

*Thursday,
7th March, 1912*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. L

April 1911 - March 1912

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OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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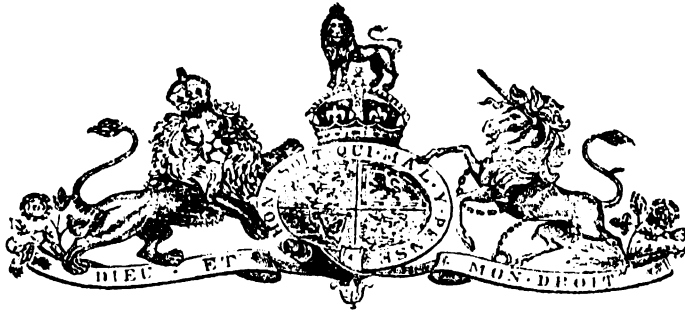


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1912



GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA,
ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS
UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861
TO 1909 (24 & 25 VICT., c. 67, 55 & 56 VICT., c. 14, AND 9 EDW. VII, c. 4).

The Council met at Government House, Calcutta, on Thursday, the 7th March
1912.

PRESENT :

His Excellency **BARON HARDINGE OF PENSHURST**, P.C., G.C.B., G.C.M.G.,
G.C.V.O., G.M.S.I., G.M.I.E., *Viceroy and Governor General of India, presid-*
ing,
and 57 Members, of whom 49 were Additional Members.

QUESTIONS AND ANSWERS.

The Hon'ble Babu Bhupendranath Basu asked :

"(1) Will the Government be pleased to state whether they have received any memorial from the people of Sylhet to incorporate their district with the Province of Bengal ?

"(2) Is it the intention of Government to include in the new Province of Bengal—

(a) Sylhet and Manbhum, and

(b) any portions of Bhagalpur, Purnea and the Santhal Parganas where Bengali may be the prevailing language ?"

The Hon'ble Sir Reginald Craddock replied :

"Various memorials have been received from persons resident in Sylhet requesting the incorporation of the district with the new Province of Bengal, and others have been received protesting against the proposal.

"With reference to the second portion of the question, it is not the intention of Government to include in the new Province of Bengal the areas mentioned."

The Hon'ble Mr. Sinha asked :

"(a) Will the Government be pleased to state the total number of officers in each Province appointed to what was called the Statutory Civil Service, and the number, in each Province, of the Statutory Civilians who have held the offices of Divisional Commissioners or Judges of the High Court or the highest Judicial tribunal in the Province ?

[Mr. Sinha; Sir Reginald Craddock; the Commander-in-Chief.] [7TH MARCH 1912.]

“(b) Is there any bar to the promotion of such officers to such posts? If so, do the Government propose to remove it?”

“(c) If no bar exists what reasons, if any, stand in the way of the promotion of Statutory Civilians to such high Executive and Judicial posts as are referred to above?”

The Hon'ble Sir Reginald Craddock replied :

“(a) A statement showing the total number of Statutory Civilians appointed in each Province is laid upon the table.* In the Punjab and Central Provinces respectively one Statutory Civilian has been appointed to officiate as a Divisional Commissioner. No such appointments have been made to any High or Chief Court, or to the post of Judicial Commissioner.

“(b) There is no legal barrier to the promotion of Statutory Civilians to the posts of Divisional Commissioner or to the judicial appointments referred to.

“(c) Appointments to such posts are made strictly by selection. There are no reasons barring the promotion of Statutory Civilians to such appointments provided that they are thought to be fully qualified and of suitable seniority.”

The Hon'ble Mr. Sinha asked :

“(a) Will the Government be pleased to state what steps, if any, they have taken in the matter of the revision of the Regulations governing elections to the Imperial and Provincial Councils?”

“(b) Is there any chance of the said Regulations being promulgated, in a revised form, before the next elections come on?”

The Hon'ble Sir Reginald Craddock replied :

“(a) The Government of India have examined the proposals made by Local Governments for the amendment of the Council Regulations as the result of the experience gained of their practical working, and in view of the short period during which the Regulations have been in operation, have decided to defer the consideration of any changes which involve important matters of principle. Certain amendments of a minor character are, however, under discussion.

“(b) It is the intention of the Government of India to submit to the Secretary of State in Council their final recommendation on such points in time to permit of the publication of revised regulations before the next elections.”

The Hon'ble Mr. Sinha asked :

“(a) Is it a fact that in the Punjab Gazette of November 14th, 1911, there appeared the following notice :—

‘A public examination for admission to the Assistant Surgeon Branch of the Indian Subordinate Medical Department will be held on January 8, 1912, at stations and places marginally noted. (The places include in the Punjab, Lahore, Peshawar, Kasauli, Simla and Sialkot.) Only Europeans and Eurasians will be allowed to appear at the examination.’

“(b) If so, will the Government be pleased to state the reasons for disallowing His Majesty's Indian subjects from competing at the said ‘public examination.’

“(c) Do the Government propose to issue any orders that no racial restrictions be imposed on Indians, either in the Punjab or other Provinces, in the matter of appearing at public examinations?”

His Excellency the Commander-in-Chief replied :

“This notification has been published periodically in the Gazettes and Press for several years. The chief duty of Military Assistant Surgeons is the care of

[7TH MARCH 1912.] [*The Commander-in-Chief; Mr. Mudholkar; Sir T. R. Wynne; Mr. Subba Rao; Sir Reginald Craddock.*]

British soldiers in European Station Hospitals—a duty upon which it is not customary to employ His Majesty's Indian subjects. For this reason only Europeans and Eurasians are admitted to this branch of the Indian Subordinate Medical Department.

“Indians are eligible for the Military Sub-Assistant Surgeon branch of the Indian Subordinate Medical Department which performs similar duties in connexion with Indian troops.”

The Hon'ble Mr. Mudholkar asked :

“Will the Government be pleased to lay on the table a statement similar to that included in the Railway Administration Report till some years ago showing the annual net gain or net loss to the State from the commencement till the end of the year 1911, or, if the figures for the year 1911 are not ready, till the end of the year 1910, on each of the Railway lines owned by the State or by guaranteed or subsidised Companies?”

The Hon'ble Sir T. R. Wynne replied :

“The information, covering the period 1870 to 1910 inclusive, for the several Railways will be found in Appendix 38 of the Railway Administration Report for 1907 and Appendix 9 of that for 1910, in Table I under the head ‘Statistics of working.’

“Copies of these Reports will be found in the Additional Members' room.”

The Hon'ble Mr. Mudholkar : “Am I to understand that the information that was given in the Reports of 1906 in regard to State Railways, such as the Dhond-Mannad State Railway, the Wardha Valley State Railway, the Amraoti State Railway, and the Khangaon State Railway, is incorporated in these Reports?”

The Hon'ble Sir T. R. Wynne : “Those Railways which the Hon'ble Member has mentioned have been incorporated in the undertakings of the Great Indian Peninsula Railway, and I do not think they show separate accounts now.”

The Hon'ble Mr. Subba Rao asked :

“With reference to the statement placed on the table at the meeting of the 10th January last showing the number of places annually recruited in each province for the executive branch of the Provincial Service and in what proportion they are recruited,—how many by selection and how many by promotion,—will the Government be pleased to state the number of places recruited annually in Madras by promotion and by selection since recruitment by competition was abolished there in 1905?”

“With reference to the policy adopted in that Province of making recruitment exclusively by promotion, will the Government be pleased to state whether they have issued any instructions in the matter; if not, do the Government propose to issue instructions that the recruitment should be at least by selection and promotion on the lines followed in the United Provinces, Bengal, Eastern Bengal and Assam and Bombay?”

The Hon'ble Sir Reginald Craddock replied :

“The necessary information has been obtained from the Government of Madras and a statement* is laid on the table which answers the first part of the question asked by the Hon'ble Member.

“The Local Government was invested with power in 1910 to make rules for the recruitment of the Provincial Civil Service without the previous sanction of the Government of India, and as at present advised the Government of India do not consider it necessary to exercise the general control which they then reserved or to issue any special instructions.”

* *Vide Appendix No. 2.*

*[*Mr. Subba Rao ; Sir Reginald Craddock ; Mr. [7TH MARCH 1912.] Graham ; Sir Guy Fleetwood Wilson ; Sir Gangadhar Rao Chitnavis.*]

The Hon'ble Mr. Subba Rao asked :

"Will the Government be pleased to state whether, apart from the observations contained in the Government of India Resolution of the 11th March 1904, relating to the educational policy of the Government, any specific instructions were issued to Local Governments to do away with recruitment by competition even to a limited extent ?

"If not, will the Government be pleased to say how in all Provinces except the Punjab recruitment by limited competition was entirely done away with, and in Madras even recruitment by selection was abolished ?

"Was this done with the approval of the Government of India ; and, if so will the Government be pleased to place the correspondence on the table ?"

The Hon'ble Sir Reginald Craddock replied :

"It is understood that the Hon'ble Member is referring to the system of recruitment for the Provincial Civil Service in different Provinces. Since the declaration of policy contained in the Resolution of the Government of India of the 11th March 1904, no specific instructions have been issued to Local Governments directing the abolition of the system of competitive examination. Subsequent to the issue of the Resolution referred to, various Local Governments recast their rules bearing on the point, and these amendments were approved by the Government of India ; but the implication that prior to 1904 recruitment was everywhere by competition is inaccurate. Neither is it the case that recruitment by selection is even now inadmissible under the Madras rules.

"Since 1910 power has been delegated to Local Governments to make rules for the recruitment of the Provincial Civil Service, subject only to the general control of the Government of India. Prior to that date the previous sanction of the Government of India was required.

"It is not considered desirable to place on the table the correspondence relative to the revision of these rules."

The Hon'ble Mr. Graham, on behalf of the Hon'ble Mr. Armstrong, asked :

"Will Government be pleased to state, with reference to the announcement made in the speech of the Hon'ble the Finance Member when introducing the Financial Statement for 1910-11 that 'for the future, as has now been decided, the whole of our coinage profits without reservation will be paid into the gold standard reserve until such time as the gold held by us in that Reserve and in the Paper Currency Department combined reaches the figure of £25 millions sterling' whether Government now consider themselves at liberty to dispose of profits on silver coinage if and when undertaken or any part of such profits otherwise than by paying the profits to the gold standard reserve in view of the fact that the reserves mentioned now exceed the limit stated ?"

The Hon'ble Sir Guy Fleetwood Wilson replied :

"The gold held by us in the Gold Standard Reserve and in the Paper Currency Department combined is now in excess of £25 millions. If profits on fresh coinage were accruing to us at the present moment, we should not be bound to credit the whole of them to the Gold Standard Reserve."

The Hon'ble Sir Gangadhar Rao Chitnavis asked :

"So long as structural and sanitary improvements are not complete in the new capital at Delhi, do Government propose to undertake important legislative work at Simla ?"

The Hon'ble Sir Reginald Craddock replied :

"It is the intention of Government to hold a legislative session next cold weather at Delhi, but no statement can now be made as to the distribution of legislative business between Simla and Delhi."

[7TH MARCH 1912.] [*Mr. Bhurgri ; Sir Robert Carlyle ; Sir Reginald Craddock ; Sir T. R. Wynne.*]

The Hon'ble Mr. Bhurgri asked :

“(a) Will Government be pleased to state what progress the Sukkur Weir Scheme has made ?

“(b) Is it true that the experts consulted are not unanimous about the success of the scheme ?

“(c) Will Government be pleased to state what experts were consulted in the matter ?

“(d) Will Government be pleased to lay on the table the opinion of such experts and also the figures of the cost of the scheme together with the revenue forecast ?”

The Hon'ble Sir Robert Carlyle replied :

“The scheme referred to in the question is under the consideration of the Inspector General of Irrigation, whose report has not yet reached the Government of India. I am unable therefore to furnish the information called for by the Hon'ble Mr. Bhurgri.”

The Hon'ble Mr. Bhurgri asked :

“Will Government be pleased to state when the new district of Nawabshah in Sind is likely to be created ?”

The Hon'ble Sir Reginald Craddock replied :

“The orders of the Secretary of State on the subject are awaited, and no date can therefore be specified.”

The Hon'ble Mr. Bhurgri asked :

“(a) Will the Government be pleased to state if the Bombay Government recently moved them to permit the Deputy Collectors in that Presidency drawing Rs500 as pay to be classed as first class officers for the purpose of their travelling allowances ?

“(b) Is it a fact that the Government of India, while permitting those Deputy Collectors who were appointed directly to the Provincial Service to rank as such, have refused the privilege to be extended to other Deputy Collectors of the same grade ?

“(c) Will the Government be pleased to state the reasons for making such distinction ?”

The Hon'ble Sir Reginald Craddock replied :

“(a) & (b) The answer is in the affirmative.

“(c) It was considered that Deputy Collectors who received direct appointments to the Provincial Civil Service, in view of their antecedents and prospects in the Service, were entitled to this concession in the matter of travelling allowance.”

The Hon'ble Mr. Bhurgri asked :

“Do Government propose to grant local allowances to the establishment of the North-Western Railway in Karachi in the same way as local allowances have been granted by the Government of Bombay to other establishments in Karachi ?”

The Hon'ble Sir T. R. Wynne replied :

“The staff of the North-Western Railway at Karachi petitioned the Railway Board lately for the grant of a local allowance.

“The matter is at the present moment the subject of correspondence with the Manager, North-Western Railway.”

[Mr. Dadabhoy; Mr. Clark; Mr. Gokhale; Sir [7TH MARCH 1912.]
Guy Fleetwood Wilson; Pandit Madan Mohan
Malaviya.]

The Hon'ble Mr. Dadabhoy asked :

"Will Government be pleased to state the amount of subsidy, if any, it pays to Messrs. Lynch Bros. for the maintenance of a river flotilla on the Karum in Persia?"

The Hon'ble Mr. Clark replied :

"The answer is that the Government of India pay nothing towards the steamer service on the Karum river."

The Hon'ble Mr. Gokhale asked :

"(a) Are the Government aware that a notification has been issued upon the Indian residents of the Township of Vrededorp in the Transvaal, under the Vrededorp Township Act, 1907, calling upon them to remove from the Township by February 18th of this year?"

"(b) Is it a fact that these Indians have traded there for many years unmolested? Have Government any information as to whether the Indians complain that the compensation offered to them is purely nominal and that the enforcement of the notification means absolute ruin to them?"

"(c) Have the Government taken any steps, and, if so, what, to obtain relief in this matter?"

The Hon'ble Mr. Clark replied :

"(a) Government are aware that a notification has been issued to Indian residents of the township of Vrededorp in the Transvaal, under the Vrededorp Township Act, 1907, calling upon them to remove from the township by February 18th of this year.

"(b) The reply to the first part of the question is in the affirmative. The Government of India have received representations containing statements to the effect mentioned in the second part of the question.

"(c) In view of the fact that the notification has been legally issued under the Act of 1907, and after the period prescribed by that Act has been allowed to elapse, no action is at present contemplated, but Government will continue to give careful attention to any developments in the situation."

The Hon'ble Mr. Gokhale : "Has the notification been enforced?"

The Hon'ble Mr. Clark : "We have no information about that yet."

FINANCIAL STATEMENT.

FIRST STAGE.

The Hon'ble Sir Guy Fleetwood Wilson : "My Lord, I open the first stage of the discussion on the Financial Statement."

PROVINCIAL GRANT (UNITED PROVINCES).

The Hon'ble Pandit Madan Mohan Malaviya : "My Lord, I beg to move that this Council recommends to the Governor-General in Council that the special grant to the United Provinces be raised by a sum equivalent to one-eighth of the land-revenue raised in those Provinces.

"My Lord, the Council will remember that I raised this question last year also. I regret that I could not persuade the Council to accept my Resolution, but the demand which I made on behalf of my Province was and is a just one,

[7TH MARCH 1912.] [*Pandit Madan Mohan Malaviya.*]

and I bring it forward in the earnest hope that the justice of it will yet be recognised by the Council and the Government.

"I went last year at some length into the history of what are called Provincial Settlements. I showed that these settlements were in the beginning based on no principle. The actual expenditure of the year which preceded the year in which the settlement was made was taken as showing the standard of expenditure which the Provinces required, and a settlement was made for five years on that basis. The result was that the Provinces which were spending most received the largest share, and those which were spending least got the smallest share of their revenues for provincial purposes. The United Provinces suffered for their virtue, as the Hon'ble Sir James Meeson put it last year. How this came about the Hon'ble Mr. Gillan, our present Comptroller General, very clearly explained in the Financial Statement which he presented as Secretary to the Government of the United Provinces in 1909 :

'It is not, I think, out of place to observe,' said Mr. Gillan, 'it is indeed sufficiently well-known that this Province has undoubtedly suffered from the application of the principles on which previous settlements were conducted. We think it can be shown that in the early days for one reason or another the finances of these Provinces were administered much more strictly and economically than was the case in most other Provinces. But so long as the system of short-term settlements endured, the policy deliberately announced and consistently applied was to base each revision on the recent actuals of expenditure. To compare great things with small, the result is the same as if in fixing the contract grants of district officers the Government were to pay attention only to the actuals of recorded expenditure. In that case the Collector who spent the most would get the most, while it would be judged that a district where the expenditure was small had small requirements. Similarly this Province, because it began with little, has continued to receive little.'

"The settlements made during the last twenty years have tended to remove the inequalities between the different Provinces which inevitably arose under such a system. The Government of India have laid down certain general principles which underlie, or rather which should underlie, the financial settlements of the Government of India with a Local Government. I drew attention to these principles last year. One of these is that 'so far as possible, the same share of the chief sources of revenue shall be given to each Province to ensure a reasonable equality of treatment.' Following this principle the Government of India has allowed every Province of India except the United Provinces to retain half of its land-revenue for Provincial expenditure, taking the remaining half to itself. In the case of Burma, it has allowed five-eighths of the land-revenue to be so retained for Provincial expenditure. The Central Provinces, the Punjab, Madras and Bombay each get half the share of their land-revenue. The three new Provinces of re-united Bengal, Bihar and Assam have also each had half the share of their respective land-revenues allotted to them under the settlement recently made for them. But the principle of this equality of treatment has not been extended to the United Provinces. Only a $\frac{3}{8}$ ths share of their land-revenue is allowed to them, and this has long been a matter of sore complaint with the United Provinces. When our present Lieutenant-Governor took charge of the Provinces, the first financial statement which came before him was rightly described as that of 'a deficit Province,' not because our revenues were small and unequal to our expenditure, but because the Government of India did not allow us to retain a sufficient portion of our revenues to meet our Provincial expenditure. Speaking on the subject in March 1907, Sir John Hewett said :—

'The matter of most absorbing interest, both on this occasion and on the occasion of recent discussions of the Financial Statement, has been the question of the time when we may expect to have a revised settlement sanctioned by the Government of India under terms upon which such a settlement will be determined in these Provinces. By the courtesy of the Hon'ble the Financial Member of the Governor General's Council I am able to say that it is in contemplation to take up during the coming year a revision of the settlement, and to place the United Provinces generally on terms similar to those of the most recent settlements which give the Local Governments a half share in the divided revenue. I have also received Mr. Baker's assurance that when the revision is made the Lieutenant-Governor shall have ample opportunity of expressing his opinion on the details, both by written communications and also at personal interviews. Upon this subject there is nothing more to be said at the present time except that I think that we may be sanguine of getting good terms.'

[*Pandit Madan Mohan Malaviya.*] [7TH MARCH 1912.]

"To our great regret and disappointment, when the new settlement was announced, these hopes were not realised. Speaking on the 3rd April 1909, Sir John Hewett said:—

'Mr. Gillan has referred in some detail to the new Provincial settlement, and it is not necessary for me to follow him. I cannot feel very confident that the settlement will prove a lasting one. We are grateful to the Government of India for the increased share of the revenues collected in the Province given to us by them, and especially for the guarantee of a minimum Provincial share of land-revenue of Rs240 lakhs; but the feeling is hardly unnatural that we are entitled to a share of the large sum of land-revenue paid by this Province more approximate to what other more fortunate Local Governments get than three-eighths which we receive. And in the matter of the standards of expenditure fixed we are undoubtedly suffering now from the niggardly retrenchments of Provincial expenditure in the somewhat distant past. The policy then followed prevented the standard of expenditure under various heads from ever reaching the figure demanded in the interests of the Province. I need not do more than mention the standards of educational and judicial expenditure in order to illustrate my meaning.'

"The complaint has been repeated year after year by members of the Legislative Council of the United Provinces, and their representatives here, and also by the Head of the Local Government, that the share of revenue allotted to us is not sufficient to meet expenditure. I will quote only from official statements. Speaking in April 1910 our Lieutenant-Governor, Sir John Hewett, repeated the complaint in the following words:—

'The Hon'ble Mr. Gillan has more than once explained to the Council how little elasticity there is in our receipts, and demonstrated that we can hardly hope to meet from the expansion of our revenues which we are entitled to anticipate in the near future more than the normal increase of expenditure which must occur from year to year. It is quite evident from the experience which we have now gained of the present financial settlement that it will be impossible to work it so as to effect the reforms which are necessary in the different branches of administration in the Province. We are the second Province in the Indian Empire—I may say that since the reconstitution of Bengal we are the first—in population, and we pay the largest amount of land-revenue to the Imperial Government. Even if we were given a half share of the land-revenue, we should still stand below other Provinces in this respect. The Hon'ble Sir Guy Fleetwood Wilson has impressed on Local Governments the need for sobriety in the administration of their finances. I do not think that I am inclined to be recklessly extravagant in the matter of the expenditure of Government money, though I do ardently desire to elevate the people in every way which seems possible, and specially to give them greater opportunities for education than they enjoy now, and to improve the healthiness of their daily life.'

"My Lord, we are thankful for the doles that the Government of India has given us during the last two years, for the non-recurring grants for education and sanitation made last year, and for the recurring grant of 7 lakhs for education and the non-recurring grant of 9 lakhs for sanitation and agricultural improvement made this year. These, however, are grants which have been made to us along with grants made to all other Provinces. They give us but a small fraction of what we require, and do not raise the standard of our expenditure so as to bring us nearer in comparison with that prevailing in other Provinces. This cannot be done until a larger share of our land-revenue is assigned to us. Our contributions in land-revenue justify our request. The contributions in land-revenue which are expected for the next year from the different Provinces are: the Central Provinces 187 lakhs, Burma 432 lakhs, Assam 76 lakhs, Bengal 269 lakhs, Behar 151 lakhs, the Punjab 352 lakhs, Madras 683 lakhs, Bombay 526 lakhs, and the United Provinces 672 lakhs. I have left out the thousands. Now every one of these other Provinces except Burma, which gets a five-eighths share, receives a half share of the land-revenue. It is the United Provinces only which make the largest contribution of all (except Madras which occasionally comes up to our standard), which receives a three-eighths share only. We have contributed enormous sums to the surpluses of the Government of India in the past, and we are contributing very largely to-day. Our land-revenue contributions have been the largest for a number of years, and I submit that this circumstance strengthens and supports our request; for, if our contributions had been poor, it might have been said that we ought not to get a half share as we contributed a small amount altogether. But the facts are just the other way. Nor is it, my Lord, that we are receiving larger grants under

[7TH MARCH 1912.] [*Pandit Madan Mohan Malaviya.*]

heads other than the land-revenue. If we were receiving larger grants under other heads so as to raise the total amount given to us as high as what other Provinces enjoy, our complaint would lose some of its force; but that is not so. In replying to my motion on this very subject last year the Hon'ble Mr. Meston said:—

'The fact that one Province gets half of the land-revenue and another gets five-eighths, while the United Provinces has only three-eighths, is really irrelevant. The great point is to get such a share of the growing revenue as will be equal to the normal requirements of the Province, and to see that the ratio of growth in that share of revenue is roughly equivalent to the ratio of growth in its expenditure. Whether it gets that growth of revenue from its land-revenue or from excise or from stamps, or from any permutation and combination of them, is not important. What is really required is that we should give the Province a sufficient share of its own revenues to enable it to meet its current requirements, calculated with a reasonable margin.'

'So far, Sir, I agreed with my Hon'ble friend, but when he went on to say that the United Provinces have got this, I joined issue with him. I showed last year by a comparison of the total amounts allowed to every Province—to the eight major provinces—that even in the aggregate we receive a smaller percentage of our revenues than is allowed to any other Province. I showed that the Central Provinces were allowed to retain 71·52 per cent. of the total revenues contributed by them for Provincial expenditure; Burma was allowed to retain 68·03 per cent.; Eastern Bengal and Assam was allowed to retain 68·01; Bengal was allowed to retain 62·49 per cent.; Bombay was allowed to retain 69·61 per cent.; the Punjab was allowed to retain 55·83 per cent.; Madras was allowed to retain 52·57 per cent.; but the United Provinces were allowed to retain only 52·16 per cent. of the total revenues contributed by them, for Provincial expenditure. So that, my Lord, it is not that only a smaller share of the land-revenue is allotted to us than is allotted to every other Province, but in the sum total also of what is allotted to us, we stand on the lowest rung of the ladder in comparison with other Provinces.

'This much, my Lord, as regards our contributions and the total amount left to us to spend. I will next draw attention to our needs. They are multifarious and they are very very pressing. The Hon'ble Sir James Meston said last year that we received a sufficient share of our revenues to enable us to meet our current requirements, calculated with a reasonable margin. I endeavoured to show that it was not so. And if my friend still holds that opinion, I regret that I cannot agree with him in that respect. Nor does the Government of the United Provinces or its high officials. In his speech from which I last quoted, after showing that the present settlement is inadequate and unsatisfactory, Sir John Hewett emphatically stated:—

'I am satisfied that it is absolutely necessary, if the people of these Provinces are to be treated as they deserve to be treated and as the people of other Provinces are treated, for the Local Government to be given a larger share of the revenue which accrues within the United Provinces. I am convinced that this will be necessary in order to meet the clamant and unanswerable demand for expenditure on such matters as education, particularly on primary, female and industrial education, on sanitation and medical relief, on the improvement of judicial arrangements, and on the revision of the terms of service of ministerial establishments.'

'Year after year the Director of Public Instruction has been drawing attention to the need for a much larger expenditure on education in the United Provinces. Our late Director, Mr. Lewis, showed that we required 80 lakhs a year to raise us to the standard of expenditure on education that prevailed in Bombay a few years ago. Mr. Lewis said: 'There is a demand in perhaps all districts for more schools, and more schools; but they cannot be opened because the funds are exhausted. When a people cry out for education and cannot get it, we may well, with Carlyle, count it a tragedy.' Our present Director, the Hon'ble Mr. de la Fosse, has been urging our claims with equal strength and emphasis. Speaking at a meeting of the Legislative Council of the United Provinces last year, and after referring to the special grant of 15 lakhs which the Government had been pleased to make to us last year, Mr. de la Fosse said—

'This special grant is not for recurring expenditure, so that it is not available for increasing facilities for education in so far as these depend upon permanent expenditure for

[Pandit Madan Mohan Malaviya.] [7TH MARCH 1912.]

maintenance of schools. But we are very grateful all the same for this most welcome windfall. It will enable a good deal to be done for the improvement of accommodation and equipment in all classes of schools and colleges, and the needs in all alike are of a very pressing nature. The recurring increase of 3.71 includes, as explained by Mr. Burn, Rs. 2,94,000 which is really only a financial adjustment between District Board and Provincial accounts. I mention this because if misunderstood it might give rise to bitter disappointment.

"After having thus explained that we had really received no increase for recurring expenditure, the Hon'ble the Director of Public Instruction went on to show how sadly urgent was this need for larger grants. He said :

'The Boards are at their wits' end for money with which to meet urgent demands for providing more facilities for primary vernacular education, and some of them are apt to resort to desperate means to find their funds. It was my painful duty in my Annual Report on Public Instruction to call attention to a decrease in the number of primary schools and scholars; and though there may be, and I believe, are, deep-seated causes of a social and economic nature operating to retard the progress of vernacular education among large masses of the people, yet I have no doubt that there are enormous numbers that would come to school willingly enough if opportunities were afforded them. The tragic disappearance of schools in the Benares Division, repeated in a lesser degree in other divisions, paradoxical as it may seem, if rightly viewed, gives no cause for despondency. There was no unwillingness to come to school, but on the contrary scholars had to be turned away. The situation may be summed up in a line, "the hungry sheep look up and are not fed."

"This, my Lord, is the position with regard to education in my Provinces. I need not repeat what I said regarding the needs of sanitation last year. They are equally pressing. I am thankful for the recurring grant of 7 lakhs made this year by the Government of India to promote truly popular education. I also feel thankful for the grant of 9 lakhs which has been made for sanitation and for agricultural improvement. But I submit, my Lord, that these provide only a fraction of what the requirements of the Province demand; and I submit that the standard of our Provincial expenditure cannot be raised to a healthy level unless the Province is allowed to retain the same share of the land-revenue which is allowed to other Provinces. In speaking of Provincial finance in his Financial Statement, the Hon'ble the Finance Member was pleased, after referring to the case of Burma, to say :

'Other Provinces have all fared extremely well, and I have every hope that the permanence of their settlements will strengthen the spirit of economy and self-reliance in the Provincial administrations, while leaving them ample margin for all legitimate expansion.'

"From all that I have said before, it must be evident that these remarks cannot in truth apply to the United Provinces. We have not fared at all well. And we have not only no margin for all legitimate expansion, but not enough to meet the most insistent and reasonable demands. I have sufficiently drawn attention to the complaints which have been repeated on this score in the past. Even last year the Financial Secretary to the Government of the United Provinces deplored the fact that he had no money with which to meet the various demands which had been urged upon the Government, unless the hope which had been expressed was realised that the Government of India might be moved to give a considerably larger share under the land revenue heads than is given at present.

"Such, my Lord, is the position of the United Provinces. I submit our population, which is now the largest in any Province in the country, justifies our request that we should be allowed to retain at least 60 per cent. of our revenues for expenditure in the Province, that being the average percentage of the revenues allowed to most of the other Provinces. Our needs also justify that demand; and last, but not least, our contributions justify it. We press our claim upon the consideration of the Government when it is in a position easily to accede to it. The Hon'ble the Finance Member is rejoicing over the large surplus which 'abounding good fortune' has placed in the hands of the Government of India. I rejoice with him. But I beg of him and the Government to recognise

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that a good portion of that surplus is made up of the sum which has been raised in the United Provinces and which on the principles laid down by the Government of India in the case of every other Province rightly belongs to these Provinces.

"In the Budget Statement to which we listened with so much interest the other day the Hon'ble the Finance Member said:—

'The chief advance, however, is under Land-revenue, where the return of normal conditions in the areas that suffered from the irregularities of the last monsoon will, we trust, be the main contributor to an increase of which the Imperial share should be something in excess of £400,000.'

"Further on, he said:

'There is thus an addition of £1½ millions to the Imperial share of the land-revenue over and above the £400,000 which comes to us from improved collections.'

"Now, my Lord, as I have said before, these expanding revenues and these improved collections are made up in no small measure by the contributions of the United Provinces, which are the largest in the whole country, and it is nothing but fair that before the Government of India begin to divide and distribute all over the country the surpluses which are swelled by these contributions, a portion of the money which is necessary to give to the United Provinces, the share of their revenues to which they are entitled on the principle laid down by the Government and applied in the case of every other Province, should be set apart for them. A general distribution should be made among other Provinces only of what should be available after such adjustment. I hope, my Lord, the justice of this claim will commend itself to the Government and that the Resolution which I have the honour to move will be accepted."

The Hon'ble Nawab Abdul Majid: "My Lord, it is with great pleasure that I support the Resolution that has been brought forward by the Hon'ble Pandit Madan Mohan Malaviya. Last year, when this question was before this Council, my Hon'ble friend had demonstrated with much ability and much force of reasoning that it was absolutely necessary that the United Provinces should be on the same footing of equality as other Provinces are. My Lord, this question was also brought forward at the last Budget meeting of our Provincial Council. In that Council there was not a single non-official Member at that time who did not feel that this Province was not well treated. Every non-official Member brought forward in their speeches this question, and they urged upon His Honour the Lieutenant-Governor that the matter should be brought to the notice of the Imperial Government as to why this unfair treatment was accorded to the United Provinces. It cannot be denied that the United Provinces contribute a substantial sum to the Imperial Exchequer; at the same time it cannot be denied that the requirements of the United Provinces are not less than the requirements of other Provinces. Well, if this is so, why is it that they should not get the same proportion of revenue as is given to the other Provinces? My Lord, with these words I support this Resolution."

The Hon'ble Mr. Sinha: "My Lord, I have very great pleasure in supporting the Resolution moved by my friend the Hon'ble Pandit Madan Mohan Malaviya, who has made out an exceptionally strong case for better treatment being accorded to the United Provinces. I think, in this matter, the people in the United Provinces have a very just grievance; for whereas the other Provinces receive half share of the land-revenue, they only receive three-eighths. I shall be very glad, therefore, if the Government see their way to accepting this Resolution."

The Hon'ble Sir Guy Fleetwood Wilson: "My Lord, I quite appreciate the motive which has weighed with the Hon'ble Mover in throwing his Resolution into the particular form that he has adopted. He regards it as, I will not say a slight, but certainly an unfortunate distinction that his

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Province—the Province which he and the Hon'ble Nawab Abdul Majid so patriotically and ably represent in this Council—should receive a share of the great Land-revenue head which is less than that assigned to the other Provinces of India. With that sentiment I have entire sympathy; and if the distinction in itself implied in reality any definite detriment to the United Provinces, I should not be backward in acceding to his earnest desire for its rectification. The Hon'ble gentleman himself, however, has said enough to show that he fully realises that the mere grant to the Province of a full half share of the land-revenue receipts would not, under our present settlement system, meet his wishes. He recognises that if we increased the Provincial share of the land revenue, we should only have to make a corresponding reduction under Stamps or Excise or some of the other leading heads of receipts. The net result would be no real improvement on the present position. The Province would have the same assignment of growing revenues at its command, only it would be derived in a larger measure from land-revenue, and in a minor degree from other divided heads. In fact it is not impossible that the Province might be slightly worse off in the long run, if, for example, the growth of the land-revenue should turn out to be less rapid than that of the other classes of receipts which the Province shares with the Imperial exchequer.

“What the Hon'ble Pandit is aiming at, however, is something more than the mere rectification of a sentimental grievance. He has pointed out in eloquent language and with wealth of detail the needs of his Province. He has told us with what advantage it could absorb a much larger volume of money for all sorts of benevolent purposes; and he has pictured the step-motherly attitude which the Government of India has shown towards the United Provinces in the past. What he really wants therefore is that the Province should get a full half of the land-revenue receipts without giving up any share of what it already derives from the other heads of revenue. This would mean, on the budget figures for next year, an additional Imperial assignment of no less than 82 lakhs to the Local Government. I regret that I am obliged to oppose this proposition; and I do so out of no want of sympathy with the Hon'ble Member's enthusiasm for the development and well-being of his own Province, but simply on three broad grounds of principle, which seem to me incontrovertible.

“In the first place, I could not possibly accede to any proposal which aims at effecting theoretical equality between the spending powers of the different Provinces. I do not contest the point, which the Hon'ble mover has argued with much force and moderation, that the United Provinces contribute a very large ratio of their revenues to the general exchequer. I believe that by the ordinary statistical tests the United Provinces and Madras are shown to contribute a larger ratio than the other Provinces of India. Nor am I prepared to deny that this position may be in some measure the result of the economical working of the Local Government in years gone by. But many years have passed, and a good many settlements have been framed and revised, since the causes of this inequality cease to operate. We have to take things as we find them. We have revised the United Provinces' settlement on several occasions since the time of which the Hon'ble Pandit is thinking, and we have always done so in the direction of increased liberality. We have never attempted to regulate the spending powers of any one Province with relation to those of its neighbours, and we cannot accept any such principle of action now. I am sure that the Council will see that it would be thoroughly impracticable, at this stage of our financial development, to attempt to throw all the Provinces into one mould, to level up the expenditure on education in one, to level down the expenditure on general administration in another, and so forth. Anything of this sort is clearly impossible. In some cases it would mean a complete stoppage of business; and in others it would mean flooding a Local Government with money which for years to come it could not profitably utilise. The financial position of each Province has been built up on its own lines; and it

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would be the worst of folly to pull down the erections now and to attempt to reconstruct them on a uniform plan.

"The second of my objections follows as a sequel to the first. The steady development and the growing elasticity of Provincial finance have led us steadily to the important reform which I announced a year ago, namely, the creation of permanent financial settlement with all the Provinces. The Hon'ble Member's proposal would mean a complete recasting of the United Provinces' settlement before it is a year old. To this I could not for a moment consent. We had the strongest of reasons for making the arrangements which now obtain, and for insisting on their permanent character. We did what we did in the interests both of the Provinces themselves and of the general finances of India. Any weakness or change of purpose would open the door to financial chaos, and point the way to the bankruptcy of India. I regret that we must definitely reject any proposal that would have the effect of undoing the work of our permanent financial settlements.

"In the third and last place, we are unable to meet my Hon'ble friend because we cannot afford the 82 lakhs which he asks for. His proposal would involve the permanent withdrawing of that large sum of money from our annual Imperial resources. It would to that extent interfere with the development of our schemes for the general improvement of Indian education, sanitation, and all the other beneficial services which the Hon'ble Member, I am sure, has as much at heart as I have. It would be robbing Peter to pay Paul; and I regret that the Government of India cannot agree to it."

The Hon'ble Pandit Madan Mohan Malaviya: "My Lord, it occurred to me that I should apply the very phrase which the Hon'ble the Finance Member has used at the end of his speech in describing the arrangement that prevails at present; but I feared that I might be deemed guilty of want of respect to the Government if I did so. But, my Lord, now that the Hon'ble the Finance Member has said that if the Government accepted my motion, and acted on it, it would be a case of robbing Peter to pay Paul, with great respect to the Hon'ble Member, I must say that the case is entirely otherwise. If the Government accepted my motion, they would cease to be guilty of withholding from the United Provinces what is fairly and rightly their share and distributing the money among other Provinces which have absolutely no right to it. My Lord, the Hon'ble the Finance Member says that what I really ask for is an addition of 82 lakhs to the amount which is given to the United Provinces. That is true; I have made no secret of it; I have tried to explain it as clearly as I could; I do not want that an increased grant should be made under the head Land-revenue and that there should be reductions under Forest, Excise and other heads. My complaint is that whether we look at the proportion of land-revenue allotted to us or whether we look at the sum total of revenues allotted to the United Provinces under all the divided heads, we do not receive our fair share of the revenues, and I have asked that the land-revenue should be increased both because it will place us on a level of equality with other Provinces in respect of the proportionate share of land-revenue allotted to us and the other Provinces, and because it will give us a higher percentage of the total of our revenues to be spent in the Province. I have shown, my Lord, that the average which is allotted to most of the other Provinces is about 60 per cent. of their revenues; and if 82 lakhs is added to the revenues which the United Provinces are allowed to retain at present, that would give us just nearly 61 per cent. of our total revenues to spend within the Province. My Lord, my request is not unreasonable, because if it is granted it will not give us a larger share of our revenues than what the other Provinces enjoy. The Hon'ble the Finance Member says that he cannot agree to bring about a theoretical equality between the various Provinces. I do not ask for theoretical equality. All that I ask for is that the principles which the Government of India have developed after years of careful consideration, should be applied in the case of the United Provinces, as they have been applied in the case of other Provinces; and I have shown that, if they are so applied, we are clearly entitled to have

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one-eighth more of the land-revenue of the Province left to us for expenditure within the Province.

"Then, my Lord, the Hon'ble Finance Member says that he has to take things as he finds them. Surely that is not so. If the Government of India were content to take things as they found them, I submit, my Lord, that there would be very little progress possible. The Government of India have during the last thirty years revised the Provincial settlements several times. Many mistakes have been rectified and many inequalities have been removed, as the Hon'ble Sir James Meston was good enough to point out last year. All that we ask for is that this very glaring mistake, this gross inequality of treatment under which the United Provinces get only 3-8ths of their land-revenue, while every other Province gets 4-8ths, should be rectified by 1-8th more of our land-revenue being left to us by the Government of India.

"My Lord, another objection urged by the Hon'ble the Finance Member is that the acceptance of my proposal would disturb the steady development of Provincial finance, that there has been a permanent settlement, and that we ought not to disturb it within a year of its existence. I submit, my Lord, that it is a misnomer to call these Provincial settlements permanent. They are nothing of the kind. The Government of India have reserved to themselves ample powers to revise the settlements when they think it right to do so. And if it is shown, as I believe it has been shown, that the settlement which has been made leaves practically the United Provinces in a state of stagnation, if not of starvation, then I submit that the justice of the case demands that such a settlement, even though it may have been called permanent, should be revised. I have already referred to the opinion of Sir John Hewett. He has said on two occasions that he did not feel that the settlement was a satisfactory one or that it will prove a lasting one. He has plainly said that it is quite evident from the experience which we have gained of this financial settlement that it will be impossible to work it so as to effect the reforms which are necessary in the different branches of administration in the Province; that the pressing demands of education, sanitation and general administration cannot be met in the United Provinces until the Government of India agrees to revise the settlement and to place a larger sum of the revenue which accrues within the United Provinces at the disposal of the United Provinces Government.

"My Lord, the Hon'ble the Finance Member says that in considering my proposal two things are to be borne in mind—the interests of the United Provinces and the general interests of India as a whole. True; and all that I urge is that the interests of the United Provinces should not be sacrificed to secure an unfair advantage to the rest of India. With due deference to the Hon'ble Member, I submit that, in laying down the terms of our Provincial settlement, he has been less mindful of the interests of the United Provinces and more of the general interests of India than he should justly have been, and I invite him to remedy the injustice.

"My Lord, the third objection which the Hon'ble Member has urged against my proposal is that it will take away 82 lakhs from the permanent income of the Government of India. I submit that it will not deprive the Government of India of even a pice of its own true income. It will only save it from appropriating any further the 82 lakhs a year which it has been wrongly appropriating for some years past, and which, according to the principles laid down by the Government of India itself, rightly belongs to the Government of the United Provinces, and ought to be left in its exchequer. The Government of India recognise that a sufficiently large proportion of the revenues raised in a Province should be left to be spent within the Province for the benefit of the people. This principle is in conformity with the law of nature that the moisture which is drawn from an area ought to descend upon that area in refreshing showers to improve and fertilise it. Unfortunately for us of the United Provinces, a substantial portion of the moisture drawn from us is distributed on soils other than

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our own, while we are dying for the want of it : the revenue drawn from the United Provinces is not allowed to return to fertilise and improve it in the same proportion in which the revenue of the other Provinces is allowed to return to them. I submit, my Lord, that when the Government have a large surplus in hand as at present, they should first allot what is fairly and justly due to every Province, and then distribute the balance that may be available among the different Provinces. My Lord, I do not desire for one moment that any other Province should suffer any loss. All that I ask for is that out of the revenues towards which the United Provinces have contributed along with other Provinces, the fair share of the United Provinces should first be set apart for them, and then there should be a general distribution. I hope the Government will yet be pleased to reconsider the matter and to rectify a position which, with all deference to the Hon'ble the Finance Member, I think he has not been able to defend."

The Resolution was put and rejected.

EXPENDITURE ON NEW DELHI.

The Hon'ble Mr. Gokhale : "My Lord, I beg to move that this Council recommends to the Governor General in Council that the amount of the loan to be raised during the next year be increased by one crore of rupees, so that the expenditure proposed to be incurred for building new Delhi in 1912-13 should be met entirely out of loan funds and not partly out of next year's estimated surplus.

"My Lord, I do not think it is necessary for me to occupy the time of the Council for many minutes in discussing this question, because the issue which the Resolution raises is a comparatively simple one and may be briefly stated. In the Government of India despatch of 25th August last, recommending the administrative changes, recently carried out, to the Secretary of State, the question of the cost of building new Delhi is thus dealt with :—

'The cost of the transfer to Delhi would be considerable. We cannot conceive, however, that a larger sum than 4 millions sterling would be necessary, and within that figure probably could be found the three years' interest on capital which would have to be paid till the necessary works and buildings were completed. We might find it necessary to issue a "City of Delhi" gold loan at 3½ per cent. guaranteed by the Government of India, the interest, or the larger part of the interest, on this loan being eventually obtainable from rents and taxes.'

"It is quite true that the language of this extract is guarded, but still what the Government mention here is that a loan to be called 'the City of Delhi loan' might have to be raised in order to meet the cost of constructing the new capital. There is no mention made here of spending any money on the new capital out of current revenues—either out of regular revenue allotments in the budget or out of surpluses. The Hon'ble the Finance Member, however, in his Financial Statement explains the course he proposes to adopt, in the following words :—

'I may say at once that we are not yet in the possession of any estimates of its cost. Plans for the temporary housing of the Government of India head-quarters are under preparation; but no plans for the permanent Imperial City are to be thought of until the best available experts have studied and advised upon the project in all its bearings. Meanwhile, my immediate duty has been to devise a scheme for financing the work, a scheme which will be as little onerous as possible to the taxpayers of India. Three possible alternatives have presented themselves throughout. The first, and in some ways the most attractive, would be a special Delhi loan. The second would be to charge the whole expenditure as it occurs against current revenue. The third would be to put the Delhi works on precisely the same footing as our large railway and irrigation works, treating them as capital expenditure and financing them partly from loans and partly from whatever spare revenues remain in each year after meeting our ordinary administrative needs. I shall not weary the Council by the various considerations which decided us, with the full approval of the Secretary of State, to adopt the third of these courses. It will, I believe, commend itself to the financial and commercial community of India. By treating the Delhi operations as ordinary capital work, we ensure the greatest possible elasticity in the provision of funds; we avoid unnecessary additions to our unproductive debt; and I hope we allay the fear—so far as I am concerned a baseless fear—that the new city will be built from the produce of fresh taxation.'

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“The Hon'ble Member goes on further to say that—

‘If money is easy and we can obtain more than we immediately require, it will lie in our cash balances available for future use. Meanwhile, as we shall now have three sections in our annual capital programme instead of two, we may reasonably enlarge the conventional figure of one crore which we have hitherto endeavoured to secure as our revenue surplus. There is no need to fix any standard surplus; much will depend on the circumstances of the year and on the other interests concerned; but whenever we find ourselves able to budget for a larger surplus than £667,000 without detriment to the other claims upon us, we shall do so until the financing of new Delhi is completed.’

“It will be seen that in this extract the Hon'ble Member does not confine himself to the idea of building Delhi out of loan funds but makes prominent and even pointed mention of devoting such surpluses as may be available to the new capital. Now, my Lord, I do not say that there is necessarily any inconsistency between the despatch of the Government of India and the statement which the Hon'ble Member has made. It may be urged that while the despatch of the Government of India merely mentions that it *might* be necessary to raise a loan, it does not bind the Government to build Delhi out of loan funds only; on the other hand, the language of the Hon'ble Member, though it speaks of devoting surpluses to the construction of Delhi, does not exclude the possibility of raising a loan for building the capital. This, my Lord, is perfectly true. But the general impression left on the minds of those who read the despatch undoubtedly was that the new capital would be built out of loan funds, as any one can see from what appeared in various newspapers at the time on the subject. On the other hand, the impression that is strongly created by the words which the Hon'ble Member has used in his Financial Statement is that surpluses would first be devoted to the building of Delhi, and if any more money is required, that would be found by means of loans.

“My Lord, the Hon'ble the Finance Member says that he wishes to allay the fear—so far as he is concerned, he thinks it is a baseless fear—that the new city will be built from the produce of fresh taxation. Now, in speaking of fresh taxation, I fear the Hon'ble Member is taking only a technical advantage of certain expressions which have appeared in the Press in this connexion. It is true that immediately after the Delhi announcements some newspapers started the cry that the new capital would cost a lot of money, and that fresh taxation would be necessary. But, my Lord, whether the Government imposes fresh taxation for building Delhi or keeps up taxation at a higher level than is necessary for the ordinary needs of the country and secures surpluses which it devotes to Delhi, is after all the same thing. For when you devote your surpluses to this work, you practically take that money out of the current revenues of the country. My Lord, what is a surplus? It is so much more money taken by the Government from the people than what is necessary for the ordinary requirements of the administration. If the Government could estimate exactly the expenditure required for a year and could also form an exact estimate of the revenues which would be required to meet that expenditure, then there would be no surplus—at any rate, no large surplus. It is because it is impossible to estimate accurately how much revenue the Government would require in a year that surpluses accrue. But when they so accrue, the fact is clear that, to the extent represented by them, the Government has taken from the people more than what was required for the actual purposes of the administration. Now, my Lord, there are three ways in which a surplus may be expended. You may devote it either to a reduction of debt; or you may devote it to a reduction of taxation; or it may be devoted to expenditure on useful objects in the country. In most Western countries, when a surplus is realized, it is devoted to a reduction of debt. In this country, the practice, though not identical, ultimately results in the same thing. Our surpluses in the first place find their way into our cash balances and from these they are either devoted to expenditure on railways or irrigation, that is, to productive works—which ultimately reduces our unproductive debt by a corresponding amount—or they are directly used for reducing our debt. But whether they are used in the first or second way, the result is ultimately the same, namely, that of reducing our unproductive debt. This, however, has been one of the principal grievances which non-

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official Members have urged in this Council again and again for several years past. I, for one, have been raising my humble voice year after year against this misapplication of our surpluses since I entered this Council, now eleven years ago. Year after year I have been pointing out that while this may be sound finance in the West, it is not sound finance in this country, where the unproductive debt is really a very small amount. Last year I went at some length into the question as to what was the amount of our unproductive debt. I took all the various liabilities of the Government into consideration, as also all the sums due to it and its cash balances; and I showed that the actual unproductive indebtedness of the Government of India—putting aside the vast sums that have been spent on railways and irrigation, as they are earning their interest—was about 30 millions sterling only. Since then the Hon'ble Member paid off 2 millions out of last year's opium surplus. And this year he pays off again another million out of this year's opium surplus. Thus, three millions are knocked off, leaving only about 27 millions as representing our net unproductive indebtedness. It is true that the figures of unproductive debt which are given in Government publications are higher, because they do not take into account certain sums which are on the other side, namely, the loans that have been advanced by Government to Native States, to local bodies or to cultivators, and they also leave out of account our large cash balances. Now, an indebtedness of only 27 millions is a mere trifle for a country like India; in any case, there need not be this great hurry to pay it off. If the Government will provide a regular sinking fund of a reasonable amount to pay off the debt, there will be no occasion for anybody to complain. As a matter of fact, there is already provision for such a sinking fund as I pointed out last year. Under Railways there is a sum of a little over eight hundred thousand pounds, which automatically goes to the redemption of debt. Then again, under Famine Relief and Insurance, a sum of nearly half a million is always allotted to avoidance or reduction of debt. A million and a quarter thus, or to be more correct, a million and one-third, is devoted every year to the reduction of debt. At this rate, if no war or great famine or any other extraordinary occurrence of a like nature drives the State to borrow, our entire unproductive debt will be wiped off in twenty years, and that without devoting any part of our surpluses to such reduction. There is not another country in the world where they could claim to be able to do this. In Western countries they have to provide a large sinking fund for the reduction of debt, because their unproductive debts are so large—a thousand million pounds in France, seven hundred million pounds or something like that in England, and corresponding debts in other countries! Where you have such huge debts, it is necessary to provide for a large regular sinking fund, and in addition to devote surpluses, when they accrue, to the same object. Moreover, the expenditure of Western countries is carried on under the direct control of the representatives of the people. Therefore, Governments in Western countries, being largely dependent on the votes of the people, try to conciliate popular feeling by remitting taxation whenever a suitable opportunity presents itself. Of course I am not speaking of English finance of the last three years; but, speaking generally, the position is as I have stated. Though, therefore, the surplus that accrues in any particular year may go to the reduction of debt, any real improvement in the financial position, as represented by that surplus, is utilized as a rule for reducing taxation in Western countries. In this country, on the other hand, our experience is that, whenever there is a surplus, it is devoted to the reduction of debt and any improvement in the financial position that it may indicate is hidden away, as far as possible, by underestimating the revenue or overestimating the expenditure for the following year. And it is only when the improvement is so striking that it cannot possibly be hidden away that relief is given to the taxpayers. Take the history of our finances during the last 14 years. There were no doubt remissions of taxation granted, but that was because the Government could not help doing it. As long as Government could help it, no reduction was made, and large surpluses were enjoyed and expended in various directions. Now, my Lord, my contention is that in this country a surplus is always a temptation to the

Government either to pay off its debt faster than is necessary, or else to increase expenditure in directions which entirely depend upon its own will and which sometimes do not commend themselves to the people. This question, therefore, of the proper disposal of surpluses is to my mind a very important question, and that is why I raise it whenever an opportunity presents itself. My Lord, there are many useful directions in which our surpluses could be expended, or, if that course does not find favour with the Government, advantage ought to be taken of them to remit taxation so that the money remitted might fructify in the pockets of the people. Of course, if the Government merely borrowed to build Delhi without at the same time utilizing the surpluses either for reducing taxation or for expenditure on useful objects, it would in effect be the same thing as devoting the surpluses to the construction of the new capital. For in that case, while you will be borrowing with one hand to build Delhi, you will, with the other hand, be paying off debt by means of surpluses, realized by keeping the level of taxation higher than necessary. What I want is that while Delhi should be built out of loan funds, — our trifling unproductive debt provides ample margin for that, — the surpluses should be utilized either for non-recurring expenditure on education, sanitation and medical relief, as my next Resolution recommends, or else they should go to the reduction of taxation.

“My Lord, the Hon'ble Member has estimated the surplus for next year at one and a half millions. As a matter of fact, if the Council will carefully analyse the revised estimates of this year, it will see that next year's surplus is likely to be nearer four millions than one and a half millions. I think the Hon'ble Member, as also the Hon'ble Sir James Meeson, will have to admit this. It is true that the Finance Department has made a very skilful attempt to hide away the true surplus partly under one head and partly under another, till only one and a half millions is left to show to the public. But I do not think the attempt has been successful. Take the revised estimates of this year; the surplus shown in the Statement for the year is 2·75 millions sterling. Out of this, 1·75 millions is the special opium surplus. The ordinary surplus, therefore, that this, the excess of ordinary revenue over our ordinary expenditure in this year's revised estimates, is one million. Well, let us put that down first; next, my Lord, during this year the Government have made to Local Governments special grants, amounting to 1·42 millions or nearly 1½ millions. If these grants had not been made, — they are all extraordinary grants, — our surplus would have been higher by 1·42 millions. Then again I find from the Financial Statement that about half a million was spent in connection with the Royal Visit on the Civil side; two hundred and seven thousand pounds on the Military side, and the bonus and other boons came to about six hundred thousand pounds; altogether over one million and three hundred thousand. That is also extraordinary special expenditure belonging to this year only. We thus have one million the declared surplus, 1½ millions in the amount of special grants to Local Governments, and 1·36 millions, or about that, the cost to the Government of India in connection with the Royal Visit — altogether 3·87 millions or nearly 4 millions. This then represents the real excess of our revenue over our expenditure at present, leaving aside the opium surplus and leaving aside also what I have called our automatic sinking fund. But what I find done is that in next year's Budget, under nearly every head, the revenue has been under-estimated and the surplus has been worked down to 1½ millions only. I hope the Council will see this and I hope it will realize that the question before us is not about 1½ millions only but about 4 millions sterling. If the Government realize this sum of 4 millions, — and I am sure it will realize it unless something extraordinary happens, — and if the estimate of the cost of new Delhi is correct, the Government could build the capital out of surpluses in one or two years. If this happens, whether provision for the expenditure is made out of current revenue at the beginning of a year or out of an estimated surplus at the end of the year makes really no difference. Only in the one case you put down the expenditure beforehand against revenue, and in the other you wait till such time as the accounts of the year show

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a surplus and then take the money. In either case, however, the money comes out of taxation. My Lord, as the Government has foreshadowed in its despatch of 25th August last the floating of a special Delhi Loan, I contend Delhi should be constructed out of loan funds, whether it costs 4 millions or 5 millions or 10 millions or any other amount. We want our surpluses for other purposes and the smallness of our unproductive debt allows plenty of margin for a Delhi loan. I urge, my Lord, therefore, that the loan for this year should be raised by one crore more—the amount indicated by the Hon'ble Member as likely to be taken out of next year's surplus to be spent on the construction of Delhi—and that the new capital should be constructed entirely out of loan funds."

The Hon'ble Maharajadhiraja Bahadur of Burdwan: "My Lord, if the question had been mooted in Council regarding the advisability of having a new Delhi and if Mr. Gokhale had proposed that there was no need for a new Delhi, I would probably have voted with him. But here we have to consider that as we are going to found a new Imperial Delhi and as therefore we have got to consider the ways and means, I do not see any reason why we should not utilise this surplus in building the new Imperial City. By utilising this surplus, our loan this year would be less by a crore of rupees. Of course Mr. Gokhale's proposition of remitting taxation is one that has my fullest sympathy, but I am afraid that at the present juncture it will not be possible to remit any tax, and, on the other hand, many of us would be very pleased if we could build Delhi out of the ordinary surpluses. For these reasons, my Lord, I do not think that simply because it was mentioned in the despatch that the cost of the new Imperial Delhi should be met out of a special loan, that is any reason why we should not utilise the surplus that we can lay our hands upon at the present moment. For these reasons, I am sorry I cannot support Mr. Gokhale's Resolution."

The Hon'ble Mr. Madge: "My Lord, the grounds on which this Resolution appeals to me, I shall briefly state as follows. The first question to be decided is whether the money required for the new Delhi would be a charge against Revenue or against Capital, and in so far as my inexpert amateur intellect understands it, large operations of the character to be undertaken at Delhi should be regarded as Capital and charged against loans and not against Revenue. One of the principles underlying this arrangement should, I suppose, be that the burden of expenditure should fall upon the generations that would benefit by the expenditure incurred. It may be said that because the charges incurred in this scheme are in a sense unproductive, you cannot trace any distinct benefit to them. But I do not take that view of it. Whatever benefit is to come—and I suppose the responsible Government recognise some great benefit—that benefit will be shared by a large number of future generations; and I respectfully submit that the life of successive loans, out of which these charges ought to be met, should be so protracted that their proper share of repayments should fall upon future generations and not on the present generation. That is a principle which is recognised in all smaller loans, and I fail to see why it should not be recognised in the large loans that will be needed for the purpose of building Delhi. I will not take the same ground that the Hon'ble Mover has taken on one point. The argument that there should be no difficulty in raising a loan, because the indebtedness of India is 'such a little one', is unsound. I believe our debt is comparatively small because the Government of India has been wisely careful in a poor country like India in not contracting any but absolutely necessary loans; and the examples that we have in the West at the present time of the manner in which Consols are being depreciated because of extravagant expenditure incurred is sufficient warning to us in this respect; but I do believe that the whole charge of building Delhi ought to be considered as Capital expenditure and raised by loans. I entirely agree with what the Hon'ble Mover has said as to the uses which should be made of surpluses. One of the first of these uses is to reduce taxation. There are also many pressing needs of this country, wants of the present generation, which

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ought in my humble opinion to be met from the taxes contributed by this generation. On these grounds I support the Resolution."

The Hon'ble Sir James Meston: "My Lord, the Hon'ble Mr. Gokhale has done me the honour of referring to me as an expert on the subject of surpluses. I was not quite prepared for an attack on our surplus, knowing as I do with what care our estimates have been framed. But as the Hon'ble Member has raised the point and has put definite figures before us, I accept his offer to discuss them. To put it frankly, he thinks that we have been manipulating the surplus; that instead of a million and a half, we really have got 4 millions at our disposal; and he arrives at this conclusion by calculating in the following manner. We have a declared surplus in the current year of 1 million apart from opium. We have given grants of $1\frac{1}{2}$ millions to Local Governments in the current year; and we have spent $1\frac{1}{2}$ millions on the Royal Visit and on grants, subsidies, presents, boons, etc., in connection with it. Thus he works it out to close on four millions as being the real surplus revenue we had in the current year; and he suggests that, if things go well, we shall be in a position to lay before Council next year another four millions or so surplus. Now there are certain qualifying facts and figures in his calculations. First of all, there is a small matter, a matter running to about a third of a million; in his grants to Local Governments he has included the *pro forma* assignments made through land-revenue head to Local Governments to pay for boons and other expenditure which was in the first instance charged to Provincial revenues in connection with the Royal Visit. He has again taken this in his calculation of the $1\frac{1}{2}$ millions expended on the Royal Visit, so that we have to eliminate something close on one-third of a million on that account from his calculation. That would bring our surplus to somewhere near $3\frac{1}{2}$ millions. And he says that the whole of this might very well be allotted to the capital expenditure on new Delhi. I would point out first of all that we have been cautious, we have been conservative even, in estimating the revenue from railways and from customs in the next year. We have had an almost phenomenal year in 1911-12, and we think that it would be unwise to estimate for another phenomenal year. We had a bad scare in August last year and we may have a bad scare again next year, which may develop into a really bad crisis. Consequently we had to strike off $\frac{1}{2}$ million on that account from the current year's revenue in estimating the revenue from railways and customs for the year to come. That would, I think, reduce his calculation to say $2\frac{1}{2}$ millions. Now, if he would give the whole of that $2\frac{1}{2}$ millions to Delhi, I can only take that argument as implying that he disapproves of the special grant to the great service of education which is going to occupy $1\frac{1}{2}$ crores out of our ordinary surplus this year—50 lakhs which was announced at the Royal Visit, and the 75 lakhs which have been added to it since. If he accepts that position, then I am in entire agreement with him that we could have budgeted for a larger surplus. Otherwise I think that our $\text{£}1\frac{1}{2}$ millions is a fair and reasonable figure."

The Hon'ble Pandit Madan Mohan Malaviya: "My Lord, I beg to support the motion. The building up of Delhi is an important thing, and it ought to be associated with the most happy associations. The foundations of it were laid by His Imperial Majesty, and except for the inevitable unhappiness which has been caused to Calcutta, the country as a whole has joined with the Government in expressing its satisfaction at it. In this view, my Lord, the diverting of the annual surpluses from their legitimate use ought not to be associated with the building of Delhi, if it can be avoided. Build up Delhi, no doubt, and build it up as well as it should be built up; but let the surpluses, contributions of the people, go at the same time to build up the strength of the people. If the surpluses are diverted towards the cost of constructing Delhi, whatever may be said at the present moment, there will necessarily not be the same measure of funds available for promoting many of the objects in which the vital interests of the people are involved. It is not a question of one year

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nor of a small sum. I fear that we shall for several years be confronted, on every occasion when we urge that money should be set apart to promote popular requirements, with the necessity of finding the large amount which will have to be found for building up Imperial Delhi. I submit, my Lord, that the people generally will feel more satisfaction and a new source of public complaint will be avoided if provision is made by raising a special loan for meeting the expenditure on Delhi, and no interference is made with the means, which may, in the natural course of things, be available to the Government of India for distribution among the many objects which affect the people.

“ For these reasons I strongly support the Resolution.”

The Hon'ble Babu Bhupendranath Basu : “ I rise to support the Resolution moved by my Hon'ble Mr. Gokhale. I offer no observations as to the necessity or otherwise of removing the capital to Delhi; but taking that fact as granted, it has been asserted in several quarters that the cost of building an Imperial City at Delhi will be at least 10 crores, and not 6 crores, as was estimated in the despatches that were placed before the public. The question then arises, how is this fund to be met? The despatch itself pointed out the way in which the expenditure might be provided; but apart from the despatch, applying ordinary principles of taxation in matters of capital expenditure, I do think that it is a proposition which cannot be controverted that expenditure in the shape of capital which will benefit many generations must be borne by several generations and spread over a considerable period of time. That is an ordinary axiom in the incurring of expenditure of this class. We do not see why that principle should be deviated from on this occasion. Money is urgently needed in various directions, and if even the remission of taxation is not possible, it is quite possible to spend the money which my Hon'ble Friend the Finance Member is devoting to Delhi for purposes which would be more useful and beneficial. At the same time I do not think any one in the country would complain if the expenditure for building Delhi were met by a loan. For these reasons I do hope that the proposal of my friend the Hon'ble Mr. Gokhale will find acceptance with Government; for, as was pointed out by the Hon'ble Pandit Madan Mohan Malaviya, if it were the fact that this one crore of rupees was all that was wanted, probably we could reconcile ourselves to our surplus going towards that object, namely, the building of a city; but we all know, whether it is 6 crores or 10 crores, we have to provide a much larger expenditure, and that expenditure ought to be so arranged, that the burden may be distributed over a considerably longer period of time.”

The Hon'ble Sir Cecil Graham : “ My Lord, in supporting this Resolution I should like to say a few words. There seems to me to be no doubt that the money to build Delhi must in any case eventually come from the taxpayers' pocket, whether it is provided for next year and the next few succeeding years, or whether it is spread over a long series of years. Seeing that that is so, I think that if that money is provided entirely through a loan, the cost of the building of Delhi will be kept very much more before the Government of India, this Council, and the public generally.”

The Hon'ble Mr. Mudholkar : “ My Lord, I wish to say a few words on this Resolution. In regard to the important work—the building of the Imperial City—I think the Government may follow the policy which they impress upon local bodies and municipalities in regard to large works. Such works are generally not constructed out of the current revenue, because the expenditure is one which is intended to benefit future generations, and it would be hard to impose upon one generation the entire cost of a great work. On that principle—the principle of justice—it is considered proper that the cost should be extended over a number of years. Another thing which I would advance in support of this Resolution is that our present taxes were raised with a view not to meeting extraordinary expenditure of the kind which is to be incurred for the new Imperial City, and which I for one say ought to be

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incurred very gladly, but these taxes were raised for other purposes, and all these purposes exist as strong as ever, and the surplus which may come to the Government of India, whether it is 4 millions or $3\frac{1}{2}$ millions or 2 millions or one million, whatever it may be, that surplus ought to be devoted to those purposes for which they would ordinarily have been available had not this new necessity arisen, and should not be diverted to the new extraordinary purpose, the necessity of which is beyond question, but which ought to be met from extraordinary sources."

The Hon'ble Sir Guy Fleetwood Wilson: "Mr. Gokhale has supported his Resolution in that eloquent and scholarly manner which always makes it a treat to listen to him; but I confess that I think he has hardly been as convincing as he so often is.

"In the speech with which I introduced the Financial Statement last Friday, it was impossible for me, within the time at my disposal, to enter in detail into our arrangements for financing the new Capital at Delhi. There were many other questions of great importance and wide public interest to be dealt with; and all that I attempted to do with this particular question was to explain the general attitude of the Government of India and to touch upon the main considerations by which we are actuated. There are obviously a number of possible methods of finding the money necessary for building Delhi. If I had discussed the *pros* and *cons* of each method, I should have occupied an altogether disproportionate share of a statement which had to embrace a review of our whole financial position. I have seen it suggested that other and presumably more sinister motives lay behind my declared anxiety to spare the Council a mass of technical detail on Friday last. I know the Council too well to think that my hon'ble friends believe anything of the kind of me. The financing of the new Delhi is a subject of much interest and importance to us all, and this Council has a right to the fullest information regarding it. That information I shall always be ready and willing to supply. On Friday I could only give it in epitome and await a more suitable occasion for entering into detail. That occasion has now been provided by the Hon'ble Mr. Gokhale's motion.

"Let me begin by reminding the Council what is exactly meant by the expenditure on the new Delhi. The project is a public work of quite exceptional magnitude, spread over a number of years and costing several millions sterling. The new Capital will not be a remunerative work. It will be a work similar in character to the residences of our high officials, to the spacious buildings which house our busy Secretariats, to our Courts of Law, and to the other public offices which are necessary for the purposes of the orderly government of a great country, but which do not yield any direct return. Nor will it be, in the technical sense, a productive public work in the same manner as we talk of our productive canals or our productive railways; that is to say, the direct revenue from it will not be sufficient to pay for the cost of maintenance in addition to a substantial rate of interest on the outlay originally expended upon it. I am not now talking of the city which we hope in time will grow around the new Capital, or of the amenities to which a city with such an origin will have a reasonable claim. For these matters we may assume that provision will be made in some form of municipal government with its own methods of control and its own powers of local taxation. I am speaking for the present entirely of the public buildings which the new Capital will require, and of the fitting environment which will have to be created for them. For those purposes the expenditure will be neither remunerative in the ordinary commercial sense nor productive in the technical sense which we apply to other large public works in this country.

"Now for work of this class the provision of funds, as I stated briefly when I introduced the Financial Statement, can only take one of three forms. We may finance the work entirely from current revenues; we may finance it entirely by borrowing; or we may finance it partly from current revenues and partly from borrowed money. As I have said, the Government of India have decided on the third of these courses. The Hon'ble Mr. Gokhale now

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invites us to alter that decision and adopt the second course. Other authorities on finance will no doubt press upon us the first course. It is therefore necessary for me to discuss each of them *seriatim* and to explain more fully than was possible last week the reasons why we have come to our decision, and why we are unable to accept the Resolution which has been submitted to Council today.

“The first alternative with which I shall deal is the provision of funds for Delhi from our current revenues. This, it will be readily seen, would be the ordinary course for adoption in the case of large public works of an unproductive character. In the same way as we build important public offices from current revenues, in the same way as we propose to build the new Provincial headquarters at Patna from current revenue, so should we ordinarily do with Delhi. We have abundant precedents for this course, both in India and elsewhere. It is true that none of the recent precedents which come to my mind are on the same scale of Imperial importance as the new Capital of the Indian Empire will be. But large projects have been financed in this manner; and in some countries, notably some of our British colonies, funds have been raised by special loans on the security of bonds which are redeemed in some short period—say 5 or 10 years—from the inception of the work. This particular plan, which I may mention was considered by us and rejected, is designed to spread the cost of a project uniformly over the revenue budgets of the years during which the project is in hand, and thus preventing the fluctuation of the actual expenditure from upsetting the budget dispositions of any particular year or years. But if we had decided on charging the Delhi expenditure direct to current revenues, either by paying for it as the work progressed or by equalising the annual expenditure in the manner I have mentioned, there was one great and obvious danger before us. That danger, I need hardly tell the Council, was the influence of such a substantial increase in our revenue charges on the budget of a bad year. At the present moment, I am happy in the feeling that everything points to a steady progress, and that our finances are sound and stable. But five years ago, in March 1907, my predecessor might have confessed to the same feeling without being accused of either optimism or imprudence, although, as we now know, he was on the eve of a serious famine and a grave financial crisis. However bright the sky may be just now, it may be overcast by very heavy clouds indeed before this Council meets in its permanent Chamber in the new Delhi; and if we are prudent men, we must act accordingly. What I felt therefore, and what I am sure all my colleagues felt, was that the risk of debiting the Delhi expenditure to current revenue was too great. We might have a sudden collapse in our opium revenue; simultaneously we might have scarcity, or we might find ourselves in the troubled waters of an international financial crisis. At such a time the additional burden of the Delhi charges, with whatever economy we might conceive them, might turn the scale between a surplus and a deficit. They might indeed do so for more than one financial year. They might thus prejudice our credit, and it is not inconceivable that we might, in the last resort, be driven to fresh taxation. I need hardly say that we should regard such a result as unfortunate and highly undesirable. We cannot ensure against it, and we therefore determined to turn to one of the other alternative methods for finding the money which Delhi will require.

“The second of those methods would have been to borrow money for this special purpose and to keep a balanced account between the proceeds of our special loan on the one hand and our actual expenditure upon Delhi on the other. We could have raised a large Delhi loan, in the same way as His Majesty's Government raised their loan for the Transvaal or their Irish land loan; and there are very many excellent arguments for adopting such a course. I will take the Council into our full confidence and explain why, after the most careful consideration, we finally decided against this line of action. In the first place, we considered that it would be un-economical to raise in one transaction the whole of the money required for operations which must necessarily be protracted. A considerable part of the money would remain unemployed for several years unless we arranged for re-investing it, a course

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which I think every one will consider as undesirable and probably, as I have said, uneconomical. In the second place, we were unwilling to disturb the steady development of our productive works by the flotation of a large unproductive loan in any one year. If we had raised it in gold in London, we could hardly have hoped that there would not be some appreciable reaction on the market for our ordinary railway loans—a market which does not even in normal circumstances yield as much as those who are interested in the rapid extension of our railway systems would desire. If on the other hand we had raised the loan in rupees in India, the effect upon our limited loan market in this country would unquestionably have been serious. Moreover, we were advised, on authority which I am sure my commercial friends would accept as good authority, that the flotation of a special loan for Delhi in India would not be altogether popular. There would be difficulties about transferring holdings from it into one of our ordinary loans, or *vice versa*; and any attempt at a new form of security, such as bonds redeemable by annual drawings, treasury bills, or the like, would be innovations in the Indian market and might not meet with success. In brief, and ignoring these and other technical considerations with which I will not weary the Council, we saw danger ahead if we attempted a special Delhi loan, whether in sterling or in silver. We feared that it might prejudice the regular and adequate provision of funds for the development of our railways and the advancement of our great irrigation works; and we accordingly determined, after the most anxious consideration and after taking the best advice available, to borrow for Delhi, in so far as borrowing may be found necessary, by additions to our ordinary yearly rupee loans in India.

“I have said that we decided on this method of borrowing in so far as borrowing might appear necessary. My Hon'ble friend who has moved the Resolution now before Council disapproves of this reservation. He would charge the whole of the Delhi expenditure to our borrowed money. I entirely appreciate his objects and I respect his consistency. He considers that the whole of our surplus revenues should be employed on the important services which he champions in this Council. He considers that we are far too nervous about our unproductive borrowings. He considers that Delhi should be built entirely from loans, and that the burden should thus be passed on from the present to the succeeding generations in equal proportion. This line of argument is in complete fitting with the theory of Imperial finance which Mr. Gokhale has pressed on this Council time and again. I can bring no new arguments to meet it because our theory also is consistent and we believe it to be right. But, put very briefly, our objection to borrowing, either specifically or indirectly, the whole of the expenditure which the project will involve is that such a course would mean a necessary addition to our unproductive debt. (I may mention parenthetically that our statement of unproductive debt differs from that of Hon'ble Mr. Gokhale's: on the 31st of March last it was raised to 45½ millions and not as the Hon'ble Member stated only 27 millions.) Some part of the expenditure on this great Imperial project will unquestionably have to be met by borrowing, and the payment of interest on that borrowing will become a burden on the future. But why should we allow that burden to be greater than it really need be if we are in a position to discharge some part of it now? The future will have difficulties enough of its own; fresh claims on our exchequer are rising every day; fresh demands for social and material reform will continue to absorb the best energies of my successors. It is our clear duty to add as little as possible to those burdens and anxieties. If we are proud of Imperial Delhi and if we wish to leave it as a worthy gift to coming generations, why should we saddle the gift with a mortgage on the full value of the property when we are able to do something better?”

“Let me now recapitulate for a moment. We object to financing Delhi wholly from revenue, because we should thereby burden the finances of several years to come with an indeterminate liability, a liability which may at any time, and without any warning, curtail our programme of education and other good causes, convert a surplus into a deficit, aggravate a crisis, and even force the Government of the day into imposing additional taxation. We object to

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financing Delhi wholly from loans; first, because we should be putting a greater strain than is necessary upon the market for our productive loan, and secondly because we should thereby swell our unproductive debt and our permanent interest charges to an extent greater than is necessary, while we should be evading that share of responsibility for the Delhi expenditure which, I think, this generation ought in fairness to accept. Holding these views, we come by elimination to the last of the three possible courses with which I began, namely, the financing of Delhi partly from borrowed funds and partly from surplus revenue. For this course we have an excellent precedent at hand. In our annual programme for railway and irrigation works, we estimate year by year the sums which we shall spend on those two branches of the administration; we make a definite plan for meeting so much of the expenditure as we reasonably can from loans, and the remainder of the programme we finance from our cash balances, into which we throw the whole of our ascertained excess revenue. In the case of Delhi we propose to follow precisely the same procedure. We shall borrow what we can and when we can; regulating our loans so as not to set the market against us; taking money when the market is easy and when funds seeking investment are abundant; and keeping in our cash balances for future use whatever we may not be able to spend at the time. But we shall also utilise in the same way whatever surplus revenue we can secure from windfalls or by economies, whenever there is no paramount claim upon us for the employment of the money in other directions or for the reduction of taxation. In this way, we obtain a maximum of elasticity; and I trust that we shall secure also the minimum of pressure upon the Indian taxpayer. I believe that the scheme which I have thus outlined will command the general approval not only of this Council but of those outside this Council who are interested in the stability of our Indian finances.

“Against the scheme which I have now indicated, two criticisms have been brought to which I must allude before I sit down. One relates to the methods of our policy, the other to its results. The former of these is the criticism that, by retaining surplus revenue for capital expenditure, we are keeping money which it would be better to restore to the people, to fructify in their pockets. If I wanted to make a mere debating point, I should have no difficulty in setting one set of my critics against another. For I am told on the one hand that our surplus revenue should be employed in lowering the scale of taxation. On the other hand I am assured that what this country most urgently wants is more education, etc., and that for the present the remission of taxation is not a primary need and may well be postponed. I have no desire however to avoid the issue which this criticism raises and which I need hardly say has already had my most anxious attention. There have been in recent years large and frequent remissions of taxation; and I am not aware that there is any particular tax which now lies as an intolerable load upon the people of this country. On the other hand we have been laying aside, and continue to lay aside, large funds for the development of educational and similar social needs; and I am inclined to think that we are providing funds for these purposes at least as quickly as they can be profitably spent. In these circumstances I can see no hardship in refraining for the time being from further reductions of taxation.

“The second criticism is the suggestion that, by treating the Delhi works as capital expenditure, we shall in some way obscure the actual outlay. I confess that I fail to understand this objection, which seems to be based on a curiously unintelligent conception of what we propose to do. There is no possible justification for imagining that our capital expenditure is less carefully estimated, or less accurately brought to account, than our revenue expenditure. The estimates of our railway and irrigation capital are framed with the greatest care in our annual programme. Our actual expenditure on railways and irrigation is tabulated in our Finance and Revenue accounts with the utmost detail. There is no possible reason why our Delhi estimates and our Delhi expenditure should not be treated in exactly the same fashion. Indeed it is our intention to include an annual forecast of our requirements

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for Delhi in the regular capital programme, and bring the expenditure to account under a separate head which the Council will find that we have opened for the purpose in our Financial Statement. In this way the estimates will be as carefully scrutinised as those of any other projects which the Government control, and the accounts will receive the same publicity, and will be recorded with the same precision, as all other capital expenditure. The method of finance which we have accepted and adopted will in no way wrap up the Delhi operations in technical obscurity ; on the contrary, it will simplify and systematise their financial results."

The Hon'ble Mr. Gokhale : " My Lord, I will first say a few words as to what has fallen from my Hon'ble friend Sir James Meston. I accept his correction as regards £½ million, and I am quite willing to say that the present excess of our revenue over our expenditure is about 3½ millions instead of 3¼ millions. As regards the other point, namely, that I have left out of account the proposed expenditure on education next year, namely, 1¼ crores, I may remind my Hon'ble friend that I have also left out our normal growth of revenue during next year. Sir Edward Baker, when he was Finance Minister, once estimated this normal growth of our revenues at about 1½ crores. I have not taken that into consideration, and that is a set-off against the increase in educational expenditure which has been provided. Assuming, however, that the £¼ million extra, which is going to be spent on education, should be deducted, there still remains a surplus of 2¼ millions. My Hon'ble friend could not take it down further, and he has not told us why the Finance Department has budgeted for a surplus of only a million and a half. But whether the actual amount is 3½ millions or 8 millions or 2½ millions, it is a substantial surplus, and my contention is that there is nothing to prevent the Government from building Delhi out of current revenues by devoting the whole of the surplus to it for two or three years.

" My Lord, the Hon'ble the Finance Minister drew a somewhat frightening picture as to what might happen to us in the course of a year. The sky, he warned us, might suddenly become overcast, and instead of the very comfortable situation in which the Finance Department finds itself at present, it might be necessary to impose extra taxation ! In replying to my friend the Hon'ble Pandit Madan Mohan Malaviya a few minutes ago, the Hon'ble Member spoke of his proposal as calculated to lead to bankruptcy ! Now I am quite sure the force of reasoning of the Hon'ble Member would not suffer any abatement if he did not try to frighten us thus with talk of bankruptcy or of extra taxation. I am quite sure there is no need just now for either. With a surplus which may reach five millions, with that amount jingling in his pocket, I really do not understand how he can talk of bankruptcy or of extra taxation ! When we do actually get into troubled waters, it will be time enough for him to speak of bankruptcy or other dreadful possibilities ! The Hon'ble Member said that in other countries they have resorted to short term loans for such purposes. Well, I should be very glad if that plan were adopted by the Government of India. A short term loan, spreading the burden of building the new Capital over a period of, say, ten or fifteen years, would not be a bad arrangement. What I object to strongly is the utilization of our surpluses in this indefinite manner for the building of Delhi. The Hon'ble Member says, why should we throw any burden on future generations ! But what does he mean by a generation ? Does he mean that only two or three or four years form a generation ? At the present rate, if things continue normal, you could build Delhi in the course of two or three years out of surpluses if the estimate of the cost is not far wrong. Does he call two or three years a generation ? If he raises a short term loan of ten or fifteen years, I should have no complaint to make.

" Then, my Lord, the Hon'ble Member says that the opium-revenue might be extinguished any moment or that we might suddenly get into other complications. But that itself is, to my mind, a very important reason why this money which is available just now should not be devoted to such purposes as building a new city when it is urgently wanted for other objects. Money for non-recurring expenditure is required in various directions, as I will show when I move my next Resolution,—for education, for sanitation and for medical relief.

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When you have a surplus, that surely is the time when you can help Local Governments in meeting this expenditure. But my Hon'ble friend, when he has the opportunity, wants to take away the surplus for building a new Imperial city, and so we cannot get it now. Later, if and when we get into more troublous times, he will, of course, have nothing to give to Local Governments for these objects. I recognize that provision has been made in this year's budget for an additional 125 lakhs for education. That of course is true and I will speak about it on a future occasion. But leaving that out of account and merely confining ourselves to the manner in which our surpluses are utilised, I contend that the first and foremost claim on them in our present state is that of non-recurring expenditure in connection with education, sanitation and medical relief. The Hon'ble Member said that his figure for unproductive debt differed from mine, and he mentioned 45 millions as the figure of our unproductive debt at present. Through the courtesy of the Hon'ble Sir James Meston I have got that figure here. A glance at it is sufficient to show that it does not represent the net unproductive indebtedness of the country to-day. Take the amount borrowed in 1908-09. There was in that year a deficit of about 3½ millions, but the Government floated a loan of 6 millions—3½ millions to meet the deficit, and 2½ millions for other purposes. Again, later on, they borrowed 5 millions to pay off certain debentures, and then, instead of paying off the debentures, the loan went to swell the cash balances at the disposal of the Secretary of State. Surely that does not mean any true addition to our net indebtedness. If we take our net indebtedness, by which I mean—all that the Government owes, *minus* all that is owed to the Government and the cash balances, which the Government maintain whether in England or in India,—the figure will be found to be 27 millions only, and no more. Well, that is a small amount, and if you add to this four or five millions for building Delhi, our unproductive debt will still be trifling.

“ My Lord, to the other questions raised by the Hon'ble Member, I think it will be more convenient for me to reply when I deal with the next Resolution. This matter is an important one, and I think it necessary to press my motion.”

The Council divided :

Ayes—16.

The Hon'ble Pandit Madan Mohan Malaviya, the Hon'ble Raja of Dighapatia, the Hon'ble Babu Bhupendranath Basu, the Hon'ble Mr. Sachchidananda Sinha, the Hon'ble Mr. Haque, the Hon'ble Nawab Saiyid Muhammad, the Hon'ble Mr. Subba Rao, the Hon'ble Raja of Kurupam, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Fyffe, the Hon'ble Mr. Mudholkar, the Hon'ble Mr. Madge, the Hon'ble Sir C. W. N. Graham, the Hon'ble Sir Gangadhar Rao Chitnavis, the Hon'ble Mr. Jinnah, and the Hon'ble Mr. Bhurgri.

Noes—39.

His Honour the Lieutenant-Governor of Bengal, His Excellency the Commander-in-Chief, the Hon'ble Sir Robert Carlyle, the Hon'ble Sir Harcourt Butler, the Hon'ble Syed Ali Imam, the Hon'ble Mr. Clark, the Hon'ble Sir Reginald Craddock, the Hon'ble Major General Sir M. H. S. Grover, the Hon'ble Mr. MacLagan, the Hon'ble Mr. Porter, the Hon'ble Mr. Sharp, the Hon'ble Mr. Enthoven, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Brunyate, the Hon'ble Sir A. H. McMahon, the Hon'ble Nawab Abdul Majid, the Hon'ble Raja of Partabgarh, the Hon'ble Maulvi Shams-ul-Huda, the Hon'ble Mr. Lyon, the Hon'ble Maharajahdiraja Bahadur of Burdwan, the Hon'ble Mr. Saunders, the Hon'ble Sir James Meston, the Hon'ble Surgeon General Sir C. P. Lukis, the Hon'ble Mr. Fremantle, the Hon'ble Mr. Vincent, the Hon'ble Mr. Carr, the Hon'ble Mr. Arthur, the Hon'ble Mr. Phillips, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Meredith, the Hon'ble Mr. Shafi, the Hon'ble Khan Zulfikar

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Ali Khan, the Hon'ble Malik Umar Hyat Khan, the Hon'ble Maung Mye, the Hon'ble Mr. Gates, the Hon'ble Sir Charles Stewart-Wilson, the Hon'ble Mr. Dempster, the Hon'ble Sir T. R. Wynne, and the Hon'ble Mr. Kenrick.

So the Resolution was rejected.

[*The Hon'ble Sir Harcourt Butler took the Chair.*]

PROVINCIAL GRANTS.

The Hon'ble Mr. Gokhale: "Sir, I beg to move that this Council recommends to the Governor General in Council that the total amount of the grants proposed to be made to the several Provincial Governments and Administrations during 1912-13 be increased by one million sterling—which means two-thirds of next year's estimated surplus—to form the nucleus of special Provincial reserves, from which those Governments and Administrations could finance programmes of non-recurring expenditure in their Provinces on education, sanitation and medical relief, spread over a period of at least five years, and that in future two-thirds of the Imperial surplus, whenever it accrues, be added to these reserves.

"Sir, before I deal with this Resolution, I think it necessary to renew my complaint of last year as regards the rule which regulates the discussion of additional grants to Local Governments in this Council. I pointed out last year—and I must repeat again today what I then said—that under the rule as it stands only the additional grants that are made in the budget for the year following can come up directly for discussion before this Council. The rule speaks of 'any additional grants mentioned in the Financial Statement,' and 'Financial Statement' is defined 'as the preliminary financial estimates of the Governor General in Council for the financial year *next following.*' Therefore, strictly speaking, we can raise a debate here today only as regards additional grants that are in the budget estimates for next year, that is, for 1913-14. The rule, therefore, Sir, causes considerable inconvenience, because the more important grants are generally found in the revised estimates of a closing year, and if a Finance Minister chooses to put it out of our power—I do not say that the present Finance Minister intends to do anything of the kind—to discuss the grants that are made in the year, all that he has got to do is to under-estimate the revenue in the budget, mention no grants, and, once the Financial Statement is out of the hands of this Council, to begin making grants, mentioning them only at the end of the year in the revised estimates! If this is done and if there are no additional grants in the budget for the year following, no question can be raised about the grants made during the year. Fortunately, this year we have got additional grants for education in next year's budget, and therefore we are able today to bring up the whole question of grants for discussion. I point this out because, unless this is remedied, an important object which the Government had in view in expanding the functions of this Council will be frustrated. A small change is all that is necessary. 'Financial Statement' should include not only preliminary estimates for the year following but also the revised estimates for the current year. Sir, this morning I pointed out that, if things continued normal, our real surplus next year will be nearer four millions than 1½ millions which is estimated in the Financial Statement. It will certainly be over three millions, and probably it will be nearer four. Now, the question is, how is this surplus going to be disposed of? It is an old standing controversy between the Finance Department of Government on the one side and certain non-official Members of this Council on the other,—a controversy which has been carried on year after year for several years past, and I fear that it will have to be carried on till the Government comes round to the view which has been so often urged upon its attention. I pointed out this morning, Sir, that a surplus after all is so much more revenue taken from the people than what is really required for the needs of administration. A surplus, moreover, springs from the proceeds of taxation, and therein lies the difference between it and a loan."

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A loan is raised by borrowing; a surplus results from taxation. Now, Sir, had our unproductive debt been large, I could have understood the present policy of devoting surpluses to the reduction of debt. Even taking the figure which the Hon'ble the Finance Member gave this morning, namely, 45 millions, everybody will admit that it is a very small amount, considering the extent of the country and its financial resources. Moreover, if you provide a reasonable sinking fund for liquidating this debt, the responsibilities of the present generation in that matter are discharged. I have pointed out already that there is a million and a quarter or rather a million and one-third annually devoted to the reduction of debt as a sort of sinking fund. And, even if our debt is 45 millions, a million and a quarter or a million and a half, devoted every year to its reduction, is a very satisfactory sinking fund, and there is no necessity for any portion of our surpluses being utilized for the same object. My first point therefore is that, taking the smallness of our unproductive debt into consideration, there is no need to liquidate it out of our ordinary surpluses—the provision that already exists for redemption of capital under railways and for reduction or avoidance of debt under famine insurance being amply sufficient for the purpose.

“Sir, my second point is that money is required for non-recurring expenditure in many directions in this country, specially for education, sanitation and medical relief. Schools have to be built and good water-supply in villages and drainage and water works in towns are needed all over the country, and we also want dispensaries and hospitals. These works will require not ten but hundreds of crores of rupees, and the problem could not be satisfactorily dealt with unless the Government made a large regular allotment for this purpose. The Government, however, is reluctant to make a large regular allotment out of current revenues. Therefore, I propose another method which, though not equally satisfactory, will be found to answer the requirements to some extent. I pointed out this morning that the excess of our normal revenue over expenditure, taking things as they stand at present, is about 4 millions or 6 crores of rupees. Now what I urge is that two-thirds of this surplus, as also of future surpluses, should be placed at the disposal of Provincial Governments for non-recurring expenditure on the objects I have mentioned. The present policy of making grants for one year only out of the surplus that accrues during that year is a wasteful policy. No one has condemned the policy of doles in stronger terms than the Hon'ble the Finance Member or the Hon'ble Sir James Meston. The Decentralization Commission also has expressed itself very strongly on the subject, — in fact every one seems to be agreed on that point. And the present policy is nothing but a policy of doles. Whenever you have a large surplus, you feel bound to distribute a part of it among the Local Governments, so much to one, so much to another and so on. The result is that there is a great deal of waste. The Local Governments cannot rely upon a continuance of their good fortune, and, therefore, they cannot take in hand any large scheme which requires financing over a series of years. This leads often to ineffective and wasteful expenditure, which no one really deploras more than the Local Governments themselves. The Government of India, on the other hand, can think only of a single surplus at a time, and therefore it is not surprising that it does not bind itself to make any further grant until another surplus is realised. Thus this policy of doles, into which the Finance Department is again drifting—and I say this in spite of my great admiration for the manner in which the Hon'ble Member has been administering our finances during recent years—is a wasteful policy and it must therefore be altered.

“Now, Sir, the only way in which you can alter this policy is by adopting a scheme somewhat similar to what I have ventured to place before you. My proposal is that whenever you realise a surplus, you put aside, if you insist on it, a certain reasonable proportion of it to go to the liquidation of debt. I, for one, do not want really any portion of the surpluses to go to the liquidation of debt. But the Finance Department thinks otherwise; therefore let a certain proportion—not more than one-third—go to the liquidation

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of debt. Having done that, let the rest of it be made over to Provincial Governments to form the nucleus of Provincial reserves for non-recurring expenditure on education, sanitation and medical relief. Sir Edward Baker started famine reserves in the different Provinces. That policy has been further developed under the present financial régime. I would like to have another reserve in each Province for the purpose of meeting non-recurring expenditure on education, sanitation and medical relief. What the Government may do is this: if you have a million and a half next year (taking the figure in the Budget Estimates), take half a million for your own purpose, but give the remaining million to the Local Governments, distributing it among them in accordance with some fixed principle of which I will speak later. Let the money thus given remain with the Local Governments. Again, in the year that follows, if a surplus is realized, let two-thirds of it be again added to the different Provincial reserves. When, after a time, the Provincial Governments find that they have built up reserves strong enough to take in hand a large programme of non-recurring expenditure and when they feel that they have enough money to finance such a programme over a series of years, let them begin to carry out such a programme. By this method the wastefulness which is inevitable under the policy of doles will be prevented and the money allotted will be used most effectively. When the Provincial Governments have a considerable amount of money to their credit in this manner, they will feel sure of being able to finance certain schemes properly, till they are carried out. During that time, while they are engaged in carrying out these schemes, more money will be coming in from other surpluses, and thus they will be in a position to take in hand from time to time other schemes. It is only by thus enabling the Provincial Governments to have special reserves at their disposal and to spread their programmes over a series of years that the most useful and the most economical expenditure of the grants made to Local Governments can be ensured.

"Sir, an unfortunate feature of the present policy, which needs special mention, is that a great deal of scramble goes on among the different Provincial Governments as to how to secure the largest share for themselves. In fact, one almost feels that the days prior to 1870, when the decentralization of our Provincial finance first began, are again returning in some respects. It is not the Province that has the greatest need that gets the most, but it is the Province that makes the most clamour, that manages somehow to be heard most, that gets most."

The Hon'ble Sir Guy Fleetwood Wilson : "What about Bombay?"

The Hon'ble Mr. Gokhale : "If the description applies to Bombay, let it apply. I have no knowledge on the subject.

"But I say that this scramble is unfair all round and that is another argument against the present system.

"Sir, if the Government adopted some fixed principle in accordance with which surpluses would be distributed among the different Provincial Governments, not only would this scramble cease, but it would also be one way of redressing those inequalities of Provincial finance to which my friend, the Hon'ble Pandit Madan Mohan Malaviya, drew attention this morning. It is true that we cannot now go in search of any new theoretical standards of equality in distributing the revenues of the country among the different Provinces. But so far as the distribution of surpluses is concerned, we are not committed to any old scales of expenditure, and the Government of India could very well make the distribution in accordance with some fair standard, say, rateably according to the revenues which are received by it from the different Provinces. That, I think, would be a very fair way of distributing the additional grants. Take, Sir, the Education Department, over which you preside. I sincerely rejoice that more money has been found for education. But if the Government sanctions so much money for an educational institution in one Province, so much for an institution in another Province, that does not appear to be a very satisfactory way of spending the amount,

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What the Government should do—and I am sure that is what the Education Department wants to do—is to have a comprehensive programme framed after considering the important needs of all the Provinces; and to carry out this programme, as funds are available, the Department should distribute any money that comes into its hands rateably or according to some other fixed principle. And the different Provincial Governments should then be left free to decide on what particular institutions they would spend the money. If the Government of India either in the Education Department or in any other Department takes it upon itself to sanction special expenditure on particular institutions in the different Provinces, of which it cannot, in the circumstances of the case, know much, it is bound to lead to unsatisfactory results. After all the Local Governments are, speaking generally, the best qualified to decide what institutions in their Provinces need or deserve money next. Sir, the recent despatches of the Government of India and the Secretary of State on the administrative changes mention Provincial autonomy as being the goal towards which the Government in this country must advance. It is a momentous declaration. I do not want to enter on this occasion into the question which has already been raised in connection with it, namely, whether the expression signifies popular Provincial autonomy or only official Provincial autonomy. Whichever autonomy is meant, one thing is clear, that the Provinces are to be left more and more, under the general control of the Government of India, to administer their affairs themselves. If that is so generally, it must also be so in the matter of spending money. In placing, therefore, lump allotments to the credit of the various Provincial Governments, and allowing them to spend these allotments in such ways as they may deem fit, you will be only carrying out this policy. Sir, I therefore propose that two-thirds of next year's surplus should go to form a nucleus of Provincial reserves, and, as fresh surpluses accrue, two-thirds of them should be added to these Provincial reserves. Sir, I move the Resolution which stands in my name."

The Hon'ble Sir James Meston: "Sir, in the earnest and suggestive speech to which we have just listened, the Hon'ble Mr. Gokhale covered a certain amount of ground on which I am not venturesome enough to trespass. He has, for instance, discussed the methods of distribution of the grants made by the Imperial Government to Provincial Governments for education and other good causes. These criticisms I have little doubt will be dealt with on the day on which the grants are explained, and no doubt his arguments on these points will be met by the Department concerned. But apart from these criticisms, and apart from the constitutional question which he raised at the beginning of his speech, in regard to which I am equally unable to offer any expression of opinion, it seems to me that the Hon'ble Member's speech is divided, like ancient Gaul, into three parts. I do not take them quite in the order in which he did; but he gave us a lecture against doles or fortuitous grants, fortuitous charities, from Imperial revenues. He then went on to urge the importance of giving Provinces some sort of machinery for accumulating these iniquitous doles when they come their way, and keeping them handy for programmes of expenditure when those programmes happen to be ready. And lastly, and most important of all, he reverted once again to his favourite subject, our shortsightedness in building up large surpluses for ultimate use in capital expenditure when there is so much more that we can do with our money in other directions. Well, Sir, first of all in regard to doles, the Hon'ble Member seemed to me to twit the Government of India with a discrepancy between their principles and their practice. He said that doles are bad things in themselves; they are demoralising to Local Governments; they tumble into Provincial revenues at a time when probably there is no scheme ready for their useful employment; and they are mischievous in other ways which he has described. He said that Government knew all this perfectly well and that Government has acknowledged it in the past, but that still unrepenting they continue giving doles. It is perfectly true that the Government of India have set their face against this method of finance and that they have built up the whole fabric of the permanent Provincial settlements as a barrier between

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themselves and this fortuitous and unsystematic scheme of Provincial finance. But there are doles and doles. If a Imperial grant is thrown at a Local Government when it does not want it, when it has not any scheme ready for using it, I admit it is open to everyone of the drawbacks that the Hon'ble Member has described. If, on the other hand, the Imperial Government gives subsidies when it is in a position to be liberal and gives them in pursuance of a definite scheme of high Imperial policy, then I hardly think that any Member in this Council could describe these grants as detrimental, even if they have to be given at short notice and in somewhat irregular amounts. The Hon'ble Member would say, I have no doubt, that they fluctuate and that their fluctuations upset the equilibrium of the Provincial finances. The fact is that unless the Imperial grants take the form of a definite share of a regular and recurring source of revenue, they must fluctuate with the capacity of the Government of India to meet them. The Hon'ble Member's own proposal is not free from the objection of fluctuations. Indeed, I am inclined to think, if the Hon'ble Member's proposal is accepted, fluctuations will be greater than they are even now in the existing conditions. It is all very well to promise a Province a share in a prospective Budget surplus, but we all know what happens when the time comes a year hence; that surplus may have been doubled, or trebled; or it may have disappeared altogether. If the Province had calculated on the assistance which we have budgeted for and laid out its plans accordingly, the actual distribution of the money available may cause it very serious and grave embarrassment. I cannot therefore think that there is anything radically wrong in giving these grants when we are in a position to do so for purposes which have been accepted as part of the Imperial policy of the country.

"Nor, to turn to the second of the Hon'ble Member's objects, do I think that, in giving these grants in the way we do, we debar Local Governments in any way from laying out programmes for their proper expenditure. As this Council knows, the budget arrangements of the Imperial Government are very different from those of the Provincial Governments. There is an important and radical distinction which affects this question. Mr. Gokhale, I understand, would constitute something in the nature of an Education Fund, a Sanitation Fund, and so on, for each Province, and to these funds he would credit the Imperial grants, and from these funds he would allow the Local Governments to draw when their programmes are sufficiently forward to require money. If I may say so, there is absolutely nothing in the existing arrangements which would prevent a Local Government from doing everything which he suggests, except that it could not technically constitute a fund. The distinction to which I have just referred between the Imperial and Provincial finance explains why this difficulty is not an important one. The Government of India have to close their revenue accounts to a point every year, and the excess revenue of that year has to be written off the revenue account, so that it is no longer available for ordinary revenue purposes in the next year or in any future year. Now, the Provincial system is entirely different. In the Provinces, your excess revenue is carried into the Provincial balance, and it is carried from the balance to the next year, and it becomes available for expenditure against future years. If you have a grant or a subsidy which you cannot use at the time when it is given, it is passed into the balance and remains there at the credit and the complete command and control of the Provinces. There is no necessity whatsoever for a separate fund for a separate reserve for this class of expenditure. The Local Government can keep a separate account for it if it likes, and presumably it will do so as a matter of course. Meanwhile the money that has not been spent in the year will lie safely in the balance and can be drawn upon next year or the year after or whenever the particular programme is ready for execution. I do not think that anything in the nature of special Provincial reserves is really necessary or in any way desirable. Each Local Government, as I have said, will presumably keep an account of its grants and expenditure; and the Legislative Council of the Province will be at liberty to call for the account, to scrutinise it, and to satisfy itself what progress has been made.

"The third of the Hon'ble Member's points, judging from the position which he assigned to it, is by far the most important in his own

[7TH MARCH 1912.] [*Sir James Meston; Sir Guy Fleetwood Wilson; Mr. Gokhale.*]

mind. He wishes to see the dissemination of the Imperial surplus year after year among the Provinces for the advancement of education and sanitation and all the other good causes which he has at heart, instead of the retention of our surplus to be ultimately thrown into our cash balance and be available for capital expenditure. In other words, Mr. Gokhale would borrow much more freely than we do, and he would keep a much narrower margin between our revenue and our current expenditure. Now, this brings us back, as he said himself, to the old difference of opinion—I am sure he agrees with me that it is a perfectly honest and reasoned difference of opinion—between himself and the Government of India as regards the reduction of debt. Mr. Gokhale would push on with the great work of educating and sanitating the country with a view to the moral harvest which the future is going to yield. If that prospect were assured, why, he asks, should we worry over the petty anxiety of ways and means; why should our debt not look after itself; why should future generations not bear a burden which we are unnecessarily attempting to lighten for them? Now, there is no one who would accept that happy solution more cordially than we in the Finance Department; but whether it is because we are dealing with hard cash or harder hearts, we look upon these things very soberly and are dreadfully afraid of walking in the clouds. What we do in our humdrum way is to find the means for the good causes which Mr. Gokhale advocates in this Council, but all the time we have to keep an eye upon the growth of our public debt, which is one of the surest barometers of national safety. To keep the growth of that debt within moderate limits, to reduce the volume of our unproductive debt by every means in our power, and to prevent the burden of interest charges from passing as an intolerable load upon the future generation—these we regard as among our paramount duties. I do not for a moment profess to weigh them in the scale against the duty of raising the people and elevating their lot. But this I do say, that without financial caution and without maintaining the present high credit of India, the elevation of our people runs serious danger of becoming an empty hope. Holding therefore as I do, that these doles, as the Hon'ble Mr. Gokhale calls them, that these grants are neither inconvenient in themselves nor unsuitable in form; that it is quite unnecessary to create special Provincial reserves; and that we should be extremely imprudent if we diminished our already very moderate Imperial surpluses,—I am sorry that I must oppose the Resolution now before the Council."

The Hon'ble Sir Guy Fleetwood Wilson: "Sir, I will deal with just two points which my Hon'ble friend opposite has raised. I have nothing to add to what has been said by the Hon'ble Sir James Meston, and there are only two points that the Hon'ble Sir James Meston could not deal with. One is, as indicated by him, that considerable portion of the Hon'ble Mr. Gokhale's speech which dealt with the grants for education and which can only be dealt with by the Member in charge of the Education Department, inasmuch as it raises the question of the manner in which the money is allotted by him or by his Department after the money had been placed at his disposal. The second point which my Hon'ble friend was unable to deal with—and it is one which especially interests my Hon'ble friend Mr. Gokhale—is the difficulty indicated in regard to the discussion under the present rules. That point I am not empowered to say much about, but I may say that the point has already received my attention, and I have every hope it will be dealt with the first time that we make amendments to the rules. It would be inadvisable to deal with only one alteration or amendment, but as time goes on we shall no doubt find other alterations and amendments which might be considered necessary. It is for this reason that I cannot give any definite answer at the present moment."

The Hon'ble Mr. Gokhale: "Sir, the Hon'ble Sir James Meston has opposed this Resolution, but I should like to hear his views on the same subject a year hence and in another place. The difference between the present arrangement and the arrangement that would come into force if my Resolution is

adopted, is this. In the first place, the Government of India would be bound to allot two-thirds of its surpluses to Provincial Governments. There is no such obligation now; as a matter of fact, it is a mere matter of chance how much the Government gives to Provincial Governments or when it gives it to them. My view is that a surplus, being so much more money taken from the people, it should be returned to the people either by reducing taxation, or by spending it on objects of public utility. And my suggestion is that the Government of India should be bound to return two-thirds of any surplus, that arises, to the people in the shape of allotments to Provinces for objects that I have already mentioned. Secondly, Sir, I should like to bind the Provincial Governments themselves in their turn to spend the sums which they receive on programmes of non-recurring expenditure connected with education, sanitation and medical relief. I think such an automatic arrangement will give Provincial Governments a greater sense of confidence as regards taking in hand definite important programmes which must be spread over a certain number of years. If special reserves were built up on the lines I have proposed, and if automatically two-thirds of our surpluses go into these reserves, the position of Local Governments in dealing with such programmes would be much stronger than it is at present. The Hon'ble Member asks, what would happen if there is no surplus in any one year? Well, there would be no addition to the reserves in that year, but the Provincial Governments will have started their programmes on the strength of what was already in their reserves, and so those programmes will not be interfered with.

"I think my Hon'ble friend will have to admit that there is an important difference between what would happen if my proposal were adopted and things as they are under present arrangements. As regards what he said about the necessity of maintaining our credit high, well, they are old arguments which have been brought forward on the Government side again and again by him, by the present Finance Minister, by his predecessor Sir Edward Baker, and by his predecessor Sir Edward Law. We have discussed these points again and again, and though the Government has moved to a certain extent from its first position, it will have to move a good deal further before the controversy is over. After all, does anybody really contend that the credit of our country is high or low, according as a small unproductive debt is a few millions less or more? Can any one seriously argue that a debt of 40 millions for this country means higher credit than a debt of 50 millions? The Government of India have been borrowing at the same rate for the last twenty years or so. The last conversion scheme was, I believe, in the days of Sir David Barbour, and there has been no conversion since then. If you have been borrowing at the same rate for the last twenty years, though recent surpluses have enabled you to reduce your unproductive debt considerably, I do not see how a little higher or a little lower debt makes any real difference to your credit. I can understand the argument, which I remember was used in this Council about twenty years ago or thereabout, by a Member of the Government for keeping the unproductive debt low. He said it was necessary to keep down the debt in order that the Government may be in a position to borrow again if a sudden emergency arose on the North-Western Frontier. That was at the time when Indian finance was dominated by the fear of a Russian invasion, and there was then a substantial reason for the policy of reducing the unproductive debt on every possible occasion. But that situation has been profoundly altered, and, with our unproductive debt standing as low as it does, to talk of the necessity of maintaining our credit high in connection with the use of our surpluses is to use, as I once said, Western formulæ, without taking into account the difference between Western and Eastern conditions. Unless the Government allots money out of surpluses to non-recurring expenditure on education and other objects, where is the money to come from? If you go to a Provincial Government, it says it has no money; the Government of India has the money, and I contend that it is its duty to make that money available to the country for the purposes which I have mentioned."

[7TH MARCH 1912.]

[*Mr. Gokhale.*]

The Council divided :

Ayes—13.

The Hon'ble Pandit Madan Mohan Malaviya, the Hon'ble Nawab Abdul Majid, the Hon'ble Raja of Dighapatia, the Hon'ble Baby Bhupendranath Basu, the Hon'ble Mr. Sachchidananda Sinha, the Hon'ble Mr. Haque, the Hon'ble Nawab Saiyad Muhammad, the Hon'ble Mr. Subba Rao, the Hon'ble Raja of Kurupam, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Mudholkar, the Hon'ble Mr. Jinnah, and the Hon'ble Mr. Bhurgri.

Noes—40.

His Honour the Lieutenant-Governor of Bengal, the Hon'ble Sir Robert Carlyle, the Hon'ble Mr. Syed Ali Iman, the Hon'ble Mr. Clark, the Hon'ble Sir Reginald Craddock, the Hon'ble Sir G. Fleetwood Wilson, the Hon'ble Major General Sir M. H. S. Grover, the Hon'ble Mr. MacLagan, the Hon'ble Mr. Porter, the Hon'ble Mr. Sharp, the Hon'ble Mr. Enthoven, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Brunyate, the Hon'ble Sir A. H. McMahon, the Hon'ble Mr. Lyon, the Hon'ble Maharajadhiraja Bahadur of Burdwan, the Hon'ble Mr. Saunders, the Hon'ble Sir James Meston, the Hon'ble Mr. Gordon, the Hon'ble Surgeon General Sir C. P. Lukis, the Hon'ble Mr. Fremantle, the Hon'ble Mr. Vincent, the Hon'ble Mr. Carr, the Hon'ble Mr. Arthur, the Hon'ble Mr. Fyffe, the Hon'ble Mr. Madge, the Hon'ble Sir Rao Chitnavis, the Hon'ble Mr. Phillips, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Meredith, the Hon'ble Mr. Shafi, the Hon'ble Khan Zulfikar Ali Khan, the Hon'ble Malik Umar Hyat Khan, the Hon'ble Maung Mye, the Hon'ble Mr. Gates, the Hon'ble Sir Charles Stewart-Wilson, the Hon'ble Mr. Dempster, the Hon'ble Sir T. R. Wynne, the Hon'ble Mr. Kenrick, and the Hon'ble Mr. Kesteven.

So the Resolution was rejected.

The Council adjourned to Friday, the 8th March 1912.

W. H. VINCENT,

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

CALCUTTA ;

The 14th March 1912.