of Sirmur ; Mr. Cruickshank.*] [30TH MARCH, 1904.]

reason to hope the Indian chiefs and nobility in general, will profit much. I fully agree with my Hon'ble Colleague His Highness Agha Khan in his observations on the corps.

"I beg, however, to suggest that by way of due appreciation of loyalty three or four cadets completing with credit their course of training every year may be granted British rank in the Indian Army, which encouragement on the part of the Government will be received with gratitude and be thoroughly appreciated by all the Princes and Chiefs and will also make the corps highly popular.

"Finally, I offer my heartfelt thanks to Your Excellency for your whole-hearted devotion to the welfare of the Indian Princes and the people in general."

The Hon'ble MR. CRUICKSHANK said:—"My Lord, on behalf of the United Provinces, it is my pleasing duty to tender the congratulations of the Local Government and the inhabitants of those Provinces on the satisfactory nature of the Statement of Revenue and Expenditure presented by the Hon'ble the Financial Member of Council, and also on the general financial prosperity of the Indian Empire which has allowed the construction of so promising a budget for 1904-05.

"The year 1903-04 began prosperously with a surplus from 1902-03 of £3,069,549, a sum £331,049 in excess of the surplus noted in the Revised Estimates for 1902-03.

"The Receipts under various heads in the Revised Estimate for 1903-04, for the most part, convincingly support the arguments marshalled so clearly in this Council in 1903 as justifying the reduction in the salt-tax and the raising of the limit of exemption from income-tax to the extent carried out in 1903-04.

"I do not propose to offer any detailed criticism of the Budget for 1904-05, as full explanation where necessary of items of receipt and expenditure has been supplied to the Council and discussed at considerable length by Hon'ble Members.

"In common, however, with all who have at heart the security and best interest of the Empire, the United Provinces rejoice to find that provision has been made for the expenditure necessary to substantially augment the efficiency of the military service of India. The supply of guns and rifles of the most recent and improved type is an essential step towards securing that efficiency.



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“The pages of recent history are lurid with the lesson that immense loss of material, decrease of prestige, and wasteful sacrifice of priceless brave lives must accrue to nations unprepared to speak with their enemy in the gate.

“To India, as to all countries, assured protection from external foes is a necessary preliminary to the fruitful consideration of schemes for improving civil administration, and the items of increased military expenditure in the Budget are unassailably expedient.

“Turning to Provincial matters, the United Provinces among others welcome the approach to finality in the Financial Contracts between the Imperial Government and Provincial Administrations. The term finality is of course only applicable with the reservation that the terms of such contracts must perforce be open to revision by the Government of India in the event of unexpected financial stress.

“In considering the terms and amounts involved in such complicated transactions as the allotment of funds sufficient to carry on the administration of several Provinces, it is obvious that the point of view from which the Government of India, distributing resources among many clamorous Local Governments, regards each item must differ from the standpoint of each recipient of aid.

“That a *modus vivendi* has been reached between the Government of India and that of the United Provinces—which is, as far as it goes, satisfactory to both—testifies to the businesslike energy, circumspection and liberality with which the preliminaries have been discussed, terms defined and needed aid granted. For years in this Council the plea has been urged on behalf of the Government of the United Provinces that no sum less than 4 crores of rupees would suffice for the expenditure necessary to guarantee the efficient administration of these Provinces. That this plea was not an excessive demand has been practically admitted, as the following explanation may demonstrate. This demand of 4 crores has hitherto been based on the supposition that the proportion of total expenditure under various heads which would be defrayed from Provincial Funds would remain unaltered.

“In the new contract the system of apportioning the relative shares of Receipt and Expenditure between Imperial and Provincial Heads of Account has been thoroughly revised on the following basis for the United Provinces:—

- (a) that when any head of Revenue is divided between ‘Imperial’ and ‘Provincial’ in any proportion, the corresponding head of expenditure shall be divided in the same proportion;

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(b) that when the proportion between the aggregate Imperial Expenditure and the aggregate Provincial Expenditure has been determined, the whole Revenue shall be divided between Imperial and Provincial in the same proportion ;

(c) that in no case shall a smaller share than one-fourth of any divided head of Revenue be made Provincial.

"The figures accepted by the Government of India in the second edition of the Budget of the United Provinces give for Receipts—

	Rs.
Provincial share of Heads of Revenue (including half of Stamp income instead of one-fourth as heretofore). . . . .	3,65,69,000
Add—Fixed Assignment . . . . .	4,00,000
Total . . .	<u>3,69,69,000</u>

"In Provincial Expenditure the following decrease in shares of expenditure debitable to the United Provinces has been allowed by the Government of India :—

Land Revenue . . . . .	. ¼ instead of the Total Expenditure.
Stamp, Stamp Refunds and Land <sup>1</sup> Revenue } Refunds.	} ¼ instead of ½
Forest, Registration . . . . .	. ¼ instead of ½

making an aggregate decrease of Rs. 28,20,000.

"Thus, if the shares of expenditure had not been decreased, but had remained in the old proportions, the United Provinces would have had provided an aggregate spending power of Rs. 3,97,89,000. This sum is Rs. 13,33,000 in excess of the Provincial Revenue (including recurring special grants) budgeted for in the current year 1903-04, *vis.*, Rs. 3,84,56,000. In that year, however, an amount of expenditure totalling Rs. 15,67,000 was provided by diminishing the Provincial Balance to that extent.

"Thus calculated the total Provincial Expenditure approximates to 4 crores of rupees, the often postulated minimum for efficient administration. Out of this amount, however large, additional expenditure on the relief of Municipalities from Police charges has to be met ; and the Local Government is also under an engagement to provide annually for Local Finance the sum of 1½ lakhs of

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rupees, when effect is given to the new scheme at present under the consideration of the Government of India. It is true that under the new contractual arrangements, the whole benefit of any increase in the receipts from Irrigation will accrue to the United Provinces. This probable increase is, however, partly counterbalanced by a diminished share of future increment being allowed to Provincial Finance in the Heads of Stamps, Income-tax and Forests, and also by the smaller enhancement of Land-revenue which may be anticipated from revisions of settlements in the near future.

“On the whole the result is considered by the Government of the United Provinces as a substantial advance on the terms of the existing arrangements. A lump sum of Rs. 30,00,000 is being granted by the Government of India to the Provincial Government with which to start the new settlement. Of this an instalment of Rs. 6,00,000 will be entered in the Budget of 1904-05 and will be available for urgently needed expenditure on Civil Works and other projected improvements.

“The special thanks of the Local Government are due to the Government of India for allowing the inclusion in the terms sanctioned of a sum of Rs. 2,50,000 *per annum* with which to relieve Municipalities from half their Police charges. A further sum of Rs. 1,00,000 *per annum* has been budgeted for under this head to allow the larger Municipalities, in which water-works are maintained, to be entirely relieved of the burden of Police charges.

“The Government of India has also made a special grant of Rs. 3,00,000 to enable the Municipality of Lucknow to carry out its drainage scheme, and the Local Government and the inhabitants of this large and formerly royal city are deeply grateful for the unstinted aid given by the Government of India in this matter so important to the health of the city—indeed of the Province. It is matter for regret that, despite unceasing precautions, the mortality from plague has in portions of the United Provinces been higher than in 1902-03. It is also true that the crops in the year now expiring have not been up to the anticipated standard. Otherwise the Provincial outlook is on the whole hopeful.

“It is anticipated that during the coming year a substantial measure of progress will be achieved in the matter of rehabilitating the Bundelkhand proprietors, whose situation had, owing to the devastation of years of scarcity and famine and from other causes, sunk to so pitiable a state as to render imperative special legislation directed to the end of preserving the landed interest of this class.

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"The cane-growers and sugar-manufacturers of the United Provinces continue to trust in the watchful guardianship exercised by the Government of India over their interests. They confidently expect that no system—disguised or unconcealed, of the nature of the Cartel system—will be allowed to operate in favour of the countries whose sugar-refiners wish to flood India with cheap 'beet' sugar to the ruin of the indigenous sugar interests.

"The Indian Empire under the vigilant and virile policy of the Government of India is now enjoying the blessings of peace.

"The motive of the Trans-Frontier Mission to Thibet is essentially peaceful. If one of the ultimate results of this Mission be an increase in Thibetan trade with India, it is hoped that the United Provinces may share in the gain which will indirectly accrue to the northern tracts of India.

"The administrative improvements contemplated in 'Education' and 'Police' have not yet taken shape in detailed form. When the time is ripe for introduction of the measures chosen by Government, it is confidently anticipated that the Imperial Government will so order the financial interests involved that an unduly heavy burden will not be laid on Provincial Funds. For reform in the administration of the two departments of Government above noted is very largely bound up with Imperial progress and stability.

"The memorandum in Appendix III of the Budget Statement shows that Railways in the United Provinces—to be paid for by State Funds as well as those the subject of private enterprise—are receiving the consideration due to their importance."

The Hon'ble RAI SRI RAM BAHADUR said:—"My Lord, I join with the Hon'ble Members who have preceded me in addressing the Council in congratulating Your Excellency's Government and the Hon'ble Sir Edward Law for having another prosperity Budget.

"My Lord, I do not propose to attempt any detailed criticism of the Financial Statement made by the Hon'ble the Finance Minister, but I wish to be permitted to say a few words on some of the leading features of the Budget, and specially on those portions of it which more particularly affect that Province of the Empire which I have the honour to represent in this Council.

*"Cesses on Land.*

"But before I refer to those matters, I desire to offer a few remarks on one most essential aspect of the Budget and will consider it in reference to

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the interests of the agricultural classes. It may be said without much exaggeration that the classes directly or indirectly dependent on cultivation in India virtually form the nation; that increase of taxation imposed on these classes impoverishes the nation; and that any general relief given to these classes benefits the nation. Some relief to these classes has been afforded by lowering the tax on salt, but as the consumption of salt in an agricultural family does not much exceed two seers in the month, or at most a maund in the year, the relief, it must be admitted, is slight. On the other hand, I have vainly watched, during recent years of surpluses and prosperous Budgets, for repeal of any of those heavy and onerous cesses which have been imposed on land—in addition to the Land-revenue—since 1871. The revenues of India have gone up by leaps and bounds from under sixty-five millions sterling in 1897-98 to over eighty millions; one great cause of this increase in revenues is the fixing of the value of the rupee at 1s. 4d., which is tantamount to an increase of taxation all round; and yet there is no corresponding relief granted to agricultural classes of India—those who have borne the principal share in the increase of taxation, those who have suffered most grievously from famine, those who deserve relief most urgently when the financial condition of the Government makes it possible to afford relief.

"My Lord, within a few years after the administration of this country had passed from the East India Company to the Crown, the necessity was felt to increase the taxation of the country, because forty millions sterling, the cost of the Mutiny Wars, had been added to the Indian debt. One of the greatest of Indian Viceroys—the late Lord Lawrence—endeavoured to distribute this burden by imposing taxes on trade as well as on land; but traders are quite able to protect their own interest, and Lord Lawrence's proposals to derive a moderate increase of revenue from trade was vetoed by the Secretary of State. 'I cannot conceal from myself the conviction,' wrote Lord Lawrence to the Secretary of State in 1867, 'that all taxation which can affect, in any material degree, the non-official European community will be impracticable. So far as their voices go they will approve of no tax of the kind. They desire that all taxation shall fall on the Natives.' How far this policy has or has not been borne out by the history of subsequent years firstly by repeal of all import-duties, and secondly by imposition of excise-duties on Indian mill manufactures along with the re-imposition of import-duties, is a matter which I will not discuss.

"When Lord Lawrence's successor looked around him for additional sources of revenue in India his eyes fell on land and agriculture. The land-tax

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in Northern India had been fixed in the last years of the Company's rule at one-half of the actual rental, leaving aside some very insignificant rates then in vogue. Lord Mayo's famous decentralization scheme of 1870 violated the half rental rule and was based on the imposition of fresh cesses on land in addition to the land-revenue. My Lord, we in the Provinces of Agra and Oudh now pay cesses, not only for village-watch but also for roads, for schools and dispensaries, for post office, for patwaris and for famine insurance, and these cesses have been imposed on land in addition to the land-revenue. The allotments made to the different Provinces of India out of the revenues under Lord Mayo's decentralization scheme were less than the estimated Provincial expenditure, and Provincial Governments were openly told to make up the difference by imposition of new cesses on land in addition to the land-revenue. This will appear from the official correspondence of the day and also from the evidence given before Select Committees of the House of Commons on Indian finance which sat in the years 1871, 1872, 1873 and 1874. My Lord, the entire question came up for the consideration of the late Marquis of Salisbury, who was Secretary of State for India in 1875. And that distinguished and large-minded statesman recorded his views on the subject in words which are as true today as they were thirty years ago.

'So far as it is possible to change the Indian fiscal system,' he said, 'it is desirable that the cultivator should pay a smaller proportion of the whole national charge. It is not in itself a thrifty policy to draw the mass of the revenue from the rural districts, where capital is scarce, sparing the towns where it is often redundant and runs to waste and luxury. The injury is exaggerated in the case of India, where so much of the revenue is exported without a direct equivalent.'

"This sound observation was recorded in 1875, but remained unheeded. The agricultural classes of India are voiceless; the landlords have lifted their voices in vain; and every additional cess imposed on land since 1871 has remained unrepealed. My Lord, the financial history of the last thirty years of the nineteenth century can be told in a few words. In years of deficit fresh taxation has been imposed on land and agriculture in addition to the land-revenue. In years of prosperous Budgets these new cesses were not repealed—the surplus was spent in additional military and other expenditure. It is a melancholy history for the agricultural population of India.

"A fresh increase, in an indirect way, of taxation on land began from 1893, from the gradual raising of the value of the rupee. Rents and the land-revenue in India are not paid in kind but in Rupees; and the artificial raising of the value of the rupee resulted in a raising of the tax on the produce of the

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land. This will clearly appear from a table which appears at the end of the Report of the Indian Currency Committee which sat in London under the Presidency of the Right Hon'ble Sir Henry Fowler. Comparing the prices of produce during the two years before the rise of the rupee with those of the two years immediately succeeding, the witness who furnished the table showed that there was a general fall in prices in the staple produce of every province and every division in India. This was not owing to abundant harvests, for the years taken were years of scarcity and poor harvests; but the prices in rupees had fallen because the rupee had been artificially raised in value. In other words, the agriculturists of India had to pay the same rents as before in rupees, while they obtained less from their fields, and this was an indirect but effective increase in taxation all round. I admit that the same increase took place in other sources of revenue from the same cause; but no class of taxpayers felt this more severely than the agriculturists of India.

"My Lord, the question finally came up for Your Lordship's consideration in 1902 and Your Excellency gave us some hopes that some of the cesses imposed on land in addition to the land-revenue, would be repealed, in course of time, by the Government of India. In paragraph 25 of Your Excellency's Resolution on the Indian land-revenue Policy, dated January 16th, 1902, Your Excellency, while denying that the local cesses were either onerous or excessive, nevertheless was pleased to remark that 'the question presents itself whether it is not better, as opportunities occur, to mitigate imposts which are made to press upon the cultivating classes more severely than the law intended. The Government of India would be glad to see their way to offer such relief.' Two years have elapsed since this was recorded, two years of surpluses and prosperous Budgets, but the relief which we have all looked forward to has not come.

"My Lord, Your Excellency's administration in India will shortly come to a temporary close. Your Excellency's fiscal administration has been marked by an act of real relief to the poorer classes of income-tax payers which we all appreciate. It has also been marked by a reduction of the salt-tax which has given some relief to all classes of people in India. It would have been a source of joy to the country at large if some special relief had also been given to the agricultural classes in India in respect of the numerous, irritating and burdensome cesses which have been imposed on them since 1871 in addition to the land-revenue. It would have rejoiced my countrymen if in the changes which have been introduced in the present Budget in the decentralisation scheme, a somewhat larger allotment had been made to each Province, enabling

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it to withdraw totally or partially some of the land-cesses which sit so heavily on Indian agriculture, and it would have been gratefully remembered by my countrymen that among the many changes which have been introduced under Your Excellency's rule, the most important was one which afforded relief and comfort and joy to the voiceless millions of India in their remote villages and rustic homes. The Indian cultivator would have remembered that Your Excellency at last withdrew some of the heavy burdens which were imposed on their fathers after the Mutiny Wars, and the loyal landed classes of India would have felt that some endeavour was made after the lapse of half a century to come back to the salutary rule prescribed by Lord Dalhousie in 1855 to limit the Government demand to one-half the rental, and I may add that all classes of people in India would have felt that landed and agricultural interests received the same watchful and humane care and attention which trading and commercial interests are able to secure for themselves.

"My Lord, my countrymen still entertain the hope that the relief so long sought for will not be long in coming. When Your Excellency returns to India after your temporary absence, we sincerely hope that one of Your Excellency's first acts will be to give to Indian agriculture that relief which it needs and which it is entitled to in years of prosperous Budgets. In any case we hope that this grave matter affecting the interests of virtually the entire Indian population will not be lost sight of. Years of prosperous Budgets in India are succeeded by years of deficit. It will be lamentable if the present surpluses are all spent in increased military and other expenditure, without affording some substantial relief to the agricultural classes and without permitting some reduction in those burdens on the cultivators which have been deplored by all Indian statesmen from the late Marquis of Salisbury down to Your Excellency.

"My Lord, before I conclude my remarks on this particular subject, I must say that I agree entirely with my friend the Hon'ble Mr. Bose in the observations made by him in reply to those of my friend the Hon'ble Dr. Mukhopadhyaya as regards the propriety of the income-tax. It is in the shape of this tax alone that certain classes of the community make any contribution to the public expenditure; and when such onerous taxes as the land-cesses—taxes paid by the classes who suffer most seriously from famine—remain unrepealed, I do not consider that the income-tax is a tax against the continuance of which any serious complaint can be made.

*"Military Expenditure.*

"Coming now to some other essential features of the Budget Statement, we find that notwithstanding the actual surplus of this year and that estimated for



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the coming year, the Government is going to increase the permanent debt of the country by the addition of  $4\frac{1}{2}$  millions sterling. A large portion of these surpluses, it appears, has been and will be absorbed by an increase of expenses under the head of Army Services. My Lord, the non-official members of Your Excellency's Council have over and over again raised their voice against the inordinate increase of the military expenditure. We hoped that under Your Excellency's regime not only an effectual check would have been placed on the increase under this head but that it would have been reduced to an appreciable extent. We were led to cherish this hope from the action taken by Your Excellency's Government in protesting strongly, though without success, against the increase in the pay of British soldiers stationed in this country and in opposing successfully the saddling of India with a portion of the cost of the South African Garrison—for which the whole country felt grateful to Your Excellency. It is therefore a great disappointment to us that, instead of the military expenditure being reduced, it has been increased in a considerable measure. In 1900-01 it amounted to £14,265,525; for the coming year, *i.e.*, 1904-05, the amount is estimated to reach £18,215,000—an increase of £3,949,475, which in Indian currency in round numbers comes to a trifle less than six crores of rupees; and this in the short space of four years. The sum of £700,000 has been provided in the coming year's Budget for the re-armament of the artillery, the Home authorities having decided that 'India must be allowed priority of supply in the matter of new armament.' In a memorandum submitted on behalf of the India Office to the Indian Expenditure Commission it was urged that India is being utilized as a reserve for England, because not only the services of the British regiments stationed in India are utilized by England but even those of native regiments, towards the cost of which she makes no contribution. As if that was not quite enough, India is now going to have the very costly but unsolicited honour of having the priority of supply of new armaments. The proper course, in my own humble opinion, would have been to give the honour to the ruling country and not to its dependency for the purpose of an experiment of the efficiency or otherwise of the new armament.

"As regards the Tibet expedition, it has already cost Rs. 45 lakhs in the year which is about to close, and in the coming year a further sum of 36 lakhs of rupees has been set apart for it. This being a *quasi*-military expedition beyond the Indian frontiers, its cost ought to be borne by the British and not by the Indian Exchequer.

"The abnormally high and rapid increase in Army expenditure cannot but be deplored. The continuing growth of this already too heavy burden

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absorbs the surpluses and stands in the way of Government's taking steps to give relief to the agriculturists by a reduction in taxation and spending adequate and larger sums on measures calculated to improve the economic condition of the country.

*" Railways.*

" My Lord, it is stated that the larger portion of the loan of 4½ millions will be devoted to railway construction, and the sum of £833,300 will be spent on Irrigation Works. My Lord, I do not mean to say that the extension of the facilities of communication by construction of railway lines is not a desirable thing. But it is the manner in which the capital is provided for the construction of the railways that I take exception to. Mr. Robertson, the Special Commissioner, specially sent out to India to enquire into Indian railways, admits that 'so far, as railways per square mile of territory are concerned, India is rather better served than most countries outside Europe.' My Lord, now that all the main lines have been completed, the construction of new lines should be left to private enterprise, and they should not be constructed from borrowed capital, as borrowing adds to the permanent burden of the country which ultimately results in the imposition of fresh taxes.

*" Irrigation Works.*

" My Lord, as regards the other object for which this debt is going to be contracted, *vis.*, the construction of irrigation works, no one can question their utility as protective against famine. The Government in this respect has not been as active as the exigencies of the case required; the construction of irrigation works has hitherto been considered of secondary importance to the construction of railways. The extension of railway communication places better facilities for trade in the hands of influential merchants whose voice is so effectually heard by the authorities both at Home and in India; the construction and extension of works of irrigation affects mainly the poor agriculturist who has practically got no voice to bring his necessities to the notice of the Government. My Lord, the management of the Famine Insurance Fund with greater care and foresight ought to have placed sufficient means at the disposal of Government for the construction of irrigation works, and no recourse ought to have been made to fresh loans for this purpose.

*" Provincial Contracts.*

" My Lord, I shall now with Your Lordship's permission offer a few brief remarks on some of the matters which have immediate concern with my own Provinces. Your Excellency's Government has now revised the Provincial Contracts, and the Hon'ble the Finance Minister has announced that in order

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to ensure the continuity of the Provincial Finance and give to it a relative permanence, quinquennial revisions will in future be discontinued. As regards the United Provinces, a considerable advance on the last contract has been made by placing a larger amount for local expenditure at the disposal of the Local Government. But I should be pardoned for saying that the allotment is still insufficient. It will barely suffice for the provincial expenditure according to the present scale, but will leave no margin for meeting the rapidly growing wants, both economic and administrative, of those Provinces.

*" Municipalities.*

" A special grant of 2½ lakhs of rupees per annum has been made to enable the Local Government to relieve the Municipalities of the United Provinces of their police-charges, those having water-works being fully relieved, and the others to the extent of half those charges. My Lord, the relief thus afforded to the Municipalities will enable them to provide more adequately for the ever-increasing expenditure on sanitation and also to devote larger sums towards the advancement of education than they have been hitherto able to do. The sum of three lakhs of rupees entered in the current year's Budget will be spent in the next year in furtherance of the drainage scheme of the Lucknow Municipality, which is estimated to cost eight lakhs of rupees. For these grants the people of the United Provinces are grateful to Your Excellency's Government.

*" District Boards.*

" In the course of the Budget Debates of the two preceding years, I drew the attention of the Government to the unsatisfactory condition of the District Boards in the United Provinces, and to their inability to secure that position in the local self-government system of the country which they ought to occupy. This is partly due to the shortcomings in the provisions of the present law which was passed more than twenty years ago, and partly to the defects in the system of their finances in which centralization, and anomalous resumpions at the end of the year of the unspent portion of their annual allotments, play a very important part. Some time has now passed since a draft Bill was submitted to the Government of India for sanction to be introduced into the Local Council, but up to the present time that Bill has not seen the light, and consequently the work of this much-needed reform is at a standstill. I find, however, that in the present Budget a sum of 1½ lakhs is allotted to the Local Government to reform the system of the District Board finance. It is hoped that legislation

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enabling the Local Government to carry out the necessary reforms in this direction will soon be taken in hand.

*"Irrigation works.*

"My Lord, another subject relating to my Provinces is the carrying out of irrigation projects recommended by the Indian Irrigation Commission. Allotments have been made in the Budget for the extension of some of the canals in operation, but it does not appear that any sums have been provided for construction of any of the new canals recommended by the said Commission. One of their recommendations is the construction of a canal passing through some of the districts in Oudh. The talukdars and other landed proprietors in that Province do not consider the project to be of any practical utility, and in their opinion the benefits to be derived from it would be counterbalanced by water-logging and deterioration of the soil of the tracts through which it is suggested that the canal should pass. The construction of wells in sufficient numbers and distributed throughout the areas of those districts will act as a better preventive against famine than the projected canal. The subject, however, is, I am informed, under the consideration of the Local Government, and we must wait for their decision. But there is one part of the United Provinces which of all others is most affected by vicissitudes of rainfall and requires the immediate construction of protective works for prevention of famines. It is Bundelkhand, which has been visited by no less than five famines within the last sixty years. In the last famine alone the Government expenditure, including remissions of revenue and of advances, amounted to over a crore of rupees, of which one district alone, *vis.*, Banda, had one-half of that sum and at one time had more than 42 per cent. of its population receiving relief. The Irrigation Commission recommends the construction of the Ken canal which will irrigate the District of Banda. The project is estimated to cost 36½ lakhs of rupees and when completed will be capable of watering 58,000 acres on an average and 97,500 acres in a year of drought. It is hoped that the construction of this canal will ere long be taken in hand by the Government.

*"Larger employment of Indians.*

"My Lord, the larger employment of the Indians in the different branches of the public services of the United Provinces is the next point which I beg to bring to Your Excellency's notice. I am not speaking of the Indian Civil Service nor of the other Covenanted services, but of those special Departments which are called the minor services. Except in the subordinate judicial and

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executive services, which are mainly manned by the Indians, there is a total exclusion of them from some branches of the public service. In others they are found in very inappreciable numbers so far as the gazetted appointments are concerned. In the Forest Department of the Imperial service there are 17 appointments in the United Provinces, none of which is held by an Indian. Out of the five special appointments only the last two, carrying salaries of Rs. 200 and Rs. 150, respectively, are held by the Indians. In the Provincial Branch of that service there is only one Indian as Extra Deputy Conservator, and seven others as Extra Assistant Conservators holding subordinate appointments. In the Salt Department there are three offices at the head-quarters and seven Assistants and Superintendents; the salaries of the two last-named classes ranges from Rs. 300 to Rs. 800 a month; there is not a single Indian among them. In the Opium Department there are no less than 54 higher appointments in the United Provinces; of these only five are held by the Indians with salaries ranging from Rs. 250 to Rs. 500. In the Telegraph Department there are 18 appointments, the highest monthly salary being Rs. 1,000 and the lowest Rs. 250; not one of these is held by an Indian. In the Financial Department there are seven gazetted appointments; not one of them is held by an Indian. In the Provincial Civil List in the Survey of India Department there are 14 posts, and only one of them is held by an Indian getting a salary of Rs. 300 a month. In the superior ranks of the Police Service there are 4 appointments at the head-quarters, 50 District Superintendents and 30 Assistants; the total coming to 84, and of these only one is an Indian holding the post of District Superintendent. In the Postal Department, besides the post of the Post Master General, there are 17 other appointments as Superintendents. Of these 6 only are held by Indians, two getting Rs. 250 a month and four Rs. 200 a month. My Lord, the paucity of the Indian element in this Department is particularly noticeable, as only a few years ago the Indian element predominated in it. Even the highest post, *vis.*, that of the Post Master General, was at one time held by an Indian, the late Rai Bahadur Saligram, who had risen to that high post from a subordinate position. In the Public Works Department also there is a paucity of Indians, none of the higher appointments being held by them. My Lord, there may be some appointments which may require special qualifications, but there is no valid reason for the practical exclusion of Indians from appointments requiring no such qualification. The Indian Universities are now turning out every year a large number of young Indians who are capable by reason of their general education to qualify themselves for special departments, and if their entrance into public service for posts suitable for them will remain practically barred in the future, as it has been in the past, much blame cannot be laid at their doors if from

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lack of opportunities they do not distinguish themselves in unbeaten walks of life.

*“Educational Works.*

“My Lord, I now come to some of the educational needs of my Provinces. On the subject of technical and industrial education I do not wish to say anything at present. We should wait for the inauguration and development of the policy announced in the Resolution issued by Your Excellency's Government only a few days ago. The genuine interest which Your Lordship is taking in the spread of technical and industrial education has been evidenced very clearly by the creation of technical scholarships for which we are grateful.

“My Lord, the establishment of a Medical College in the United Provinces is an educational want which ought to receive the immediate attention of Government. The Universities Commission have recommended the establishment of such an institution; and the head of the local administration has also recognised its necessity. The Medical School at Agra costs the Government about Rs. 28,000 a year; an additional expenditure of Rs. 52,000 annually will raise that institution to the status of a college on a footing equal to that of the one at Lahore, which costs a little over Rs. 80,000 a year.

*“Primary Education.*

“The last though not of the least importance is the subject of primary education. In this respect the United Provinces occupy the very lowest place in comparison with the other Indian Provinces. The percentage of the male population of the school-going age attending primary schools in the United Provinces is ten, whilst in Bombay and Bengal it is twenty-two and twenty-three respectively. The grant of five lakhs enabled the Local Government to add to the expenditure on primary education. New schools were opened, and in one year the total enrolment of scholars increased by 48,461, which was an increase of 17 per cent. over the number of scholars of the preceding year. This fact affords the clearest indication that the backward state of the United Provinces is not due to any apathy of the people towards education but to the absence of facilities for obtaining it.

“The most urgent educational needs described by the Head of the Educational Department, and noticed by the Local Government in their Administration Report for 1901-02, are :—

(a) More Primary Schools.

(b) More trained teachers, *i.e.*, more Normal Schools.

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- (c) Higher salaries for teachers, English and Vernacular.
- (d) Better, and better kept, school buildings for Vernacular Schools.
- (e) An increase of the district inspecting staff.
- (f) An improvement in pay and position of Subordinate Inspecting Officers.
- (g) Greater liberality towards female education.
- (h) More boarding houses and better ones; these should be attached to all Secondary schools, whether English or Vernacular, and should be under good management.

“ ‘The carrying out of these reforms and advances,’ says the Director of Public Instruction of the United Provinces, ‘on a moderate scale would require an additional twenty lakhs a year.’ This may seem a considerable demand; but even if it could be granted it would only raise the total expenditure from public funds on education, including University, Professional and Technical, as well as the general, secondary and primary instruction, without the outlay on buildings and all the cost of direction, to  $1\frac{1}{2}d.$  a year per head of the population, and this scale of expenditure is already exceeded in most if not all of the other Provinces.

“ Even the additional contribution received from the special grant of five lakhs has not much improved the position of the United Provinces in educational matters. As a matter of fact those Provinces compare very unfavourably with the other Provinces of India. With regard to public expenditure on education per unit of population, those Provinces already stand at the bottom of the list. From the special grant also they have received less in proportion to their population. My Lord, the cause of the backwardness of the United Provinces in educational matters cannot be better expressed than in the following passage from the last year’s Report of the Provincial Education Department. ‘Other Provinces,’ says Mr. Lewis, the Director of Public Instruction, ‘have by the favour of the Government of India been allowed to increase their lead.’ It is therefore the misfortune rather than the fault of these Provinces that they are the last of all in educational progress; and there it seems they are destined to remain. There is little doubt that if money were spent as freely here as elsewhere on education, and largely devoted to the extension of primary education, there would be a large increase in the enrolment of scholars. There is a demand in perhaps

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all districts for more schools and more schools, but they cannot be opened because the funds are exhausted. When a people cries out for education and cannot get it, we may well, with Carlyle, count it a tragedy."

The Hon'ble SIR DENZIL IBBETSON said:—"My Lord, the remarks with which I shall trouble the Council today will be very brief.

"The Hon'ble Mr. Hamilton urges us to increase largely and at once our expenditure upon agricultural education and experiment; he assures us that the money can be easily spared and profitably spent; and he holds up America to us as an example. But at the same time, he himself tells us why the example is not in point. He tells us that each of the American experimental farms is surrounded by a great body of farmers, all with capital at their command, all able to read and write the language in which the inquiries are conducted, and all intelligent; who eagerly co-operate with the farms and carry their teaching into practice. In India the very reverse of these conditions exists; and our difficulty is not so much want of money, as want of men. In order to exercise a practical influence upon the agriculture of the country, it is not enough to experiment successfully; it will still remain to bring the results of our experiments home to the people who are to benefit by them. And no amount of mere writing or talking will do that. As was pointed out in the Budget Debate of last year, what is needed is small demonstration farms at which the results of our experiments can be reproduced before the eyes of the cultivators. What we want in India, and what I hope we shall never be satisfied until we get, is an experimental farm for each area of which the agricultural conditions are distinctive, supplemented by demonstration farms in every district. But this means a very considerable agency, which must of necessity be for the most part native; and at present we simply have not got the men that we require. It would be a grave mistake to bring our institutions into discredit by starting them before we are in a position to work them efficiently, and the first thing we have to do is to train our agency. For that we need teachers, who do not yet exist.

"When we turn to education, upon the subject of which the Hon'ble Dr. Mukherjee similarly presses us, and holds up Germany as an example, the same difficulty confronts us. If agricultural education is ever to reach the agricultural population of India, it must be through the medium of their own vernaculars and it must be imparted by teachers who have learned in the vernacular. But at present, we have neither vernacular text books, nor teachers competent to teach from them. The fact is that both in the matter of trained agency and in the matter of teaching staff, we must begin at the top and work downwards.



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At present agricultural science can be taught only through the medium of English. Our first necessity is, a number of highly trained English-speaking Indians, who will prepare the necessary text-books in the vernacular, and who in their turn will instruct vernacular-speaking teachers to be employed in the lower grades of training institutions and schools. In the Budget Debate of last year I said that I hoped that the Pusa Scheme, which has been fully described in a recently published Resolution, would prove to be the corner-stone of agricultural progress in India. But we must lay the corner-stone before we proceed to the superstructure. I would ask those who are impressed with the infinite importance of the subject to the future of India, to believe that the Government realise it no less fully than they do; that they are conscious of their responsibility in the matter; but that they believe that ultimate success will be best assured by beginning at the right end, and by laying a sound foundation for future progress, even though to do so may involve a certain postponement of visible results.

"Another remark of the Hon'ble Mr. Hamilton's affords me an opportunity that I have for some time past desired, of saying a few words regarding the popular conception of the Indian Banya. He told us that he accepted the Punjab Alienation and Co-operative Credit Societies Acts as 'an earnest of the fact that Government has decided to clear the path of progress of the pests which now suck the life of the people.' I understand these words of his to refer to the Banya class; and I have noticed in various quarters, and especially of late, a tendency to speak and write of the Banya of India as if he was, if not always, at any rate generally, a dishonest scoundrel, and the inveterate foe of the Indian cultivator. In my opinion nothing could be more untrue, nothing more unjust; and I wish that people would accustom themselves to think and speak of the Banya as a banker rather than as a moneylender, for to call a man a moneylender is to condemn him by an epithet.

"There are, indeed, parts of the country where the Banya comes as a foreigner to settle temporarily among an ignorant people, upon whom he fastens like a leech, only to drop off when full and return to his own home. In such parts I believe that his procedure is often of a nature that it would be difficult to characterise too harshly. There are, again, other parts, such as the Punjab, where the desire of the Banya to acquire property in land has led to evils so grave that we have felt compelled to guard against their further growth by legislation of a very special character. But even in the Punjab, it is too often the cultivator who is himself his own worst enemy. There are bad Banyas of course; and when they are bad,

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they are very bad. But the character of such men is perfectly well known throughout the country-side ; and only those persons deal with them whose credit is so hopelessly broken that they can find no one else to deal with. At the other end of the scale there are Banyas, and not a few of them, who pride themselves upon never taking a case into Court. Between these two extremes lie the great mass of the class ; and my experience is that, so long as they keep out of Court, their dealings with their clients are, speaking generally, characterised by honesty and good faith and by a very considerable amount of liberality. When they are driven into Court, I am afraid that this cannot always be said of them ; but in such cases it is not the Banya alone who sins. In the parts of India that I know best, and under existing conditions, the Banya is the mainstay of the agriculturist. He fulfils the function which the air-chamber fulfils in a fire-engine, and converts the intermittent income which accrues to the cultivator only at harvest time, into the continuous supply which is necessary for the support of his family.

"We were told last Wednesday that co-operative credit societies could never succeed in India, because the Indian cultivator is bound hand and foot to the moneylender. I do not believe it for a moment ; though statistics of indebtedness were quoted from a high authority in support of the statement. I do not pause to consider the degree of weight which can properly be attached to such estimates, though personally I regard them as dangerous and misleading. But I would point out that 'indebted' is by no means necessarily synonymous, as so many people seems to think it is, with embarrassed or insolvent. I do not for a moment wish to minimise the poverty and pecuniary embarrassment which undoubtedly exist among the smaller tenants and land-owners of India ; though after all, the real poor of the country are, not those who hold land on their own account, but the class of agricultural labourers. But, as I said in this Council the other day, agriculture, or at any rate cultivation by small holders, is in every country in the world carried on by means of borrowed capital ; and a man may owe money to his banker, and yet be perfectly solvent. Indeed, in the part of the country which I know best, indebtedness is the general custom. The cultivator's account is kept on the debit side ; and if a man saves money, he never dreams of paying it in to his banker so as to convert his debit into a credit ; but he either uses it to acquire more land, or invests it in jewels for his wife, or possibly buries it in a hoard.

"In this matter I am entirely in accord with the views which were expressed by the Hon'ble Mr. Cable a week ago, and by the Hon'ble Mr. Bose

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today. Our credit societies will be of use, mainly to supply the small needs of small folk ; they certainly will never supplant the Banya ; and it would be a grievous mistake if they were pressed forward in a spirit of declared hostility to him. Competition and rivalry there must be, to a certain extent. But that will be entirely wholesome ; it will, I hope, tend to reduce the traditional and exorbitant rates of interest at present so often charged ; and I agree with the Hon'ble Mr. Bose in thinking it very possible that the Banya may find it to his advantage to lend money to these societies on their combined credit, on easier terms than he can afford to give to the individual members. It may also be hoped, as suggested by the Hon'ble Mr. Cable, that the societies will exercise a valuable educative influence, by teaching the Indian villager that money is productive. If we could tempt into active circulation the vast amount of capital, scattered in small sums all over the face of the country, which at present lies idle in the shape of hoards or jewels, a considerable advance would have been made towards that development which we all so much desire.

"Last year I mentioned the new arrangement by which the Civil Veterinary Department would be relieved of a great part of its duties in connection with horse-breeding, and thus enabled to give increased attention to the cattle which are so all-important to Indian agriculture ; and I stated that inoculation against rinderpest, with serum prepared at our laboratory at Muktesar, was steadily finding favour in the eyes of the people. I think it may interest the Council to learn the progress which we have made since inoculation was first started in 1900-01. In that year we inoculated 2,257 beasts ; in 1901-02 we inoculated 19,859 ; in 1902-03 we inoculated 45,728, and might have treated more had not the supply of serum run short ; while this year we have arranged for the manufacture of 2½ lakhs of doses of rinderpest serum, besides nearly a lakh of doses of prophylactics against anthrax and other fatal diseases of cattle.

"The Hon'ble Dr. Mukherjee asks us for full and detailed statistics of the rental paid by cultivators as tenants to their private landlords, on the ground that it ought to be taken into account in calculating the total burden of taxation upon the people. I confess that it would never have occurred to me to include in the amount of the taxes which the State levies from me, the rent that I pay for the house in which I live ; and in this matter I see no distinction between houses and land. From the point of view of revenue, Government are concerned with private rental, only in so far as it constitutes the proprietary profits of which the State is entitled to a share. And the only manner in which Government have

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interfered to regulate the amount of such rent, is by legislation designed to protect the tenant against extortionate demands on the part of his landlord."

The Hon'ble Sir ARUNDEL ARUNDEL said :—"As stated by the Hon'ble Mr. Adamson, railway construction in Burma has been at a standstill because the Burma Railway Company were not prepared to undertake further construction under the terms contemplated in their contract of 1897. An arrangement has now been made between the Secretary of State and the Railway Company, and an allotment of 15 lakhs has been made for the ensuing year to make a beginning with—

- (1) the Pegu-Moulmein line,
- (2) the Henzada-Kyangin line.

"I would gladly have allotted more, but our Budget is limited while the demands upon it are unlimited, and it is impossible to satisfy the claims that pour in from every side. It must always be remembered that the requirements of open lines and lines under construction have first to be met, and only the balance is available for allotment to new lines.

"If later in the year we should be in a position to increase the allotments for the two lines abovenamed, and at the same time the Company is in a position to spend more, I hope a further allotment may be given.

"The third line mentioned by the Hon'ble Mr. Adamson—the Daga loop to the Henzada-Bassein Railway—has not yet been properly surveyed or estimated.

"The Arakan line, which is being surveyed, will, I fear, prove to be exceedingly expensive without being financially remunerative. From a merely administrative point of view it would be useful, but it must be remembered that water-communication exists, circuitous though it may be.

"The Southern Shan States line has been estimated to be 112 miles long and so cost 68½ lakhs, and it is by no means certain that the estimate is adequate, or that there would be enough traffic on the line to pay even working expenses.

"Enormous sums have been swallowed up on the Lashio line that might have been remuneratively expended elsewhere, and I am not prepared to believe that the Southern Shan States hill line will pay, on the strength of Sir George Scott's robust faith. The Chamber of Commerce may press strongly for it, but would any member of that body invest a hundred rupees in the scheme

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with any hope of a financial return unless guaranteed by Government out of the general revenue of the country ?

" In all that the Hon'ble Member says of the promise of the future for Burma in increase of population, cultivation and wealth I cordially agree. But, limited as our assignments for railway construction are, it would seem to be a wise policy to press first for the lines that promise the best return.

" As regards public works other than railways the Government of India hope shortly to be in a position to strengthen the Public Works Department staff in the grades of Chief Engineer, Superintending Engineer, Executive Engineer and Assistant. It is impossible to expend any very large sum satisfactorily until the establishment is increased, and this can only be effected by degrees.

" With reference to the Hon'ble Mr. Cable's remarks on the subject of railway freights for coal, I would say that the East Indian Railway is already, after allowing for rebate, carrying coal at almost the minimum permissible rates. And with regard to railway freight rates in general it must be remembered that the Companies have full power to deal with such rates in their discretion within the maxima and minima laid down in their contracts. The Railway Companies have land freight to sell just as steamer companies have sea or river freight to sell, and it is not to their interest to quote rates so high as to impede traffic. If the mercantile community will point out what kinds of merchandise are held up anywhere and will not move because freights are too high, they will have done much to simplify the problem of railway rates.

" As regards coal I may say that the rates on the East Indian Railway were reduced in August 1902, and the result so far has been more beneficial to the trade than to the railway, as the increase in weight carried to Calcutta or for export was not sufficient to counterbalance the loss in earnings. It is doubtful therefore whether further reductions can be expected for some time to come. Whether the steamer freights for export are capable of reduction is a matter on which I have no information, but it is probably known to the Hon'ble Member himself.

" The Hon'ble Rai Sri Ram Bahadur desires that the construction of new railway lines should be left to private enterprise and not constructed from borrowed capital, as borrowing adds to the permanent burden of the country which ultimately results in the imposition of fresh taxes.

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"If the course recommended by the Hon'ble Member were followed, hardly any new railway line would ever be built, for private enterprise except in the rarest cases demands a Government guarantee in some form or other, and a Government guarantee throws the ultimate responsibility on the revenues of India; and as private enterprise even with a Government guarantee cannot raise capital so cheaply as Government, the taxpayer is in the end worse off than if Government raised the capital and built the railway. As the railways of India generally, even including expensive unremunerative strategic lines, are paying an interest on the outlay of nearly five per cent., the burden of the country is lightened by the difference between 5 per cent. and the rate at which Government borrowed, and there are in addition all the innumerable indirect advantages of the railways in fostering and developing trade and industry, giving a market to produce and permanent paid employment to an immense army of 378,000 Native employ  s throughout India.

"The Hon'ble Member says 'the extension of railway communication places better facilities for trade in the hands of influential merchants whose voice is so effectually heard by the authorities at home and in India; the construction and extension of works of irrigation affects mainly the poor agriculturist who has practically no voice to bring his necessities to the notice of Government.' I must repudiate the distinction which the Hon'ble Member would draw between the influential merchant and the poor agriculturist. The latter and the 'voiceless millions' elsewhere referred to are having their case presented and their interests looked after by the Hon'ble Member here, and by officers in every district throughout India. I have already shown that the permanent burden of taxation is directly lightened by our railway revenue. I do not think that the Hon'ble Member would wish to represent that Indian merchants do not profit by the better facilities for trade given by the railways, or that the agriculturist would be in an equally good position if he had no railway to take his cotton, his seeds, his wheat, to a market. The wonderfully successful irrigation colonies in the Punjab actually demand railway communication to get rid of their produce and so make money by it, and one successful line of railway has been built simply to meet the requirements of the colony created by the irrigation works.

"Then my Hon'ble friend says no recourse ought to have been made to fresh loans for the construction of irrigation works. I hope the following figures

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will convince him that his policy is anything but wise in the interests of the people of India :—

*Statement showing the net receipts from canals in India credited to the State exchequer after paying all working expenses and arrears of interest to the end of 1902-03.*

	Rs.
Punjab . . . . .	6,91,53,974
North-West Frontier . . . . .	6,71,293
United Provinces . . . . .	3,15,71,760
Bengal . . . . .	—6,51,27,608
Madras . . . . .	7,70,11,158
Bombay and Sind . . . . .	—76,72,414
Burma . . . . .	—6,63,394
TOTAL . . . . .	<u>10,49,44,769"</u>

The Hon'ble MAJOR-GENERAL SIR EDMOND ELLES said :—" It is a great source of satisfaction to have the support of such an able and fearless critic as the Hon'ble Dr. Asutosh Mukhopadhyaya as to the necessity for maintaining our army thoroughly efficient, and I share his regret that the whole of the extra charge for the pay of the soldier has been thrown on India. It is also a great pleasure to hear the statesmanlike and broad views of His Highness the Agha Khan on military expenditure and its necessity. Should his proposals for the maintenance of transport units by minor Native States and large landowners be carried out, the military authorities will hail the measure with the greatest satisfaction.

" The increase of our expenditure on the army has been attacked by the Hon'ble Mr. Gokhale and Rai Sri Ram with their usual vigour and pertinacity, but of this increase seventy-four lakhs is a story two years old. The increase of the soldier's pay was resisted as a charge on the Indian taxpayer, but the Indian case was lost on being referred to arbitration and the charge has become a regrettable necessity. The expenditure in regard to Sikkim-Thibet, Seistan and Aden (49 lakhs) is for escorts to political missions, and I would leave it to His Excellency the Viceroy to reply to this part of the case.

" The remaining excess expenditure is due to the allotment to India of 50,000 extra rifles of new pattern and 21 batteries of Field Artillery. Is it really necessary to justify this expenditure? The knowledge on military matters of the Hon'ble Members who have attacked the military expenditure is not extensive. I have listened with admiration to some of their speeches

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when they have spoken as experts on the University Bill and other subjects. I now feel still greater admiration at the boldness with which they criticise military measures regarding which their knowledge must be infinitesimal. Is it possible that they wish us to remain with ancient and out-of-date equipment when all other Powers have supplied themselves with the most modern? Are we to be content to hide ourselves behind our mountain barriers under the foolish impression that we shall be safe whilst the absorption of Asiatic kingdoms is steadily in progress?

"It is, I think, undoubted that the Indian army in the future must be a main factor in the maintenance of the balance of power in Asia; it is impossible to regard it any longer as a local militia for purely local defence and maintenance of order.

"Have not my Hon'ble Colleagues an object lesson before them?

"Fifty years ago Japan commenced to emerge from what I may call the junk and bow and arrow stage of naval and military science. What is it that has made her a first class naval and military Power?

"Our Hon'ble critics wish us to adopt a policy of non-advancement with the times. Was it by such a policy that the evolution of Japan has taken place in a manner never before seen in any age? Japan many years ago became aware of the insidious advance of a Power to threaten her and began to prepare with a foresight and statesmanship which have gained her universal admiration. Few then thought that this small island kingdom would in a few years be fighting a first class Power for her existence; yet what would have been her fate shortly had her future been guided by statesmen holding the views of my Hon'ble Colleagues Mr. Gokhale and Mr. Sri Ram? Are we to disregard all warnings and remain in a backward state of military preparation? The South African war showed the inferiority of our field gun, and since then experiments have been carried out to produce a perfect gun of quick-firing type. It is interesting to know how backward we are. Russia is armed with a quick-firing field gun firing sixteen rounds a minute; ours probably fires two with difficulty. France is also armed with quick-firing guns stated to fire twenty rounds a minute. Germany has been armed since 1896, but is now re-arming with a better one. Even Switzerland began re-arming in 1901, and Japan commenced in that year and is believed to have completed its field artillery with quick-firing guns. Re-armament is very expensive, the cost of 21 batteries being £500,000, and the full re-armament will cost over a million sterling; the other batteries we hope to re-arm by guns made in India at a lower cost.



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"There is yet another point I would press on my Hon'ble Colleagues. England after an expenditure of nearly 223 millions sterling on the Boer War came to the conclusion that want of reserves was rather an expensive thing and immediately voted 10½ million for war reserves. Nearly 9 million of this has been already spent. What is our small expenditure compared to the issues at stake? Even now with the extra expenditure this year you are only paying an extra insurance for the extra prosperity of the country, and the expenditure has barely increased when compared with the expansion of revenue. You paid in insurance during the four years 1896-97 to 1899-1900 24·70 per cent. on gross revenue; in the four years 1900-01 to 1903-04 it was 21·08. For 1904-05 the estimate is 24·02, and any increase in revenue decreases the percentage. I see no reason why the army should not have a certain share of increased prosperity as for years it was completely starved.

"The Hon'ble Mr. Gokhale refers to the figures in my memorandum on the Military Budget as curious, but I do not think it is so curious as his deductions. If I take the same set of figures throughout, the comparison between years is not vitiated. I took the last eight years for my periods because they were the last eight years. I fail to see why he should not take the principal heads of revenue in calculating the general increase of revenue. He says that the revenue between 1884-85 and 1904-05 increased from 51 crores to 73 crores; but I find that the gross revenue increased from nearly 71 crores in 1884-85 to 124 crores in 1903-4, and 120 crores is estimated for next year. He says the military expenditure between 1884-85 and 1904-05 increased 70 per cent. whilst the revenue increased 44 per cent.; but I find that the gross revenue increased in that time by 75 per cent.

"The Hon'ble Sri Ram has the following statement:—'This abnormally high and rapid increase in army expenditure cannot but be deplored.' In this we may entirely agree, but so long as other Powers progress in military armaments and preparation for war we must also keep pace. He continues with this remarkable criticism:—'The continuing growth of this already too heavy burden absorbs the surpluses and stands in the way of Government taking steps to give relief to the agriculturists.' I would point out that the large surpluses have been attained in spite of the military expenditure, and as they are a solid fact—29 crores in six years according to Mr. Gokhale—I fail to see how they can have been absorbed by the Army. At least 75 per cent. of the increased gross revenue has been expended on general purposes, and there has in addition been a large remission of taxation. Less than 25 per cent. of the gross revenue is still expended on the Army."

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HIS HONOUR THE LIEUTENANT-GOVERNOR said :—" My Lord, I will only make a few remarks on the Budget in reference to its relation to the Province of Bengal. In the first place I should like to say that I thoroughly acknowledge what the Hon'ble Finance Member has, with his becoming modesty, called the 'reasonable liberality' with which the Government of Bengal has been treated in the new Provincial Contract. I am very glad indeed that this step forward has been taken in regard to decentralisation, so as to call forth, as I believe it must, the best efforts of Local Governments and of their officers in regard to efficiency and economy of administration; and I acknowledge gratefully that in starting us off on the new system, the Government of India has treated us with reasonable liberality. We had very considerable discussion over the Provincial Contract before the Government of India settled it; and I am bound to say that the impression which that discussion left on my mind confirmed the impression which I had formed of the relations of the Government of India with Local Governments both while I was connected with the Government of India as Home Secretary, and also during the more than four years in which I have occupied the position of the head of a Local Government: that is, I recognise fully that not only do the Local Governments maintain that we belong to the same great system, and that we are working out the same great work; but the Government of India also cordially recognise this, and meet us in a sympathetic and kindly way. We did not of course get all we asked, because we asked for all that it was possible to hope for; but we got much of what we asked; and when we had got it and looked round and saw what other people had got, we were bound to admit that we had received at all events reasonable treatment; and I am sure that nothing that it was our duty to urge in regard to the necessary and expedient expenditure of Bengal was lost sight of by Your Excellency and Your Excellency's Government. .

" There are several matters in regard to which, coming to the Province of Bengal, I have been deeply impressed; and I am glad to say that they are not matters which have impressed me without having impressed my predecessors, or which have impressed me without having impressed those who are my responsible and even irresponsible advisers in this Province. They are matters which have deeply impressed me. One is the undermanning of our district and local establishments. We have far too few Deputy Collectors, and far too few Sub-Deputy Collectors; and our ministerial establishments are underpaid and undermanned. That is a matter which we have strongly represented, and it is a matter consequently in respect of which the Government of India have given us substantial help. I trust that, with the help which that Government have given, and with the money which under the new Contract it will be possible for us to set aside

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for this purpose of improving our local administration, great improvement may take place. As I have said, this is a matter which attracted the attention of my predecessors and which has also attracted the attention both of my subordinates and of the Press; and I am sure that the measures which are now about to be carried out, which are now under discussion between the Government of Bengal and Your Excellency's Government, will give great satisfaction to the Province generally.

"Then there are three matters in respect of which we feel the necessity for a very considerable expenditure, but in respect of which we are still uncertain as to what that expenditure must be. In regard to these matters the Government of India have, however, given us the assurance that while they will expect us to do all that we can for ourselves they will give us all reasonable assistance in the future.

"The first is irrigation. In respect of irrigation I have seen and examined a good number of the projects which seem absolutely essential in these Provinces, and I am sure that the policy which has been developed by the Government of India will be one which will be received by all who have an interest in the agricultural community with great gratitude.

"The second point is the police. In regard to that I hardly need say anything. My predecessor, the Hon'ble Sir John Woodburn, in this Council made as strong a statement perhaps as one desires to make about the necessity for police reform in Bengal; and that statement was certainly not too strong. I have the strongest belief in the necessity for very great reform. In respect of this matter we are still waiting to ascertain what are the lines of the policy in accordance with which reform must be carried out. I believe myself that it is better to wait. I have great pressure brought to bear upon me to carry out certain reforms immediately. I believe, however, that it is better to wait and to have a clearly defined policy before us before we begin to work on this great and important question.

"The third matter with regard to which the Government of India have promised us reasonable assistance in the future is the matter of education. Here again I find myself in accord with my predecessors, and in accord with what I believe to be the best opinion in the province, when I say that in respect of primary education we must incur great expenditure; that in respect of secondary education we have hardly any model schools at all; and that in respect of Colleges, we have to start them in many respects on a new line altogether. Your Excellency is aware that something has already been done at Dacca in

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starting a College on these new lines; and it has been brought before this Council in another debate by the Hon'ble Dr. Mukhopadhyaya that a great number more of European Professors are required than we have at present for our Colleges. There is also another feature of education which was omitted, I think, by the Hon'ble Mr. Pedler this morning, and to which I attach as great importance as any, namely, the absolute inadequacy and too general incapacity of our inspecting staff. All these things are matters upon which we shall have to incur great expenditure. We will make every effort that we can to meet these necessities, and we have been promised the support and the assistance of the Government of India.

"It was a very great pleasure to me to listen to the story which my Hon'ble friend Mr. Bose had to tell us of the history of the Morris College in Nagpur. In respect of that College he tells us that some men 'laboured hard and long.' I need hardly say that this is Mr. Bose's own modest way of hiding the fact that he, Mr. Bose, laboured hard and long for this College. The work which he did, the energy that he put into it, the patience and the devotion with which year after year he laboured for this College, have now been crowned with success as I believe; and they are crowned with success on the lines of the late Universities Bill, which has now become the Act under which we are all working.

"Two other matters only, my Lord, I shall refer to and that very briefly: one is public works under the Public Works Department and under the District Board. It is hardly credible, the impression which has been created in my mind in the course of my somewhat extended tours in this Province during this cold weather of the backwardness of this 'forward' Province of Beagal with regard to communications and buildings, and also with regard to the important matter of water-supply in the interior. That is a matter to which we shall have to give of our finances; and I do trust that, despite the existence in certain limited localities of an opposite spirit, it will be found that, when the Government either directly or through the Local Boards and Municipalities expends its own money, the public will also be ready to come forward and assist as they have done in the Province to which I have so long belonged.

"The second point on which I should like to say a word is the question of agriculture. I think it must be very gratifying to Your Excellency's Government to find that a matter which occupies so large a place in the Financial Statement has also occupied so large a place in the discussion today, and that

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the policy which has been inaugurated, or at all events pushed forward to so great an extent as to be practically a new policy under Your Excellency's Government, is one which commends itself so much to the critical Members of this Council. I have myself visited the Pusa Estate and discussed with my friend Mr. Mollison the object which the work at Pusa has before it, and I am fully satisfied that the advantage to our Province of Bengal from the work which is going to be carried out at Pusa will be of the very highest. But I am very strongly of opinion, with my Hon'ble friend Sir Denzil Ibbetson, that it would be absolute madness to push on agricultural experiment and agricultural instruction until we have the men to conduct the experiments and to give the instruction. That is the very first work which the Pusa establishment will have to do: to furnish us with the men that will be able to carry on our demonstration farms and to give the instruction that is required in agriculture. There is, however, another point to which I should like to refer in regard to agriculture. I feel very gratified indeed to think that the Central Provinces and its agricultural work should receive such honourable mention as it has from my Hon'ble friend Sir Edward Law in the Budget Statement; and I feel very strongly that no recognition of that kind could be too high for the excellent work that has been done by my friend and late colleague Mr. Sly. One great feature of that work, however, is one which I should like to see carried out here. We have had valuable hints today from the Hon'ble Mr. Hamilton in regard to agriculture; and we have also had valuable statements from the Hon'ble Mr. Cable about the connection between agriculture and commerce in this country. What I should like to see would be an association, not a great, big, unwieldy, uninterested association—but a good sound, working association such as we have in the Central Provinces—composed of agriculturists and of commercial men and of manufacturers, to criticise our experiments, suggest experiments and help us in our work. Now I shall be very glad if, when they have leisure, my Hon'ble Colleagues Mr. Hamilton and Mr. Cable will give me some hints in regard to the formation of such an association.

“ I shall not touch on the question of excise. I thoroughly concur in what has been said by the Hon'ble Finance Member in the Budget Statement in regard to excise. The views of Your Excellency and of the Government of India are well known. It is our duty as loyal though subordinate collaborators with the Government of India to enforce that policy, and we shall certainly do our best to carry it out. As is well known, the question of excise is now before the Legislative Council of the Government of Bengal, and I trust that we shall be able to work out a measure which will meet with the approval not only of the public but also of the Government of Bengal.

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"In conclusion, my Lord, I join heartily in congratulating the Financial Member and Your Excellency's Government on this Budget."

The Hon'ble SIR EDWARD LAW said :—"My Lord, I think that perhaps it will be unnecessary for me to reply to each Hon'ble Member who has spoken. It will possibly save time if I confine myself to replying to those rather longer speeches which included remarks repeated, though in different form, by others who were briefer in their criticisms.

"The Hon'ble DR. Asutosh Mukhopadhyaya started the discussion with a speech which, whilst I gladly acknowledge its moderation, I cannot pass by without calling attention to the unsoundness of many of the premises on which he has founded his conclusions and criticisms.

"My Hon'ble Colleague discusses the causes of our surpluses. He considers that the principal factors which have contributed to such surpluses are first the stability of exchange and secondly increase of taxation. He has apparently persuaded himself that the means adopted to establish stability of exchange have been in themselves most prejudicial to the true interests of agriculturists, that is, to the great mass of the population. In this connection the Hon'ble Dr. Mukhopadhyaya submits a remarkable and, I would venture to say, very arbitrary statement of figures with regard to the exports of Indian merchandise (I use his words) 'grown by ordinary cultivators' and the value of the articles of import 'used by the agricultural population.' How he comes to class jute manufactures as an article 'grown by ordinary cultivators' I do not understand, and he himself has clearly some doubt as to the correctness of the principle which has led him to include such manufactures in his schedule, since he omits from the same schedule cotton manufactures. From the point of view of his arguments I cannot myself distinguish between the two. Again, I find that from his list of articles imported for the use of the agricultural population he omits copper, silver bullion, sugar, steel, railway material, machinery and mill work, twists and yarns, and various minor articles such as fruit and vegetables, and vegetable oils. My Hon'ble Colleague must, I think, admit that all imports of silver, of steel, of railway material and machinery and of mill work are more especially for the benefit of the masses, that is, the agricultural population. It cannot be questioned that the agriculturist is the man who is chiefly benefited by the construction of railways and the importation of steel and materials for use in connection with them, and I cannot believe that any class has derived a greater profit than the agriculturist from the importation of such machinery and mill work as are used for the purpose of reducing the cost of manufactures and thereby enhancing the value of the raw materials used in their production. Again, my Hon'ble Col-

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league assumes that only 80 per cent. of those articles of import which he schedules are used by the agricultural population. This seems to me to be a very arbitrary assumption, particularly as regards the imports of spices, steel, agricultural implements and grey shirtings, which he mentions. But I think I need not pursue the question in further detail. I have said enough to show that the calculations are based on premises which are, to say the least, too arbitrary to admit of any close argument being founded thereon.

"I am averse to attempting a discussion of such wide economic questions as the effect on exports, of a depreciated exchange, in the limited time available during the discussion of the Budget. I must, however, point out that the only period during which the value of commodities exported can be appreciated by a falling exchange is that during which the effect of depreciation of exchange has failed to make itself universally felt throughout the exporting country. I am aware that, particularly in a backward country, it ordinarily takes a considerable time to make such effects universally felt, but where a country has to meet gold liabilities, if exchange be not sustained, taxation to meet such obligations must be increased from the very outset of a crisis produced by exchange depreciation. It is, however, perhaps, in any case unnecessary further to pursue this line of argument, since there has been no appreciation of the value of the rupee beyond that at which it stood very shortly before the closing of the mints. The average rate of exchange in the financial year 1891-92 was 16·733 pence. The measures taken by Government in 1893 have therefore not resulted in an appreciation of the rupee, but only in maintaining its exchange value at a rate approximate to, but somewhat below, that at which it stood immediately prior to 1893. The Hon'ble Mr. Morison has, with much acumen, discussed this question from another point of view, and he has shown that on the scientific basis of a comparison of past and present index numbers, there is no foundation for the allegation that the raiyat has suffered from the measures taken to maintain the stability of exchange.

"I now come to the question of increased taxation, and I must express great surprise at the erroneous assumption made by so acute a reasoner as my Hon'ble Colleague. He says that our surpluses are due to increased taxation, and he names the heads under which there have been increases. The surpluses of recent years, against the origin of which he finds reasons for complaint, have, as I pointed out on a previous occasion, been obtained without any increase of taxation. Since the year 1896-97 there has been no increase of taxation, with the single exception of the imposition of countervailing duties on bounty-fed sugar, the

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returns from which have barely averaged £100,000 per annum. The years 1896-97 and 1897-98 both closed with very heavy deficits, and the cycle of surpluses only commenced in 1898-99. Last year we remitted taxation at a cost of £1,220,333, and nevertheless the growing prosperity of the country has resulted in an increase of revenue under general heads (excluding mint and opium) amounting to £2,093,661.

"I submit a table showing calculations of incidence of taxation in India. It will be observed that when, on the only sound principle for such calculations, revenue from State property is treated separately, the incidence of taxation is now only Rs. 1·42 per head per annum.

*Statement showing incidence of revenue from 'taxation' and 'Government Property' respectively per head of population.*

	Population.	GOVERNMENT REVENUE FROM				Incidence of (3) per head of population.	Incidence of (4) per head of population.
		Taxation.*	Property.†	Other items.‡	Total.		
1	2	3	4	5	6	7	8
	Number.	Thousands of rupees.	Thousands of rupees.	Thousands of rupees.	Thousands of rupees.	Rupees.	Rupees.
1880-81 . . .	196,429,857	19,65,77	44,92,69	9,70,55	74,29,01	1'00	2'29
1885-86 . . .	207,406,514	19,13,17	49,63,50	5,69,75	74,46,42	'92	2'39
1890-91 . . .	218,383,172	24,75,74	54,96,45	6,01,98	85,74,17	1'13	2'52
1895-96 . . .	222,866,529	30,29,57	61,94,40	6,13,05	98,37,02	1'36	2'77
1900-01 . . .	227,349,886	31,22,42	70,50,86	11,17,56	1,12,90,84	1'38	3'10
1901-02 . . .	228,246,557	32,58,13	74,02,92	7,90,63	1,14,51,68	1'43	3'24
1902-03 . . .	229,143,228	33,59,18	73,44,72	8,15,19	1,15,19,09	1'47	3'20
1903-04 (Revised).	230,039,899	32,54,43	78,90,97	11,88,60	(a) 1,23,34,00	1'41	3'42
1904-05 (Budget).	230,936,570	32,85,79	78,44,16	7,59,72	(a) 1,18,89,67	1'42	3'40

\* Includes Salt, Stamps, Excise, Provincial Rates, Customs, Assessed Taxes and Registration.

† Includes Land Revenue, Opium, Forest, Post Office, Telegraph, Railways and Irrigation.

‡ Includes Tributes, Interest, Mint, Civil Departments, Miscellaneous, Other Public Works and Army.

(a) The revenue from Berar, included in the Accounts of the Government of India from 1st October 1902, has been left out for the purpose of comparison in the above table.

NOTE.—The population figures of 1880-81, 1890-91 and 1900-01 have been taken from the line 'Total British' at page 3 of the tenth issue of the Financial and Commercial Statistics (after deducting the population of Berar). For 1885-86 and 1895-96 the mean of the 1881 and 1901 and of the 1891 and 1901 figures, respectively, have been taken. For the years following 1900-01, an addition equivalent to the average annual increase of population between 1891 and 1901 has been taken.



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"The Hon'ble Dr. Mukhopadhyaya has devoted a considerable portion of his speech to a suggestion that the income-tax should be abolished. He, however, agrees with me in thinking that our primary care should be not to overtax the agriculturist. The agriculturist does not pay income-tax, and I leave it to my Hon'ble Colleague to suggest in what form and on what class the new tax should be levied to take the place of the income-tax.

"I may point out that the Hon'ble Dr. Mukhopadhyaya appears to be unaware that we already have a graduated income-tax in India. On incomes below Rs. 2,000 the tax is not assessed at so many pies in the rupee, but on a fixed scale as follows :—

From Rs. 1,000 to Rs. 1,250	.	.	.	.	.	Tax Rs. 20.
From Rs. 1,250 to Rs. 1,500	.	.	.	.	.	Tax Rs. 28.
From Rs. 1,500 to Rs. 1,750	.	.	.	.	.	Tax Rs. 35.
From Rs. 1,750 to Rs. 2,000	.	.	.	.	.	Tax Rs. 42.

"The results of these rates naturally differ from those calculated by my Hon'ble Colleague; up to an income of Rs. 2,000 per annum, they only reach 5·04 pence in the pound.

"With reference to the implied suggestion that the Government of India is under some sort of an obligation to abolish income-tax when not absolutely required for the immediate purposes of administration, I must point out with emphasis that no kind of obligation exists in the matter. When originally introduced in 1860, the income-tax was admittedly a temporary impost, and consequently when it was considered that the financial situation permitted its abolition, it was promptly abolished. When reimposed in 1886, no sort of promise was made that it would be hereafter abolished in any specified circumstances. It has now been levied continuously for some seventeen years, and I must repeat my hope that should it be found possible to grant some measure of relief to the tax-paying population, the claims of other and more needy classes will be considered before those of the wealthier class whom we desire particularly to reach by the income-tax.

"With regard to the Famine Insurance Grant, I am afraid that the statement in paragraph 181 of the Financial Statement is perhaps not quite so clear as it might be. That statement has been drawn up on the basis of an increase of revenue amounting to 1½ crores of rupees per annum having been obtained by measures taken by Government in 1877-78 for the special purpose of providing for famine requirements. A credit and debit account has been prepared which has year by year been credited with the full 1½ crores, as originally

proposed, and this account shows a credit balance of £2,089,149 at the close of the current financial year. Had we taken into account the reductions which were made in the contributions for famine purposes in the years 1894-95, 1895-96, 1899-1900 and 1900-01, the balance on the credit side of the account would have been *pro tanto* reduced.

"I find some difficulty in following the various calculations made by Hon'ble Dr. Mukhopadhyaya on the question of the general burden of taxation, but I may at once point out that the calculations appear to me to be of very small importance, since they are based upon an entirely erroneous assumption that, apart from local cesses, land is taxed in India. At some period in the history of all countries, land has been the property of the tribe or of the State composed of amalgamated tribes. In India that system as a rule continues. The raiyat in India has, generally speaking, neither won his lands by the sword nor purchased them by a cash payment; he therefore properly pays the rent thereof to the proprietor, that is, to the State. Again, my Hon'ble Colleague appears to be quite in error in omitting from his calculation of the burden of taxation in England the very heavy local rates and taxes. It is true that local cesses are levied in certain parts of India, but these as compared with local taxation in Europe are relatively insignificant.

"My Hon'ble Colleague gave as one of the headings in his speech 'fictitious surpluses.' I must admit being unable to understand the term 'fictitious' as applied to the surpluses which our accounts have shown to have been realised in the last few years. The fact that, in connection with Provincial settlements, we have, for convenience in accounting, made large assignments during the current financial year to Local Governments for expenditure in the forthcoming year, does not, I think, in any way justify the use of the word 'fictitious' in connection with the amount of the surplus actually realised.

"In his zeal for the welfare of the agricultural classes the Hon'ble Rai Sri Ram has, I fear, somewhat overstated his case in a manner which my zeal in the same cause leads me, in their interest, to consider as a matter for regret. Although it is true that certain additional cesses, chiefly of the nature of what is properly described as local taxation, have been imposed on lands during the last thirty odd years, the sums annually collected under this head are relatively small, and since my Hon'ble Colleague views reduction of taxation to the extent of £1,000,000 under salt as a small matter, I cannot but fear that, were the cesses of which he now complains abolished, he would similarly turn round and treat the concession as a very small matter.

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"Local taxation is a very complex question, and the rates levied in different provinces vary largely in amount, incidence, and history; it is not the case that incidence is heaviest where the nominal rate is highest; I observe that the Hon'ble Member has not suggested that the local taxes are specially burdensome in his own province.

"I may mention that the question of the advisability of reducing local cesses was very fully considered by Government some three years ago when we discussed schemes for the remission of taxation, and the conclusion, based on careful enquiries from the local authorities, was that the present incidence was not unreasonable, and that in many cases a remission would fail to reach the actual cultivator. The Government of India has no interest in granting remissions the benefit of which is likely to be intercepted by land-owning middlemen.

"The Hon'ble Member may be interested to know that, in respect of his own province, proposals are now under consideration for reserving for purely local purposes that part of existing local rates which has hitherto been allotted for expenditure on railways and canals, and, as he is aware, the new Provincial settlement with the United Provinces includes a grant of  $1\frac{1}{2}$  lakhs per annum in aid of local board finance.

"With regard to my Hon'ble Colleague's observations on the effect of the maintenance of a fixed exchange, I have dealt with this question in my reply to the Hon'ble Dr. Mukhopadhyaya.

"I do not quite follow the Hon'ble Member's arithmetic when he says surpluses, it appears, have been and will be absorbed by an increase of expenses under the head of Army Services'. It is true that our estimate of expenditure for the coming year, which includes a very heavy non-recurring charge, will exceed the figure for the year 1900-01 by approximately £4,000,000, but our revenue receipts, omitting profits from coinage, have increased in the same period by approximately £8,000,000; there is therefore no foundation for the statement that military expenditure has absorbed the increase in our resources.

"My Hon'ble Colleague inquired why I took an exchange rate of 16*d.* to the rupee in my statement of accumulations of treasure in India. The only sound calculation of the value of the absorbed silver is to show its value at the present moment, and that is, at the rate of exchange of the day, Rs. 15 to the £. Rates at previous dates have no significance of any kind. We want to know the present situation. As regards gold, the question of exchange does not arise.

"I am in complete sympathy with the interest expressed by my Hon'ble Colleague Mr. Hamilton in the prosperity of agriculture; but to one point in his speech, a point which has been treated, though in a less emphatic manner, by several other Hon'ble Members, I must take exception. It is of course a matter of great satisfaction to me on personal as well as on public grounds to be able to submit to Council a prosperity Budget, but the causes leading to this satisfactory situation have been entirely beyond my control. The situation is in the main due to the fortunate climatic conditions which have prevailed practically throughout India during the last two years, whilst even in our bad years, when acute distress prevailed in some parts of the country, other areas were enjoying not only normal prosperity but were positively the richer for the famine. It must be remembered that our huge famine expenditure consisted of disbursements within the Indian Empire, and in so far as they were merely a transfer of money from the pockets of one section of the population to those of another and more fortunate section, India, as a whole, was none the poorer. Personally I have done, and could do, nothing to influence this situation, and I cannot tacitly accept compliments founded on an erroneous impression.

"I cannot but admit to sharing to a certain extent the Hon'ble Mr. Cable's regret that the result of our budget estimates for the forthcoming year shows a decrease in our closing balances on 31st March, 1905.

"Our situation in India is peculiar. In most countries, relatively very small balances are required to be held by the treasury, since it is always possible by temporary expedients, such as the issue of treasury bills, to raise considerable funds at short notice to meet special requirements. In India we have no such resource at hand in times of need; we are obliged by the force of circumstances to be our own bankers. The only way in which we can meet the situation is by keeping large balances in our treasuries, but it must be remembered that the maintenance of such balances is a direct pecuniary loss in so far as the money is lying idle and unproductive, and it is therefore our duty to keep down the amount within the limits of a reasonable margin for safety. We are pressed on all sides to admit increased expenditure, particularly for productive works, and we propose in the forthcoming year to raise a rupee loan in India, and I think that my Hon'ble Colleague will agree that three crores is as much as we should reasonably ask from the Indian market, and as regards borrowing in London, he is of course aware that the situation of the European money markets is not in present circumstances one to inspire confidence in the possibility of large borrowing at reasonable rates in the early future. On the

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whole, it will, I think, be seen that there are reasons for admitting some reduction in our balances, rather than attempting to increase our borrowings in unfavourable circumstances.

“With reference to the new contract for mails between India and the United Kingdom, we have recently received telegraphic information from which I understand that an arrangement has been made with the Peninsular and Oriental Steam Navigation Company, for the prolongation of the existing contract by a term of three years, subject, under the usual penalties, to an acceleration of speed by twenty-four hours for the time of transit, either way.

“With reference to the Hon'ble Member's remarks about the income-tax, I need only add, to what I have already said, that the greatest objections to the tax are, we believe, being gradually removed by improved administration, and such improvement has undoubtedly been accelerated by the raising last year of the taxable limit.

“I think that my Hon'ble friend need not be under any apprehension as regards the probability of the introduction of excise-duties on such industries as paper-making. There is no comparison between the amount of revenue easily obtainable from the consumption of cotton manufactures and such as could be obtained from taxing the consumption of such articles as paper.

“With reference to the doubts expressed as to the correctness of my views that such difficulties as are experienced by cotton spinners and weavers are not due to the levying of excise-duties at a trifling rate, but rather as a rule to the financial organisation of the industry, I may mention, in confirmation of my opinion that well conducted mills on a sound financial basis can work at a profit, the fact that the Colaba Land Mill paid in 1903 a dividend of 5½ per cent; the Framjee Petit Mill, 4½ per cent; the Manokji Petit Mill and the Swadeshi Mill, 6 per cent; Jewraj Baloo Mill, 8 per cent; and the Presidency and Sholapore Mills, 7 per cent.

“The Hon'ble Dr. Bhandarkar laid considerable stress, in his remarks on the question of excise-dues, on the fact that the capital outlay for the establishment of a mill is considerably greater in this country than in Europe. That is undoubtedly the case, but on the other hand the raw product, cotton, is at the door of the Indian manufacturer. I am not able to make a definite statement on the subject, but I should imagine that one fact probably compensates the other.

“On the question of the statement which I submitted regarding the balance of trade, my Hon'ble Colleague Mr. Gokhale appears to believe that he has,

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at the last moment (he has had my figures before him for some weeks), discovered a serious error. I am inclined to think that there may be something in the objection which he has raised, although I am not sure that I correctly understand him. As he has put it, it is however, I think, clearly incorrect. The Hon'ble Member appears to base his criticisms on a figure of £16,000,000, which he says has been raised in England during the three years I considered, and spent on public works in India. He has, however, omitted to take into consideration that our rough estimate of distribution of expenditure on railways is one-third for stores purchased abroad, and two-thirds for expenditure on works in India, whilst for irrigation and other works the proportion spent in England is comparatively trifling. The use made of this figure of £16,000,000 would therefore appear to require very serious reconsideration. Moreover, I may mention that according to a statement which I have had hurriedly prepared today, the net borrowings by the Secretary of State during the three years considered, amounted to approximately £9,600,000, but of this sum no less than some £7,300,000 was devoted to transactions in connection with the purchase of the Great Indian Peninsula railway, a transaction having no possible connection with the balance of trade. The fact is then the average borrowings of the Secretary of State have been somewhat below £800,000 per annum.

"He asks:—

- (1) What becomes of the profits which English merchants annually earn in India?
- (2) What becomes of the freights the English companies earn?
- (3) What becomes of the savings of Anglo-Indian lawyers, doctors, civil and military servants of the Crown?

"I will tell him:—

(1) It is only when the merchant finally leaves India in the evening of a life spent in developing the resources of this country that he remits any important sums abroad; during his career in India he does not hide them under a hearth stone, but employs them to develop the resources of the country, to the lasting benefit of the masses of his Indian fellowsubjects.

(2) Freights on imports are included in the value of imports I have tabulated; freights on exports are paid by the importing European consumers; the latter are entirely outside the calculation.

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(3) The savings of lawyers, doctors, and civil and military servants of the Crown are during their career in India almost invariably invested in this country; it would be contrary to commonsense for a man who has the opportunity of investing his money in Indian enterprises returning 6 to 8 per cent., to invest his money in Europe where he would find it difficult to obtain 4 per cent. I must point out that whilst the officers of the Indian Army who have reached a certain rank are undoubtedly able to accumulate small savings, in the junior ranks such savings are out of the question, and moreover against the savings of the senior ranks of officers of the Indian Army we must take into account the large sums steadily drawn from Europe by the great majority of officers of the British Army serving in this country, whose pay contributed by the Indian tax-payer is insufficient to meet their daily expenditure.

"The Hon'ble Mr. Gokhale is one of the multitude who stand at the door of the treasury and cry 'Give! Give!' But not only does he desire increased expenditure, he is most anxious to abolish such taxes as already exist and with which present needs are met. We are not in a position today adequately to provide for expenditure on many and various worthy objects and particularly on education in which he is keenly interested, and yet when the Budget shows, as has been remarked by the Hon'ble Mr. Cable, an unfortunate diminution of about £3,000,000, in our closing balances, with numerous unsatisfied demands for expenditure, the Hon'ble Member questions our whole fiscal policy and suggests that one of our most important resources, the land-revenue or rent paid for lands the property of the State, should be sacrificed.

"In support of his suggestions the Hon'ble Member quotes certain figures from which he draws the conclusion that the percentage of rents charged on land has been increased by 22 per cent. in fourteen years. Last year my Hon'ble friend corrected me for having omitted to take into account the inclusion of the addition of Berar revenue in my Financial Statement; today he has committed the same mistake himself, and not only has he forgotten the existence of Berar, but he has left out of account the fact that in the year 1890-91, which he arbitrarily selects as the initial year of the period he considers, land settlement in Burma was in its infancy, and further that the colonisation and irrigation schemes in the Punjab, which during the latter part of the period have borne such splendid fruit and contributed in a most important manner alike to the prosperity of the agriculturist and to the resources of the treasury, were, if nascent, of no practical account as regards their effect on revenue returns. I will venture to correct the calculations of my Hon'ble Colleague, and, deducting from the figures

which he has given, the returns from land-revenue in Burma and the Punjab and the recent addition of Berar revenues, we find that the total revenue derived from land in 1890-91 was Rs. 19,71,14,000 and that for 1904-05 it is estimated at Rs. 22,53,24,000. These figures show an increase for the period not of 22 per cent but of 14·3 per cent. or one per cent. per annum.

"How my Hon'ble Colleague has found the courage to commit himself to the statement that we now 'have a large permanent excess of revenue over expenditure' I am at a loss to understand. I can only say that I envy his confidence as a prophet. Anyone who has studied fiscal questions is aware that there is nothing like permanence in any country in the comparative relations between income and expenditure. Demands for expenditure always increase and revenue is liable to vicissitudes which cannot be foreseen. It seems to me that nothing can be more contrary to all sound principles than to assume a permanence of relation between revenue and expenditure.

"My Hon'ble friend once more plunges into arguments on the effect of exchange. I wish that I could feel anything approaching his self-confidence in the possibility of fully solving this most difficult problem. I have already in my reply to the Hon'ble Dr. Mukhopadhyaya ventured to submit for consideration, such ideas as I have myself formed on the question of the effect of exchange on the profits of the cultivator. I need here only say that my views are entirely opposed to those so confidently submitted by the Hon'ble Mr. Gokhale.

"On one point in connection with my Hon'ble Colleague's lamentations at what he is pleased to style the destitute condition of the agricultural masses I should perhaps insist, and that is, as I have already pointed out, that the recent famines affected only a small proportion of the total population of British India, and that the material prosperity of the agriculturists who in a large part of the country were favoured by climatic conditions, was advanced by the higher prices which the failure of crops elsewhere enabled them to realise for their produce. I must again repeat that our huge famine expenditure was merely a transfer of wealth, within the Empire, from the pockets of one section of the population to those of another, and finally I would remind my Hon'ble Colleague of the very large remissions of land-revenue and of debt on account of agricultural advances that were made in the distressed districts.

"Again, the Hon'ble Member finds cause for regret in his assumption that the establishment of stability of exchange has increased the debts of the raiyat to the moneylender. But these debts are due in rupee currency, and since



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the price of commodities has, according to his assumption, risen, the raiyat will clearly have less to pay in produce. It is, perhaps, unnecessary to pursue this question any further, since my Hon'ble Colleague takes my warning that the bringing of new lands under cultivation in America and the improvement of communications may cause a decline in the world's prices for agricultural products, as a statement closely connected with the question of exchange in India! Where he or any one else can find the connection I cannot conceive. Moreover, I feel that he has submitted to us but a portion of the arguments on which he bases the faith that is in him, since he authoritatively states that the burdens of the agriculturist have virtually been enhanced by nearly 50 per cent.; but he gives us neither the chain of reasoning nor the calculations by which he has arrived at this extraordinary figure.

"I should perhaps notice one of the somewhat remarkable arguments put forward by my Hon'ble Colleague in connection with the exchange question. What he says is to the effect that, if by raising the exchange value of the rupee to 16 pence, such wonderfully satisfactory results could be produced, why not at once raise it to 18 pence or even to two shillings? Such a question shows that my Hon'ble friend has entirely failed to understand that it is not the precise exchange value of the currency of the country that is of primary importance, but it is the stability of exchange. Sixteen pence was fixed by eminent financiers as the rate of exchange which in their opinion it would be possible to maintain without producing too serious a disturbance in the financial system. It is impossible, I think, even today, to say with certainty that a rate of 15 pence or 17 pence might not have proved better in the general interest of the country than the rate of 16 pence; but the rate actually adopted has been a success, and it is in my opinion an idle speculation to consider what might have been the effect of a penny more or a penny less. As to the suggestion that the rate might have been raised to one shilling and nine pence or two shillings, I must confess my astonishment that my Hon'ble Colleague has not realised the inevitable and disastrous upsettall of all financial stability which such an exaggerated change would have caused.

"I note with a certain amount of satisfaction that my Hon'ble Colleague who comes from Bombay admits that the excise-dues on cotton goods 'are really paid by the consumers.' This is in my opinion the fact, and I sincerely trust that he will succeed in persuading his friends in the Bombay Presidency that he and I are correct on this point.

"My Hon'ble Colleague devotes a considerable portion of his speech to what he considers to be the serious burden inflicted on the population by the existence

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of the Government salt monopoly. Among his arguments, he observes that we have an extensive sea-board and salt-mines, and that we can manufacture every pound of salt that is needed; any profitable importations from abroad are therefore in his opinion only possible as a result of the existing monopoly system. May I remind him that the existence of gold mines in the middle of the Sahara Desert would be of little value to any one, although gold is much easier to transport than salt. The whole economic question in considering the value of resources is dependent on the possibility of cheap transport to centres of consumption, and although there is doubtless plenty of salt in India it is not always possible to deliver it to Indian centres of consumption at the same cost for transport as is incurred in the delivery of salt from distant, but, as regards this all-important question of cost of carriage, more convenient sources of supply.

"My Hon'ble Colleague has followed his usual habit in exhausting the vocabulary of adjectives in describing in fanciful language the impoverishment of the country and the abject destitution of the raiyat population. When he takes his seat at this Council table he unconsciously perhaps adopts the role and demeanour of the habitual mourner, and his sad wails and lamentations at the delinquencies of Government are as piteous as long practice and training can make them; but I have reason to believe that outside these precincts the Hon'ble Member's moods are sometimes in a lighter vein, and we may therefore perhaps hope that his jeremiads do not seriously indicate a feeling of such utter despair as they tend to produce in those to whom he addresses them. There is nothing more distressing than the mental attitude of the mourner who refuses to be comforted."

HIS EXCELLENCY THE PRESIDENT said:—"I do not propose to say much about the figures of the Budget. They speak for themselves. Hon'ble Members have found no complaint to make; and nearly every speech to which we have listened has been in the nature of a beatitude. In my remarks I propose to look rather at the Budget as the culminating point for the moment in an era of recuperation which has now been proceeding for five years almost without a halt, and to contrast the position which we occupy today with that which was presented when I came to India at the end of 1898. My predecessor had to fight—and he fought with great courage and cool-headedness—against many drawbacks, famine, pestilence, earthquake, and war. Recurrent deficits appeared in the Budget. The exchange value of the rupee touched its lowest point, only a fraction over 1s. in 1895. In the summer of 1898 it was proposed to borrow 20 millions sterling in order to strengthen exchange. The year 1898-99 witnessed the turn of the tide and the first of a series of surpluses that have never since failed us. But even then ex-

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change was an uncertain quantity, and we had no guarantee that the pendulum would not swing back. It was in the summer of 1899 that Sir Henry Fowler's Committee reported, and in September of that year we introduced and passed the legislation at Simla which gave us a gold standard in India, and started our present currency system on its way. Nearly five years have gone by, and we have almost forgotten the anxieties of those days. We have secured practical fixity of exchange at the rate of 16*d.* to the rupee. The lowest point touched has been 1*s.* 3½*d.* in July 1901, and the highest 1*s.* 4½*d.* in January 1900: but the ordinary fluctuations have been within much narrower limits. This has been the first and most beneficial result of the change. Hon'ble Members will recollect that another of the Committee's proposals was the creation of a Gold Reserve Fund from the profits of Indian coinage. It was reserved for Sir Edward Law to put that plan into execution in 1900. We began with 3 millions in the first year: but we now have nearly 6½ millions invested in Consols and other gold securities in England, and bringing in an interest of £166,000 per annum. Before many years have passed I anticipate that this reserve will have reached the figure of 10 millions sterling, which will be sufficient for our purpose, and will give us a permanent guarantee for stability of exchange. The fund is valuable to my mind from another point of view. Constituted as it is from the profits on coinage, it points to a steadily-growing demand for currency, and, therefore, to an increase in the industrial activity and prosperity of the country. While I am speaking of our reserves, I must also not lose sight of our Currency Reserve, which, though it exists for a different purpose, *viz.*, to secure the stability of our note circulation and to provide for a demand for gold as distinguished from rupees, is yet an important buttress to our financial position. This fund now contains upwards of 10½ millions sterling in gold.

"But it is in my power to point to other and more direct symptoms of progress in a comparison of our present Budget with its predecessors. Our revenue has risen from 68½ millions in 1899 to 83 millions in 1904, and this notwithstanding one very severe year of famine and in parts of India two years, as well as the continued prevalence of plague. Nevertheless, whatever head of revenue you examine, you will find the same marks of growth. The only heads under which there is a decrease in the present year are those of Salt and Assessed Taxes, and that only because of our reduction of taxation a year ago. For five years we have had a succession of surpluses, amounting to an average of 3 millions sterling per annum. Last year we gave to India the first remission of taxation that she has enjoyed for 20 years. We sacrificed thereby about £1,400,000 annually in respect of the Salt Tax and the Income Tax: but we gave to the people what in my judgment was their due, and we so arranged our remissions as to bring

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relief as far as possible to those classes that best deserved it. If our resources continue to expand, I should like to look forward to a day when we may proceed even further. It would, perhaps, be too much good luck for one Viceroy to give two considerable reductions of taxation in his time. But if I am not so fortunate, then I shall hope to bequeath the opportunity to my successor.

"Another evidence of our improving credit has been the figures at which we have been able to issue our rupee paper loans for Public Works expenditure. In 1900 the average rate was just over 94 rupees; last year it was a fraction over 98 Rs. 1 a. The Bank rate has never exceeded 8 per cent. nor fallen below 3 per cent. During the past year it has not exceeded 7 per cent.

"During the quinquennium our total debt, both here and in England, has been increased by less than 16 millions. But against this must be set an expenditure on capital account of nearly 20 millions on Railways and 2½ millions on Irrigation, the increased revenue from which more than repays the interest on the capital outlay. As regards Railways and Irrigation, let me analyse a little more closely. At the end of this year 27,150 miles of railroad will be open, or an increase of 4,650 miles in my time—the largest total that has yet been recorded. But a more important feature still is that having for the first time obtained a surplus from our Railways in 1899-1900—a modest bantling of £76,000—our net Railway revenue has now risen to £855,000—a most healthy adult—or an average surplus of £466,000 in each of the five years.

"In the same period the average net revenue from Irrigation has been £823,000. Thus on the two accounts we obtain an annual surplus of 1½ millions sterling. In fact, we have now secured the whole of our Indian railways and canals for nothing, and instead of costing us money they have become a steady source of income to the State. These figures might, I think, encourage us to borrow with even greater confidence in the future,

"From a calculation that has been made for me I further learn that the net imports of gold and silver into India, which between the years 1894-1899 amounted to 25 millions sterling, have risen to over 46 millions sterling in the succeeding five years. I do not say that I regard this influx of the precious metals with unqualified satisfaction. For I often wonder what becomes of it all, how much of it goes below the ground, and how much is left above, and what proportion is reproductive. But when I read the familiar jeremiads about the alleged drain of capital away from India, it is at least open to me to remark that there is also a great deal coming in, and the drain always seems to me to resemble a flow at one end of a pipe which is perpetually being replenished at

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the other. Again, I do not see how it is possible to overlook the enormous increase in Savings Banks deposits in India. In India these have risen from less than 1 million sterling in 1870 to over 7½ millions sterling in 1903, out of which 1½ths are owned by natives. Within the same period the private deposits in the Presidency, Exchange, and other Private Banks have risen from £6,600,000 to £28,500,000; and the quantity of Government paper held by natives has risen from 13¼ millions to 33½ millions sterling.

"Is it not time, therefore, that instead of repeating hypothetical figures and calculations that have been exposed until exposure has become tedious, our critics should recognize the fact that India is, on the contrary, exhibiting every mark of robust vitality and prosperity? These gentlemen remind me rather of an amiable eccentric whom I knew at school, and who always put up his umbrella and insisted that it was raining when the sun shone. In my view there are few, even among the most advanced countries of the world, that would not welcome an economic position as sound as that which India now enjoys. There are, no doubt, calls coming upon us urgent, incessant, and irresistible; for, as I shall presently show, we are raising the administrative standard all round; and administrative efficiency is merely another word for financial outlay. But so far as I can forecast, we shall be able to meet these calls without any addition to the burdens of the people: and if I were to leave India tomorrow, I should yet be proud of the good fortune that had enabled me to indulge in the brief analysis of our financial position which I have undertaken this afternoon.

"There are two other items in the Budget to which I desire to refer, and they are both aspects of the same question, *viz.*, our attitude to Local Governments. One theory I hope that we have effectively killed; and that is the old idea that Local Governments are stinted by the Supreme Government when money is forthcoming. Year by year we have subsidised them for the many calls, administrative and otherwise, that are made upon their purses, and there is not a Governor or a Lieutenant-Governor in India from whom I have not received frequent expressions of gratitude. In the present Budget our bounty has reached its maximum; for in addition to the 1½ crores or 1 million sterling, which has been given to four of the Local Governments to start their new settlements, and the 40 lakhs which we have supplied for education, we have given them 13½ lakhs for the increase of minor establishments, and 87 lakhs for such purposes as the Calcutta improvement scheme in Bengal, the Simla improvement scheme in the Punjab, and important public works in other provinces. Finally, I had been so much struck in my various tours by the

degree to which local institutions, such as hospitals, museums, libraries, public parks, and the like, have been starved or cold-shouldered for more urgent needs that I persuaded Sir E. Law to give a grant aggregating 22 lakhs for these purposes, carefully framed lists having been submitted to me by the various Heads of Administrations. These are just the sort of object that ought, in my view, to profit when funds are available: for they represent the less material and more cultured aspects of the national life. The Hon'ble Dr. Bhandarkar seemed to think that Bombay and other parts of India had been neglected in this respect, and that Calcutta, from its proximity to the Government of India, had alone got its fingers into the national purse. I think that he must have overlooked the items to which I have referred. We have endeavoured to give proportionate treatment to every province: although the fact that Calcutta is an Imperial as well as a provincial capital, necessarily enhances its claim.

The second subject is the new Provincial Settlements, which have been explained in considerable detail both by Sir Edward Law and by Mr. Baker. I alluded last year to the hope that we were on the eve of a noteworthy change in this respect—no less than the substitution of a permanent, or relatively permanent, settlement for the present five years plan. The latter has existed for a quarter of a century. It was better than the system that preceded it, but it admitted of much improvement. It was not an economical plan, because it encouraged extravagance in the concluding years of each term, and it was not a satisfactory plan, because it led to a rather unseemly squabble with the Supreme Government at the end. The better method was clearly to give to local Governments a permanent instead of a temporary interest in the revenue and expenditure under their control, subject to certain broad principles in fixing the provincial assignments. This we have succeeded in doing in the cases of Madras, Bengal, the United Provinces, and Assam, and have thereby laid the foundations of a financial autonomy that, I hope, will steadily develop and will enable the Local Governments in the future to undertake enterprises from which they are now debarred. I mention the matter here, both because of its intrinsic importance, and because I agree with the Lieutenant-Governor in thinking that it furnishes a conclusive answer to those who are always accusing the Government of India of undue centralisation. I would point out that efficiency of administrative control is not centralisation, though it is often mistaken for it. Centralisation is the absorption by a central body of powers or privileges hitherto enjoyed, or capable, if created, of being exercised, by subordinate bodies. I acknowledge no such tendency. We have kept Local Governments up to the mark, because I do not believe in lax or sluggish control.

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or in the abdication of powers which have been provided for special objects. But if an occasion has anywhere arisen where it was possible to devolve or depute powers, we have gladly taken it, and these new settlements constitute, in my view, the most important step in the nature of decentralisation that has been adopted for many years, and will, I hope, be the forerunner of others in the future.

"Five years ago at this table I spoke of a category of questions which I hoped to take up and press to solution in my time. Two years later I indicated the progress that we had then made. I have not the time, and there is no present need to complete the review now. But a few remarks may be made distinguishing between those that have been more or less disposed of, and those that will occupy us during the forthcoming year. Of course, the task would not then be complete. There is no standing still in administration, and no administrator can mark the point at which his work is done. New spirits start up as soon as old ones are laid : and the horizon lengthens out as we proceed. I think, however, that it is possible to frame a category of cases in which we have either definitely carried our object or reached such a point that continuity is assured. The first of these I desire to detach for special consideration in a few moments. It is Frontier Policy. I have already dealt with the second, and third, and fourth, namely, Currency Reform, Provincial Settlements, and Reduction of taxation. A few days ago I was explaining what we had been able to do in respect of the preservation of antiquities and Archæological reform ; and there the lines have been laid down from which no departure should now be possible. The same applies to the changes in the Leave Rules, that were designed to prevent the frequency of official transfers, and to the reduction of Reports. I have lately had conducted a special examination of every report that reaches the Government of India from whatever quarter, and I am gratified to find that the orders about reduction have been faithfully carried out, with the result of an immense saving of work to overburdened men, and at no sacrifice of value or merit in the reports themselves. The reduction in the Telegraphic rates to Europe, to which I pledged myself in 1899, and which brought down the charge from 4s. to 2s. 6d. a word, has been so successful that we have lately addressed the Secretary of State with a proposal for a further reduction to 2s. with a corresponding reduction in the Press rate. I do not know if we shall succeed. But I think that the result of the first experiment is distinctly encouraging. We were prepared for a loss on the first year's working of £67,000. It was only £33,000. We estimated for a 10 per cent. increase in the traffic. The increase amounted to 26½ per cent. On the 1st of January of the present year we carried out a further reduction in inland rates, which, I

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believe, has proved beneficial to all classes of the community. The figures of January show that there was an increase of 25 per cent. in deferred messages alone over the corresponding month in the previous year.

" Next I pass to the large category of questions connected with Education. Our Universities Bill is now the law of the land. But I should have felt that we had acted in a very one-sided and inconclusive manner had we held that Educational Reform was summed up in the reconstitution of the Universities. Our recent Educational Resolution crystallises the principles that result from an examination of every branch of Educational activity, and that will, we hope, inspire our educational policy in the future. It may surprise those Hon'ble Members at this table who sometimes hint at the Simla Conference of 1901, as though it had been a sort of Star Chamber that promulgated dark and sinister decrees, to learn that the results of the Simla Conference, as finally shaped after consultation with Local Governments, are embodied in the recent Resolution. I observe in India that if people do not approve of a policy they denounce it as reactionary. If they cannot disapprove of the official statement of it, they describe it as a platitude. As our Educational Resolution has had the good fortune to be so designated, I conclude that it has been found generally satisfactory. Perhaps, however, I may point out that so far from being a perfunctory statement of obvious principles, it is really the result of nearly two years' hard work. It summarises for the public information the position which we have at present reached in educational progress, and it endeavours to lay down the lines of future advance. Many important aspects of the subject, such as Education in European Schools, Agricultural Education, Commercial Education, Industrial and Technical Education, Examinations for Government service, as well as the entire problem of Primary and Secondary Education in India, find a place in it. Some of these matters we have also dealt with independently. Our scheme for Industrial Schools and for State Technical Scholarships has gone to Local Governments, and is before the public. I rather agree with those Hon'ble Members who were arguing here the other day and who repeated today that educational reform in India is mainly a matter of money. I think it is. We have shown this by the extra grant of 40 lakhs, or nearly £270,000 a year, that we have now made for three years running to the Local Governments. These grants are in addition to the ordinary Educational assignments in the Provincial Settlements. We have also, as is known, promised a contribution of 25 lakhs to the Universities. I should like, however, to go further, and to provide for a serious and sustained expenditure upon educational improvement extending over a long series of years.



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" There is another very important group of subjects to which we have given great attention. I allude to Economic Development, which may again be subdivided into Agriculture, Industries, and Commerce. Our recent Resolution on Agriculture sums up the practical steps that have been taken for the encouragement and improvement of agriculture, and for the active prosecution of scientific research. We now have our Inspector-General of Agriculture with a staff of scientific experts, we have the new institution at Pusa springing into being, where research, the training of students, and experimental farming will be simultaneously taken in hand, we have strengthened the Provincial Agricultural Departments, reorganised the Civil Veterinary Department, so as to undertake the investigation of cattle diseases and the improvement of breeds of cattle, and created a Board of Scientific Advice to co-ordinate the work that is being done in these and all other branches of scientific research in India. We have centralised bacteriological research at Kasauli and Muktesar. Then I pass to those measures that more directly affect the economic condition of the agrarian classes. We have dealt with the system of Land Revenue Assessments in India, tracing the historical growth of the present system and its steady modifications in the interests of the land-owning or land-cultivating classes, and formulating reasonable and lenient principles for observance in the future. By legislation in the United Provinces we have endeavoured to improve the relations between landlord and tenant. We have attacked the problem of the increasing indebtedness and gradual expropriation of the proprietary body from many sides, by the Land Alienation Bills in the Punjab and Bundelkund, and by the Bill to institute Co-operative Credit Societies, which we passed in this Council last week. We have endeavoured to provide against the break up of landed properties by legislation instituting a modified system of entail in Oudh, in the Punjab, in Madras, and in Bengal. Finally, in 1902 we gave direct benefit to the cultivators by remissions of Land Revenue amounting to nearly 2 crores of rupees, while, in the past five years, we have advanced between 5 and 6 crores to the people for the purchase of seed and the provision of capital.

" The Government of India have watched with anxious interest, and have done all in their power to develop, the commerce and industries of this country, some of them securely established, others struggling but hopeful, others again nascent or still in embryo. I might refer to our legislation in the interests of tea-gardens, and the institution of a tea-cess, the passing of the Mines Act, the constitution of a Mining Department, and the issue of more liberal Mining rules, the countervailing Sugar Duties, grants for indigo-research, the passing of an Electricity Act, the opening up of the Jherriah coal-fields, reductions

in coal freights, the steady increase in railway rolling stock, for which, as Sir A. Arundel has mentioned in his Memorandum, no less a sum than 3 crores, or 2 millions sterling, have been set aside. We are proposing the creation of an Imperial Customs Service. We have also endeavoured to develop our trade with adjoining countries—by the Nuskhi route with Seistan, by a Commercial Mission which we are arranging to send to South-Eastern Persia, and by new contracts with the British India Company for improvements in their service to the Persian Gulf. I am also hopeful that the Tibet Mission will result in an improvement of trading relations with that country. We have succeeded in obtaining greater advantages in the new contract with the P. and O. Company. We also have a proposal now before the Secretary of State to supersede the Commercial Bureau, for which we at first asked, but to which he objected, by some larger and more powerful organisation, involving the creation of a new Department of the Government of India for Commerce and Industry, and the appointment of a new Member of Council for those purposes. It is to me almost incredible that the Government of India should have got along for all these years with functions and duties huddled together in such haphazard fashion and thrust upon the shoulders of over-worked Departments and harassed men. Commerce has got mixed up with Finance: Industries and Emigration have been grouped with Revenue and Agriculture. The Post Office has been under one Department, and Telegraphs under another. These are only casual illustrations. But they indicate a want of method and co-ordination in our system that are inconsistent either with businesslike administration or with the progress that lies before us. If I can get this new Department created while I am at home, I shall return with greater confidence in our capacity to meet the demands of the future.

"I remarked just now that I should have something to say about Frontier Policy. I have, I think, only spoken twice about this subject in these Debates in six consecutive sessions. It is perhaps scarcely realised in this country that the Foreign Department, which is under the direct charge of the Viceroy, is the most laborious of all. But it pursues its path in a silence which I should be the last to regret, and which is only broken by the storm of criticism that bursts forth when there is an outbreak of trans-frontier war. It is not without some feeling of congratulation that I look back upon five years, unmarked by a single expedition on the entire North-West Frontier, unless the brief military sallies that were undertaken in order to close the Mahsud Waziri Blockade can be so described. This is the first time that such a claim could be made for a quarter of a century. In the petty operations that have

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taken place on a frontier over 1,200 miles in length, only 42 of our men have been killed during that time; 67 more lost their lives in the course of the Mahsud Blockade. But I should be reluctant to measure results by lives alone, or even by money alone, although the economies that have resulted both from withdrawal of troops and from absence of fighting have been very great. I would prefer to look at the spirit of increasing harmony and contentment among the tribes and at the relations that are growing up along the entire border.

"At the end of 1898 the embers of the Tirah conflagration were only just cooling down. New agreements had not yet been entered into with the tribes. Large garrisons of British troops were cantoned in posts far beyond the frontier, at Chitral, at Lundi Kotal, and in the Tochi; great schemes for costly fortifications were on foot, and we seemed likely once more to tread the vicious circle that has beguiled us so often before. My Councillors and I set ourselves not so much to prevent future war by preparing for it as to produce peace by creating the requisite conditions. Our policy was summed up in these principles; withdrawal of British forces from advanced positions, employment of tribal forces in the defence of tribal country, concentration of British forces in British territory behind them, as a safeguard and a support, improvement of communications in the rear. A necessary condition of the successful execution of this policy was the creation of a new administration on the frontier, especially equipped for the purpose, and invested with a more direct responsibility than a Local Government of the old type. Perhaps those who are so severely denouncing the Government of India as a province-maker just now might cast their eyes back to the events of three years ago. We were scarcely less attacked in some quarters for the creation of the Frontier Province then. But who would now go back from it, or who would dispute that Frontier affairs are conducted under it with infinitely superior despatch, with greater smoothness, and so far with better results, than under the former system?

"Let me now ask Hon'ble Members to accompany me on a brief tour round the North-West Frontier from Gilgit to Beluchistan, so that they may see in each case how we stand. We have withdrawn all regular troops from Gilgit, which is exclusively garrisoned, along with its subordinate posts, by Kashmir Imperial Service Troops. If we pursue our way westwards towards Chitral, we come to Mastuj, which is the head-quarters of a corps of Chitrali irregulars, or scouts, whom we are training up for the defence against invasion of the many defensible positions in their narrow and rugged ravines. Chitral itself is a point upon which I look with some satisfaction.

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Before I came out to India I was one of the foremost combatants in the movement to retain that place within our political and strategical boundary. We won the day in England, though only by the accident of Lord Rosebery's Government being turned out at the critical moment. However, even when I arrived here I remember being warned that Chitral was the point of danger, that the line of communication between Dir and Chitral was one of extreme tenuity and risk, and that if the connection gradually faded into nothing, no one would be the worse. I, on the contrary, declared my fervent intention to maintain this connection, as absolutely essential to our scheme of frontier defence, and my conviction that it could be done, I will not say without risk, but with success. Since that time we have five times marched our reliefs up and down the Dir Road—quite the most fanatical corner of the mountain border—without a shot being fired. Our troops have been concentrated at the extreme southern end of the Chitral country at Drosh, and the force has been reduced by one-third: while the posts vacated and all outlying posts are now held by levies raised for the purpose from the Chitralis themselves. The young Mehtar of Chitral has three times been down to see me in India, and if anyone were to propose a British withdrawal from Chitral, I know very well from whom the first protest would come. Further, we have just connected Chitral by telegraph with Gilgit. Continuing southwards, I find that in Dir and Swat we had a garrison, in 1899, of 3,550 men. I withdrew the Khar Movable Column in 1902, and our troops, who are now concentrated at Chakdarra, where is the bridge over the Swat River and the starting point of the Dir-Chitral road, at the Malakand and at Dargai, have been reduced by more than one-half, the outlying posts being held by levies from Dir and Swat. The Chiefs of Dir and Nawagai have twice visited me in India, and they in common with all the border chieftains from Hunza to Swat, were included among our guests at the Delhi Durbar. We have fortified the Malakand, and connected Dargai by a narrow-gauge line with Nowshera on the Peshawar Railway, the Kabul river being bridged at Nowshera for the purpose. We are, therefore, in an immeasurably stronger position to meet any sudden or fanatical outbreak in those parts. The elements of unrest are always there, and we shall probably some day have trouble again. But for the moment the omens are favourable: and trade, which has sprung up in a surprising manner, is a great pacificator. Then I come to the Khyber, where in 1899 we had a British garrison of 3,700 men. The whole of these have long ago been withdrawn: and the Khyber Rifles, raised from the Pass Afridis and neighbouring tribes, which had dwindled to a total of 800 after the campaign, have now been reorganised into two battalions officered by Englishmen. With

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them we hold the entire Pass with its connected posts and fortifications. These we rebuilt at an outlay of 5 lakhs, instead of the 15 which had been estimated for in 1898. We have also made, by agreement with the tribes and by tribal labour, the alternative route from Peshawar to Lundi Kotal through the Mullagori country, that was so vainly pressed for 15 years ago, and have connected Peshawar by the broad gauge with Jamrud. We have opened the route through the Kohat Pass from Peshawar to Kohat by arrangement with the tribes: and Kohat has been connected with the Indian railway system at Kushalgarh by a 2' 6" line, which as soon as we have completed the new bridge over the Indus at Kushalgarh, will be converted into broad gauge. Continuing southwards we have created a body from the Orakzais and neighbouring tribes called the Samana Rifles, nearly 500 strong, who have already taken over nearly the whole of the posts upon and below the Samana that were held by regulars five years ago. Our own forces there, which were 1,700 strong, have now been reduced to 600, and will, I expect before long, be altogether withdrawn. Simultaneously we have created a flank support to this position by running the railway from Kohat to Thal at the mouth of the Kurram Valley. From this the regulars have been altogether withdrawn, and the two battalions of the Kurram Militia 1,400 strong, organised on the same lines as the Khyber Rifles and commanded by British Officers, are its sole garrison. In the troubled mountain region between the head of the Kurram and Waziristan we have also settled our border disputes by friendly arrangements with the Amir. Then we come to Waziristan. Here we have cleared out, at the second attempt, the nest of murderous outlaws who had created an Alsatia at Gumatti near Bannu. We have made agreements with the tribes for the opening up of the turbulent corner between Thal and the Tochi, and we have thus been able to proceed at leisure with our policy of conciliation and concentration in the Waziri country. There we were delayed for a long time by the turbulent contumacy of the Mahsuds; and the militia experiment, which we had introduced, also proceeded somewhat evenly. The blockade, however vigorously and unremittingly pursued, and followed by a series of sharp and unexpected punitive counter-raids into the Mahsud valleys, brought the tribe to reason, and matters are now proceeding so evenly that we have recently raised the North Waziristan Militia, which holds the line of the Tochi, to a strength of 1,200 men, and the South Waziristan Militia, which holds the line of the Gomal, to a strength of 1,450. In 1899 the British garrisons of these two valleys numbered 4,000. Before next cold weather the whole of these will have been withdrawn. Waziristan will for some years to come be a section of the frontier that will require careful watching. But the consciousness of the tribes that they are trusted to bear

arms in defence of their country, the security of good employment and regular pay, the tranquillising influence of improved communications and the knowledge that we want to live at peace with them, rather than at war, are all agencies on the right side. The withdrawal of the garrisons that I have named has been balanced by the concentration of the requisite supporting columns at Kohat and Bannu, and the military garrisons in these two Districts number 4,200 and 2,700, respectively. Similarly, the Gomal is supported from Dera Ismail Khan with a garrison of 3,000. Thus along the entire sketch of frontier which I have been describing the situation is completely revolutionised since 1899. If we regard the case from the point of view of British troops, there are now only 5,000 across the administrative border of British India as against 10,200, and these will be further reduced before long; but the supporting garrisons within our border have been increased from 22,000 to 24,000 and have been strengthened by railway connections which were not then in existence. On the tribal side we have called into existence a body of men representing three grades of organisation—Levies over 1,000 strong, Border Military Police over 3,000, Border Militia 5,800. The experiment may still be said to be, if not in its infancy, at any rate in its childhood, and I will not indulge in premature laudation. But five years is a long time on the frontier, and every year gained there is worth two elsewhere. This part of India may not be much interested in what is passing so far away. But I am speaking today through this representative assembly to a wider audience, and I am venturing to inform the entire country how its defences stand.

"I have not much time to pursue my course southwards and westwards through Beluchistan towards the Persian frontier. But I may mention in a sentence that we have done much to consolidate our position there. We have taken Nuskhi on perpetual lease from the Khan of Kelat: we are constructing the Quetta-Nuskhi railway and shall finish it next year; we have built up and popularised the Nuskhi-Seistan trade route, and have planted our officers in Seistan and on the Eastern borders of Persia in sufficient number to watch over our interests and to resist hostile designs. Finally we are consolidating our position in Mekran. Perhaps, however, the measure of the frontier security which we have enjoyed can best be estimated by the ease and safety with which we have been able during the past five years to find troops for service elsewhere, in South Africa, China, and Somaliland. At one time our Indian Army was short, in the interest of these Imperial campaigns, for which of course the Home Government paid, by over 31,000 men. Increased security here has therefore meant increased power of assistance elsewhere.

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“About Foreign Affairs in their wider application I do not propose to say much. I spoke last year about the increasing range of our responsibilities in Asia, and a good deal has happened in the interim to point those remarks. My own view of India's position is this. She is like a fortress with the vast moat of the sea on two of her faces, and with mountains for her walls on the remainder. But beyond those walls, which are sometimes of by no means insuperable height and admit of being easily penetrated, extends a glacis of varying breadth and dimensions. We do not want to occupy it, but we also cannot afford to see it occupied by our foes. We are quite content to let it remain in the hands of our allies and friends: but if rival and unfriendly influences creep up to it, and lodge themselves right under our walls, we are compelled to intervene, because a danger would thereby grow up that might one day menace our security. This is the secret of the whole position in Arabia, Persia, Afghanistan, Tibet, and as far eastwards as Siam. He would be a short-sighted commander who merely manned his ramparts in India and did not look out beyond; and the whole of our policy during the past five years has been directed towards maintaining our predominant influence and to preventing the expansion of hostile agencies on this area which I have described. It was for this reason that I visited that old field of British energy and influence in the Persian Gulf: and this also is in part the explanation of our movement into Tibet at the present time: although the attitude of the Tibetan Government, its persistent disregard of Treaty obligations, and its contemptuous retort to our extreme patience, would in any case have compelled a more active vindication of our interests. I should have thought that the record that I have quoted on the North-West Frontier would have saved me from the charge of a dangerous or impulsive policy on any part of the Indian frontier. I have had no desire to push on anywhere, and the history of the past five years has been one, not of aggression but of consolidation and restraint. It is enough for me to guard what we have without hankering for more. But I would suffer any imputation sooner than be an unfaithful sentinel at my post, or allow the future peace of this country to be compromised by encroachments from the outside as to whose meaning there cannot be any question. If the Tibetan Government is wise it will realise that the interests of Indian defence and the friendship of the Indian Government are entirely compatible with the continued independence and autonomy of Tibet, so far as these may be said at present to exist. If it should also realise that they are incompatible with the predominance of any other foreign influence, carrying with it insecurity on our frontier and adding anxiously to our cares.

“It seems a natural transition from the objects at which we aim in our Frontier

and Foreign Policy to the means that we possess for securing them, and I pass therefore to the question of our Military Estimates. The military expenditure is going up. Year after year I have foretold it at this table. But it is not going up at so high a rate as in foreign countries: and it is not going up at a higher rate than our necessities demand. I am well aware of the cry that is always raised against military expenditure anywhere, and I yield to no man in my desire to secure to the peaceful millions their due share in the improving prosperity of the country. We are giving it to them in no small measure. But their tranquil enjoyment of what we give is in itself dependent upon the guarantees that we can provide for its uninterrupted continuance, and he would be a faithless guardian of the interests of the people who shuts his eyes to what is passing without in the contented contemplation of what is going on within. The matter could not have been better put than it was in the terse and effective remarks of the Hon'ble Sir Edmond Elles. We are fortunate in possessing as Commander-in-Chief the first soldier in the British Army. He comes to us here with his unrivalled experience and energy. He is addressing himself to the problem of providing India with the army that she needs, and of equipping and distributing that army in the manner best adapted to secure the defence of the country. For this purpose the army must be efficient, not in units alone, but as a whole, and not efficient alone, but as highly efficient as it is possible to make it: it must possess the latest armament: it must be adequately officered: its superior officers must be scientifically trained: it must be as far as possible self-supporting in its ammunition, its weapons, and its stores: its subordinate establishments must be not less effective than the fighting front: and the maximum available force must be capable of being directed to the vulnerable point at the moment of danger. All of these points are engaging the attention of the Commander-in-Chief and the Military Member, and I venture to say that their efforts, supplementing those of the two eminent Commanders who have preceded them and who alas have both passed away, are steadily placing the Indian Army more and more in a position to play its part should the occasion arise. I saw the other day a criticism in a well-informed quarter which said, Why does not the Viceroy, instead of spending money upon internal reform, turn his attention to adding British officers to the sadly under-officered Indian Army? The critic was right in his ideas, but he was wrong in his facts. The Viceroy to whom he alluded had not forgotten this elementary need: and during his term of office he can point to the fact that no fewer than 484 British officers have been so added. This is only one of many conspicuous needs that we have filled. Were I to attempt to recapitulate either what has already



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been done or what is in the mind of the present Commander-in-Chief I might detain this Council long. Many of these schemes are alluded to in the memorandum of the Hon'ble Military Member. To me it will always be a gratification to think that I have assisted in measures for providing India with the factories at Ishapore, Cossipore, Jubbulpore, and Wellington, that will practically render her independent of external supplies in guns, rifles, and gunpowder, for raising the reserves of our splendid Native Army by 100 per cent., for equipping the entire army with the latest weapon, and for providing out of our surplus resources for such cardinal needs as coast and other defences. We live in days when even the strong man cannot leave his castle undefended; and when our international rivals are closing in around us with intentions which he who runs may read. I am also glad to have been instrumental in relieving the hardships and reducing the risks of the British soldier's life in India, by providing an electric-punkah installation in all our largest barracks, the cost of which will figure in our Budgets for some years to come.

"In the forthcoming year there are many objects which I look to push forward, before I can contentedly lay down my task. Three of these are on a footing of almost equal importance. We have already done a good deal during the past few years to bring our Railway Administration into closer touch both with the commercial community and with the public at large. But we have not yet reached the final stage. Mr. Robertson's Report was placed in our hands last year; and it embraced so many aspects of reform, bringing in both the Secretary of State, the Government of India, and the Companies, and raising such large questions both of administration and finance, that we could not deal with it rashly or hurriedly. Our views went home to the Secretary of State at the close of last year, and are now being considered by him. They involve an entire reconstitution of our administrative machinery, and an attempt to manage our railways in future on less strictly departmental lines. The object that we have in view can only be attained by the surrender of considerable powers by existing authorities to any new authority that may be constituted: and this is not a matter that can be easily or speedily concluded. I am hopeful, however that a decision may be given in the course of the forthcoming summer, and that this most important project may be duly launched.

"Irrigation is also one of the works of the coming summer. Our sympathies with an expanded irrigation programme have been sufficiently shown by the increased grants that we have given for construction in each year since I came to India. Next year they touch the unprecedented total of  $1\frac{1}{2}$  crores. People

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sometimes talk as though practically unlimited sums could be spent upon irrigation with little or no trouble. They could perhaps be spent, if experiments were rashly made in every direction, and if there were no objection to flinging money away. No science, however, demands for its practice more careful forethought and planning or more trained supervision. An untrained or inadequate establishment cannot suddenly begin to spend lakhs on tanks and canals. There is no analogy in this respect between irrigation and railways: for private enterprise is ready to help us with the latter, and the question is only one of terms. With irrigation the case is so different that whereas in the last two years we have given 2 crores to Local Governments, they could only manage to spend in 1902, 85 lakhs, and in 1903, 81 lakhs. This summer, however, we hope to address ourselves to an exhaustive examination of all the numerous projects that were worked out by the recent Irrigation Commission for the whole of India. Great expenditure will be required, and much of it will be unproductive in the technical sense of the term. But protection from drought rather than acquisition of revenue is our object: and I venture to think that we shall have it in our power to initiate a comprehensive and far-reaching policy that will do more good to the cultivating classes than any Bills that we can pass in this Council, or any remissions of taxation that the Finance Member might announce in the Budget.

"The third question is Police Reform. I should have been glad had we been able to make public our proposals upon the report of the Commission without delay. But the Secretary of State desires to see the views of Local Governments upon them before he comes to a final decision, and this must inevitably occupy some time. No one need imagine that the matter is being burked or shelved. But it is of such supreme importance that undue haste would merely prejudice the ultimate solution. I am impressed with the remarks that fell from the Hon'ble Mr. Adamson about the Police in Burma. I am aware of the condition of affairs that he has described, and I will look into his request that we should consider it independently of the general reforms which we hope to introduce.

"There are two other subjects to which His Highness the Agha Khan has alluded in his excellent and patriotic speech, and which have been for some time under my consideration. The first is the contributions made by the Indian Princes in the shape of Imperial Service Troops and otherwise to the cause of Imperial Defence. There are anomalies and inequalities in the present system which must strike the eye of any observer: and I contemplate, when I come back to India, taking the Chiefs into consultation on the matter. The second

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is the future of the young officers in the Imperial Cadet Corps. I hope to arrive at definite conclusions on the matter before I leave for England a month hence. In the meantime let me assure the Aga Khan that there is nothing in my view wild or visionary in the ideas that have occurred to him. To what degree they may be practicable I cannot at present say. But they appear to me to be eminently deserving of consideration.

" There are other matters which we have in view, such as legislation for the better protection of game in India, a most difficult subject upon which we have for long been engaged, and many other items of administrative reform. I will not weary the Council with these. But as regards administrative reform in general, I should like to add a remark. When I came out to India every public body or society without exception that addressed me urged me to pursue a policy of administrative reform. Spare us, they said, adventure on the North-West Frontier, extend railways and irrigation, give us a sound currency, develop the internal resources of the country, promote educational and industrial advancement, manage plague and famine with a due regard to the feelings of the community, free the Government machinery from the many impediments to its proper working. I took these authorities at their word, and I have ever since pursued administrative reform, though not, I hope, to the exclusion of other and equally important objects, with an ardour that has never slackened. I have done so, because I think that these advisers were right. Efficiency of administration is, in my view, a synonym for the contentment of the governed. It is the one means of affecting the people in their homes, and of adding, only an atom perhaps, but still an atom, to the happiness of the masses. I say in no spirit of pride, but as a statement of fact, that reform has been carried through every branch and department of the administration, that abuses have been swept away, anomalies remedied, the pace quickened, and standards raised. It has not always been a popular policy; but if I am at liberty to say so, it has been whole-hearted and sincere. And yet what criticism is now more familiar to me than that no one in India desires administrative reform at all, and that the only benefactor of the people is he who gives them political concessions? Those are not my views. I sympathise most deeply with the aspirations of the Indians towards greater national unity and with their desire to play a part in the public life of the country. But I do not think that the salvation of India is to be sought on the field of politics at the present stage of her development, and it is not my conception of statesmanship to earn a cheap applause by offering so-called boons, for which the country is not ready, and for which my successors, and not I, would have to pay the price. The country and its educated classes are, in

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my view, making a steady advance on the path of intellectual and moral progress, and they have every reason to be proud of what they have achieved. That progress will be continued, so long as they listen to the wise voices among their own leaders: but it will be imperilled and thrown back if it is associated with a perpetual clamour for constitutional change, and with an unreasoning abuse of those who do not grant it.

"The charge, however, that we give an inadequate representation to the ability of the country in our Government is one, that, though frequently repeated, has always seemed to me so fallacious that I have made a special attempt to analyse it; and I will conclude my speech by presenting to this Council the results of an investigation which I have had conducted into every branch of the administration, and which is so interesting, and I think to many people will be so surprising in its results, that I propose to publish it on behalf of Government.

"Let me begin by stating what I conceive to be the general principles that regulate the situation. They are two in number. The first is that the highest ranks of civil employment in India, those in the Imperial Civil Service, though open to such Indians as can proceed to England and pass the requisite tests, must, nevertheless, as a general rule be held by Englishmen, for the reason that they possess, partly by heredity, partly by up-bringing, and partly by education, the knowledge of the principles of Government, the habits of mind, and the vigour of character, which are essential for the task, and that, the rule of India being a British rule, and any other rule being in the circumstances of the case impossible, the tone and standard should be set by those who have created and are responsible for it. The second principle is that outside this *corps d'élite* we shall, as far as possible and as the improving standards of education and morals permit, employ the inhabitants of the country, both because our general policy is to restrict rather than to extend European agency, and because it is desirable to enlist the best native intelligence and character in the service of the State. This principle is qualified only by the fact that in certain special departments, where scientific or technical knowledge is required, or where there is a call for the exercise of particular responsibility, it is necessary to maintain a strong European admixture, and sometimes even a European preponderance.

"Now let me show how these principles are vindicated in practice. I will not recapitulate the history of the case or conduct the Council through the successive stages of Government policy and pronouncement from the Act of 1833 down to the present day. I will give—what is much more eloquent—the concrete

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figures and proportions. They have been compiled for a period of 36 years, the figures not being available before 1867.

"In 1867 the total number of Government posts in India with a salary above Rs. 75, now equivalent to £5 a month, was 13,431. It is now 28,278. In 1867 Europeans and Eurasians held 55 per cent. of the total; they now hold 42. Hindus held 38 per cent; they now hold 50. Muhammadans held 7 per cent.; they now hold 8. Further, while the total number of Government appointments has thus increased by 110 per cent., the figures show that the number of posts held by Hindus has increased by 179 per cent., by Muhammadans 129 per cent., by Eurasians 106 per cent., and by Europeans only 36 per cent. In the proportion of total posts Indians have gained 13 per cent., Europeans and Eurasians together have lost 13 per cent., and 12 per cent. of this loss has been European.

"Next let me give the results of an examination by grades. More than half of the appointments in India are and always have been posts on less than Rs. 200 a month. The European element in these was always small, and is now less than 10 per cent. Of posts on Rs. 200 to Rs. 300, the native proportion has risen from 51 per cent. to 60 per cent.; from Rs. 300 to Rs. 400 from 23 per cent. to 43 per cent.; from Rs. 400 to 500 from 21 per cent. to 40 per cent.; from Rs. 500 to Rs. 600 from 9 per cent. to 25 per cent.; from Rs. 600 to Rs. 700 from 15 per cent. to 27 per cent.; from Rs. 700 to Rs. 800 from 5 per cent. to 13 per cent. Thus in no single grade has the proportion of Europeans increased, while the native increase has been continuous and striking, and has been larger in the higher grades than in the lower. The Rs. 800 line may be said to mark the limit of the Provincial Service. Between Rs. 800 and Rs. 1,000 there were, in 1867, 4 natives in Government employ; there are now 93. Posts on Rs. 1,000 and over may be regarded as superior. In 1867, out of a total of 648 such appointments, 12 were filled by natives, all Hindus, or a percentage of 2. In 1903, out of 1,370 such appointments 71, were filled by Hindus and 21 by Muhammadans; the native percentage being, therefore, 7.

"If I take the standard of pay, I find that the aggregate pay of the total number of posts has risen by 91 per cent. since 1867; but in the case of the aggregate pay drawn by Europeans and Eurasians the increase is only 6 per cent., while for natives of India it is 191 per cent., and for Hindus 204 per cent. The average pay of the total number of posts has fallen by Rs. 31, or 9 per cent., since 1867. But the average drawn by natives has risen from Rs. 175 to Rs. 188, or a rise of 7 per cent., while that drawn by Europeans and Eurasians has fallen by Rs. 2, or 4 per cent.

"Whatever standard therefore we apply, whether it be number of posts, proportion of posts, or averages of pay, the results are the same. There has been a progressive increase in native employment and a progressive decline in European employment, showing how honestly and faithfully the British Government has fulfilled its pledges, and how hollow is the charge which we so often hear of a ban of exclusion against the children of the soil.

"In the figures which will be published will be contained the calculations of each decade from 1867 to the present day, so that the movement may be traced stage by stage, and of each province and each department. Summarising the totals, I find, as might be expected and as I have said, that of the 1,370 Government servants drawing salaries higher than Rs. 1,000 a month, or £800 a year, 1,263 are Europeans, of the remainder 15 are Eurasians, and 92 natives. But if I take the ranks below Rs. 1,000 a month and between that total and Rs. 75 a month, *i.e.*, from £60 to £800 a year, then I find that out of a total of 26,908 Government servants, only 5,205 are Europeans, while of the remainder 5,420 are Eurasians, and the balance, or 16,283, is native.

"It therefore appears that the British Empire employs less than 6,500 of its own countrymen, whether brought from abroad or recruited in this country, to rule over 230 millions of people; but that for the same purpose it employs 21,800 of the inhabitants of the country itself. If we went below Rs. 75 a month, the disproportion would, of course, be overwhelming. Will anyone tell me in the face of these figures that our administration is unduly favourable to the European or grudging to the native element? I hold, on the contrary, that it is characterised by a liberality unexampled in the world. You may search through history, and since the days of the Roman Empire, you will find no such trust. I have endeavoured to procure from Foreign Governments the corresponding figures for their foreign possessions, the Russians in Central Asia, the Dutch in Java, the French in Algeria, in Cochin China, and Tongking. I have not unfortunately been successful. But I have visited the majority of those countries, and have seen what there prevails: and if anyone thinks that they show proportions even remotely comparable with those which I have quoted I can assure him that he is gravely mistaken. For my own part I think that the progressive growth of confidence that is revealed by the tables which I have quoted is honourable to the British Government and honourable to the people of this country. It reveals a European system of Government entrusted largely to non-European hands: what is called a subject country, though I dislike the phrase, administered far less by the conquering Power than by its own sons; and beyond all it testifies to a steady growth of loyalty and integrity on the one part

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and of willing recognition of these virtues on the other, which is rich with hope for the future.

"I will now bring these remarks to a close. The Government of India in my time has been involved in many controversies, and has had to bear the brunt of much attack. Perhaps when the smoke of battle has blown aside, it may be found that from this period of stress and labour has emerged an India better equipped to face the many problems which confront her, stronger and better guarded on her frontiers, with her agriculture, her industries, her commerce, her education, her irrigation, her railways, her army, and her police brought up to a higher state of efficiency, with every section of her administrative machinery in better repair, with her credit re-established, her currency restored, the material prosperity of her people enhanced, and their loyalty strengthened. We shall not deserve the main credit, because we have profited by the efforts of those who have preceded us. But perhaps we may be allowed our share; and may feel that we have not toiled, and sometimes endured, in vain."

The Council adjourned *sine die*.

CALCUTTA; }  
The 31st March, 1904.

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