

Wednesday, April 16, 1862

INDIAN LEG.

COUNCIL

DEBATES

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

The Council met at Government House, on Wednesday, the 16th April 1862.

PRESENT :

His Excellency the Viceroy and Governor-General of India, *Presiding.*
 His Honour the Lieutenant-Governor of Bengal.
 The Hon'ble Cecil Beadon.
 Major-General the Hon'ble Sir R. Napier, K.C.B.
 The Hon'ble S. Laing.
 The Hon'ble H. B. Harrington.
 The Hon'ble H. Forbes.
 The Hon'ble C. J. Erskine.
 The Hon'ble W. S. Fitzwilliam.
 The Hon'ble D. Cowie.
 The Hon'ble Rajah Deo Narain Singh Bahadur.

STAMP DUTIES.

The Hon'ble MR. HARRINGTON moved that the Bill to consolidate and amend the law relating to Stamp Duties be passed.

The Motion was put and agreed to.

REPEAL OF ACT II OF 1835.

The Hon'ble MR BEADON presented the Report of the Select Committee on the Bill to repeal in part Act II of 1835.

NEW COINAGE.

The Hon'ble MR. HARRINGTON presented the Report of the Select Committee on the Bill to provide for a new Silver and a new Copper Coinage.

CRIMINAL LAW REPEAL.

Also the Report of the Select Committee on the Bill to repeal certain Regulations and Acts relating to Criminal Law and Procedure.

LIMITATION OF SUITS.

The Hon'ble MR. LAING introduced the Bill to amend Act XIV of 1859 (to provide for the limitation of suits), and moved that it be referred to a Select Committee with instructions to report in a week.

The Motion was put and agreed to.

SUPREME COURTS' CRIMINAL PROCEDURE.

The Hon'ble MR. HARINGTON postponed the introduction of the Bill to repeal Act XVI of 1852 in those parts of British India in which the Indian Penal Code is in force, and to re-enact some of the provisions thereof with amendments, and further to improve the administration of Criminal Justice in Her Majesty's Supreme Courts of Judicature. He stated that he regretted that the Bill was still in the Printer's hands.

CUSTOMS DUTIES.

The Hon'ble MR. LAING moved for leave to bring in a Bill to amend Act X of 1860 (to amend Act VII of 1859, to alter the Duties of Customs on Goods imported or exported by Sea.) He said :—

In bringing forward the Budget of the Government of India for 1862-63 the first point is to state the result of that of 1861-62.

The circumstances of the last Budget were remarkable.

A chronic deficit, continued with scarcely an intermission for twenty years, had added £50,000,000 to the national debt of India. That deficit had been increased by the effects of the Mutiny, until, in the three years from 1857 to 1860, it reached the enormous average of £12,000,000 a year, and all the efforts of the Government, aided by the imposition of new Taxes which convulsed Indian society had still left us in 1860-61 with an apparently hopeless deficit estimated at £6,000,000.

This state of things had caused a general and wide-spread alarm, and so affected credit that a Loan was well-nigh impossible, while the steady decline of the Cash Balances seemed to be bringing us rapidly to the point where, without a Loan, the expenses of the State could no longer be met.

Under these circumstances, the Government of India applied itself vigorously to the further reduction of Expenditure,—so vigorously that, as I shall presently show, out of an Expenditure of £29,000,000 open to revision, a saving of £5,000,000 was effected in a single year. Then, as often happens when a patient suffering from a lingering malady resolutely breaks off his old habits, nature comes to his aid with its restorative powers, and, in a wonderfully short time, he passes from prostration to health. So, in our case, the Famine was mercifully arrested; the growing prosperity of the country gave buoyancy to the Revenue; the produce of the Stamps surpassed expectation, and the aspect of affairs changed so suddenly that, after finding myself in January struggling with an apparently hopeless deficit, I was able, in April, to my own great surprise, and I believe that of every one else, to produce a Budget in equilibrium.

If the feeling here was one of astonishment, in England it amounted almost to incredulity.

Indian Estimates had been for years proverbially fallacious, and when I went home in June, the first thing every one said to me was, "Surely, this is too good to be true." Even high Official Authorities thought that I had been too sanguine, and estimated my deficiency at upwards of £1,000,000.

My reply was that time would show; but knowing how carefully the Estimates had been taken on the safe side, I felt confident that, provided the Military reductions which had been ordered were carried out, the result would confirm the Budget.

It has more than confirmed it, and if things had remained as they were in April, there would have been a large surplus.

As it is, although we have spent £1,458,140 more than was contemplated in April, on Public Works and Opium Advances, and have given up the License Tax, we have no deficit.

This result is so vitally important that I am anxious you should understand the process by which the figures are arrived at, and judge for yourselves how far they can be relied upon.

We are now in April, the last month of the Financial year, and we have Returns of the actual Receipts and Expenditure, nearly perfect, in all cases for nine, and in most for ten or eleven months.

I will not say that these Returns are absolutely perfect, for our Financial Machinery is new, and you cannot make men Accountants, or make them understand novel forms, in a day. Reforms are being introduced by which we hope to make the Machinery of Financial Administration as perfect in India as it is in England, but in the mean time it is greatly improved, and with Returns of all the more important actual results for ten months of the year carefully checked, the margin of possible error in our revised Estimates must be very narrow.

Moreover, there is one test which may be applied with unerring accuracy, in ascertaining the general result of four Financial situation, *viz.*, that of the Cash Balances.

If a man makes all his receipts and payments through his Banker, and contracts no debts or obligations, the Balance in his Bank-book at the end of the year *must* show whether he has or has not lived within his Income.

So, in our case, we have incurred no fresh debt during the present year, our outstanding liabilities have diminished rather than increased, and therefore the state of our Cash Balances affords an answer of mathematical certainty to the question whether we have or have not realized an equilibrium.

But, as in taking the Sun's altitude to ascertain a ship's place on the waste of waters, certain corrections are necessary, so, in finding the Financial latitude of the ship of the State by the Cash Balances, we must be careful to distinguish between what is real and what is only apparent.

I fear these details are wearisome, but the importance of firmly establishing our actual Financial position is so vital, that I must ask your forbearance.

The apparent aggregate Cash Balance in the different Treasuries of India on the 30th April 1861 was £14,608,121.

On the 31st March 1862, it was £17,690,000, and I will assume it to continue at the same amount up to the close of the Financial year on the 30th April, though it showed a large increase in April last year.

The apparent increase of Balance during the year is therefore £3,082,000.

But, in the first place, we ought to deduct from the Cash Balance of last year a certain amount, not properly belonging to it, consisting of Bullion deposited at the Mint for the purpose of Coinage. It seems that at Bombay a practice has grown up of leaving large sums of Bullion for a considerable time at the Mint, and using the Certificates as a sort of large Bank Notes. The amount of such outstanding Certificates, on the 30th April 1861, was £930,000, and in the Balance of the 31st March 1862, there is no such amount, the operation of the new Currency Act having led to a discontinuance of the practice.

This makes the increase of true Cash Balance during the year equal to £4,012,000. But from this must be deducted what we owe to England on the balance of transactions of the year.

Our Revenue is all received in India, but of our Expenditure nearly one-fourth, or about £9,000,000, takes place in England.

This is met to the extent of about £6,000,000 by expenditure on Railways, the Capital for which is raised in England and retained there, and to a smaller extent by other payments made by India on account of the Imperial Government.

The Balance, which, according to the most careful Estimate I can make for the current year, is £3,000,000, as due to England, and ought to be remitted, or set aside for remittance.

In addition to this, a remittance of 1,000,000 in Bullion was received early in the Financial year from England, under the apprehension that the Famine might have involved us in serious difficulties. Of this £700,000 only has been returned up to the present time, so that in the entire transactions of the year we owe England £3,300,000.

This reduces the true increase of Cash Balance on the 31st March 1862, over the 30th April 1861, to £712,000. But I am aware of no other corrections, and am totally unable to assign any reason, other than that of *bonâ fide* excess of Income over Expenditure, why the Cash Balance should show any increase. This indicates a result better by £570,000 than is shown by taking the aggregate of the separate Estimates of Revenue and Expenditure revised with the experience of ten months' Returns of actual results.

In using the figures, therefore, of this revised Estimate, I think you will feel that I am very near the truth, and, if any thing, rather within it.

Now what results do these figures show?

First, as regards Expenditure, which is the keystone of our Financial situation, I invite your attention to the salient fact that out of a total of £29,000,000 of Expenditure which was open to revision, we have, in one year, effected an actual saving of upwards of £5,000,000.

The Interest of Debt, the Home Expenditure, payments under Trustees, and the cost and charges of collecting the Revenue, are not susceptible of reduction. On the contrary, the latter charges tend necessarily to increase with the growing prosperity of the country and the increase of Revenue.

Deducting these, the aggregate of Military, Naval, and Civil Expenditure of every description was £29,365,066 in 1860-61, and £24,293,787 in 1861-62, the difference being £5,071,279.

And out of this we shall have spent fully £750,000 more on useful Public Works in 1861-62, than in the preceding year.

The larger part of this great saving is in Military Expenditure, which has been reduced from

£20,009,307 in 1859-60;
£15,838,980 in 1860-61;
to £12,800,000 in 1861-62.

This is the fruit of the measures by which the Native Armed Force, including Military Police, has been reduced in two years from 350,000 to less than 130,000 men, and the European Army, in round numbers, from 90,000 to 70,000. I cannot refrain, however, from stating publicly how much the Government of India has been indebted to Colonel Balfour and his colleagues of the Military Finance Department for the satisfactory result we have been enabled to realize.

I have pleasure also in stating my conviction that this large saving, and the further saving which I shall presently show for the ensuing year, have been attained without any sacrifice of efficiency or of the comfort of the Soldier. On the contrary, I believe that what with the improvements of modern Science in Armaments and sanitary arrangements; the increased facilities for moving Troops and supplies by Roads, Railways, and Steamers; the concentration and secure hold of all Fortresses, Arsenals, and Artillery, and the weeding out of elements of weakness and danger in the Native Army; at no moment of our previous history did our Military power in India ever stand on such a sound and secure basis as it does at the present day.

The other reductions in the current year have been £426,000 in the Navy and Marine, and about £1,500,000 in the various branches of Civil Expenditure, chiefly under the head of Miscellaneous and Contingent Expenses.

If we compare the actual Expenditure of 1861-62 not with the results of 1860-61, but with the Budget Estimate of last April, there is an increase of £1,714,370, of which £1,458,140 is accounted for under the two heads of Opium Advances and Public Works.

We shall pay £714,000 more for Opium Advances than was estimated, owing to the advance of price to the Cultivator, and large increase of Cultivation.

As regards Public Works, it was intended that £500,000 should be transferred to Local Budgets, and provided for by Local Taxation. This intention has not been carried out for a very obvious reason, *viz.*, that new constitutions having been given to the three Presidencies, it would have been manifestly improper to anticipate the action of the Local Legislative Councils, in a matter which is so peculiarly their province.

I am as strongly as ever in favor of the principle of Local Taxation for Local objects. In fact, if this great Empire is ever to have the Roads, the Schools, the Local Police, and other instruments of Civilization, which a flourishing country ought to possess, it is simply impossible that the Imperial Government can find either the money or the management. The mere repair of the Roads, where anything like a sufficiency of good Roads has been made, is a matter altogether beyond the reach of any central *bureau*.

It is of the first importance to break through the habit of keeping everything in dependence on Calcutta, and to teach people not to look to the Government for things which they can do far better themselves.

It is, however, in entire accordance with this policy, not to force Local Taxation upon them by an Imperial Fiat, but to leave each Government, with the aid of its own Legislative Council and of its own Officers, to work out the problem in its own way, subject only to an Imperial control.

In the meantime we give as much as we can afford towards Public Works, so as to make whatever may be raised from Local sources a clear addition.

In the present year we have not only taken upon ourselves the £500,000 which was to have been provided from Local Taxes, but we have further assigned another £500,000, of which half will probably be spent in the course of the year, *viz.*, £380,000 on account of the 1 per cent. Income Tax, and £120,000 as a special grant for Cotton Roads.

Apart from these two unforeseen causes of Expenditure, *viz.*, Opium and Public Works, the net increase of actual Expenditure of 1861-62 over the Budget Estimate will not exceed £256,130, a result which, in a total Indian Expenditure of £36,463,000, will not be considered as inaccurate for a first attempt at a Budget.

The Revenue, on the other hand, shows an increase of £1,616,492 on the Budget Estimate.

Of this £870,000 arises from Land, including Sayer and Abkarree; £340,000 from Stamps; and £370,000 from Customs: arising in each case from the Estimates in April having been taken with too wide an allowance on the safe side.

Income Tax has yielded almost exactly the estimated amount, or £1,942,990 instead of £1,948,094.

Salt shows a decrease, which can, however, be satisfactorily shown not to have resulted from any falling-off of consumption, but from a large decrease in the stock of Duty-paid Salt.

All the other branches of Revenue show continued buoyancy.

On the whole, therefore, the result is, that although we have remitted the License Tax and spent £1,458,000 more than we expected on Opium and Public Works, we arrive at April 1862 with as nearly as possible the same result as we promised in April 1861, *viz.*, with a substantial Equilibrium, or, as the Cash Balances indicate, with a surplus of £700,000.

Now for the year 1862-63. As the simplest plan, I will begin by taking the Budget as it would stand, with no changes of Taxation, and no special additions to last year's grants for Public Works and Education.

The Revenue of 1861-62 is £42,911,090,—that of 1862-63 is estimated at £43,796,200, showing an increase of £885,110.

The most important point in this Estimate is to know how Opium has been taken.

The latest price was 1,471 Rupees per chest. I have assumed that, with the increased supply coming forward after 1st January next, prices may gradually fall to 1,000 Rupees a chest, and that, taking the year through from 1st May 1862 to 1st May 1863, we may realize, on the average, half way between that limit and the present price, or 1,237 Rupees a chest; but, to keep on the safe side, I have taken it at 1,200 Rupees.

I believe this to be a fair and moderate Estimate, especially as the price is no longer a speculative one, but is apparently based on the *bond fide* demand of the China Market, and has been remarkably steady for some months.

The principal heads of increase in Revenue, are, Land £400,000; Stamps, £300,000; and Public Works, £200,000: the two latter not so much from assumed increase of receipts in 1862-63, as from finding on closer investigation that the actual receipts of 1861-62 had been greatly under-estimated. Of the increase in Land Revenue, £110,000 is a mere transfer from another head, and the remainder is mainly owing to the cessation of the Famine in the North-West and Punjab.

The other branches of Revenue generally show buoyancy; but, wishing to keep on the safe side, I have, generally speaking, taken them at the figures indicated by the actual results of 1861-62. The general result is that the Revenue of 1862-63 would be better than that of 1861-62 by £885,100, supposing no changes to be made in existing Taxation.

The total Indian Expenditure of 1862-63 is £35,905,521, as against £36,463,309 in 1861-62, or less by £557,788, assuming for the moment no extra grants for Public Works and Education beyond those of this year.

This Expenditure may be readily analysed into two parts, as we did in comparing 1861-62 with 1860-61; the first consisting of charges beyond our control, as Interest on Debt, Home Charges, and Cost of Collection; the

second of charges open to revision, like those for the Army, Navy, Police, Law and Justice, and Civil Administration.

The former class of charges amounted to £11,043,173 in 1860-61;
£12,169,522 in 1861-62;

And they will be.....£12,350,500 in 1862-63.

The main causes of increase in 1862-63 are, the extension of Opium Cultivation; of Revenue Surveys; of Post Office and Electric Telegraph charges, owing to more work and better administration; of Mint charges, owing to Copper Coinage; and of Stamps, owing to increased Revenue.

The second class of charges open to revision amounted to £29,365,066 in 1860-61; £24,293,787 in 1861-62; and £23,454,087 in 1862-63; or £839,700 better in 1862-63 than in 1861-62, which was itself £5,071,279 better than 1860-61.

The greater part of this improvement is owing to our Military Expenditure, which again shows a reduction.

The cost of the Army defrayed in India stands as follows for the last four years :—

£20,909,307 in 1859-60;
£15,838,980 in 1860-61;
£12,800,000 in 1861-62;
£12,200,000 in 1862-63.

The saving of £600,000 next year, as compared with 1861-62, is due partly to further reductions of the Native Force, and partly to the strength of the European Army having come down more nearly to the established strength.

Since the commencement of the present year the Government has ordered, in addition to the large reductions of last year, the reduction of eight Madras Native Regiments, eight Corps of Bengal Military Police, and some other reductions, which will have the effect of bringing the total Native Armed Force of every description down to about 125,000.

A still larger saving results from the absorption of European Supernumeraries.

During the year 1861 we have had, on the average, fully 4,000 European Soldiers in India above our established strength, who cannot cost, including everything, less than £45 per head. We have had also to provide in 1861-62 for a Home Military charge almost identical with that of 1860-61.

A reduction is at length effected in this charge, and I am too happy to receive it to scrutinize closely whether it might have been made earlier.

I certainly thought that, although it would have been unreasonable to expect England to take back Regiments without notice, it was not too much to hope that when the established strength of Europeans for India had been determined upon at Home within a very narrow margin of its present amount, as long ago as the Autumn of 1860, steps might have been at once taken to stop recruiting and bring the *depôts* in England down from the excessive

strength at which they had been kept for English, not Indian, objects, so that the Finances of India, then in a very critical state, might have received more effectual aid at an earlier period.

However, "all's well that ends well." We have surmounted our crisis and at length got the European Force nearly down to its established strength, and have assurance from Home that recruiting is suspended for all Regiments still in excess; I have no wish therefore to prolong controversy, and although perfectly ready to prove and justify every word I have said on the subject, I am ready, speaking for Indian Finance, to let "bye-gones be bye-gones."

At the same time I am not sorry that public opinion in England has been directed to the subject, and that the Secretary of State can now reckon, as I believe he can, on the support of influential interests, in resisting any attempts to revive the practice, so pleasing to an English Chancellor of the Exchequer, and so displeasing to an Indian one, of keeping 10,000 or 15,000 additional Soldiers in England at the charge of India.

The expense of the Navy and Marine is brought down to £472,000, or £150,000 lower than it was last year, and £576,224 lower than it stood at in 1860-61.

Other charges nearly balance each other. We save £135,000 in Police, and spend £110,000 more in the extension of Law Courts and the Administration of Justice.

Miscellaneous and Contingent Expenses are diminished, while Salaries and Superannuations are slightly increased, the cause in each case being mainly a more accurate classification.

The general result is that we are better, in our voluntary Expenditure, by £839,700, and worse in our involuntary Expenditure, by £281,912, making us better in our total Indian Expenditure by £557,788.

On the balance of Home Charges and Receipts, as shown by the Estimate sent by the Secretary of State, a copy of which I lay on the table, we have £43,774 less to provide than was estimated for in 1861-62.

But, on the other hand, we have £200,000 more to provide for the excess of Railway guaranteed Interest over net traffic receipts, a result which is not surprising with such a great extent of unfinished line in course of construction.

This concludes the comparison of 1862-63 with 1861-62.

We are, in all, £1,286,662 better than in 1861-62, and as the revised accounts of that year showed a surplus of £142,021, we have a surplus in 1862-63 of £1,428,623, irrespective of the changes now to be proposed.

In the first place, we propose to give £146,453 more than will be spent this year, to Education, Science, and Art, bringing the grant for these objects up to £500,000.

This amount will not appear inconsiderable when it is recollected that it is more than England gave for Education ten years ago, and is even now in a

larger proportion to our total Expenditure than the present English grant is to that of England. At the same time, it is a small sum compared with the magnitude of the field which we wish to reclaim from ignorance, and I am persuaded that no Member of this Council will grudge the money for such an object. I will not touch on the mode of applying this increased grant, for any attempt to do so would lead me too far from the proper object of what is merely a Financial Statement.

As regards Public Works we propose to provide as follows:—This year, as I have shown, we have provided for £1,000,000 more than was estimated for in April, and have given from Imperial Revenue; *1st*, an original grant of £3,680,000; *2ndly*, an extra grant of £120,000; and, *3rdly*, £380,000 on account of the 1 per cent. Income Tax.

The latter goes to the Local Governments in aid of their Local Funds, and is spent by them, subject only to our general control. They have not spent £300,000 of this money, owing to the late period at which the allotment was made, and, strictly speaking, we might postpone a second year's allotment until twelve months after the first one, and thus throw the bulk of it into 1863-64.

But we think it better to credit the Local Governments with the £300,000 standing over from 1861-62 out of the surplus Balance of that year, and credit them at once with the further £380,000 due for 1862-63. This will place the Imperial Government in advance instead of in arrear to the Local Governments under the Income Tax Act, and give those Governments an opportunity of commencing as much useful work as they can profitably undertake by the next cold season. It will give them, with their own Local Funds proper, a very large sum of upwards of £1,000,000 available for 1862-63, irrespective of Imperial assignments; but we trust to them not to hurry forward work so as to cause useless expense, especially as any portion of this local money remaining unspent at the end of the year will be carried forward as a Balance to the credit of their Local Funds; and will not affect their next year's assignment.

For the Imperial assignment which is spent under the direct control of our Public Works Department, we propose to give £200,000 beyond last year's assignment of £3,680,000.

We shall thus give in all £4,260,000 for Public Works from Imperial Revenue, and shall provide for an Expenditure from all sources, Imperial and Local of over £5,000,000 in the year, of which not above £500,000 will be for Military works.

This absorbs another £380,000 of our surplus, and, with the increased grant for Education, leaves a surplus of £903,810.

The question how to apply this surplus is one for the gravest consideration.

At all hazards we must keep clear of a recurrence of Financial embarrassments; on the other hand, investing as we do so largely in Public Works, it is

not politic to keep up objectionable Taxes for the sake of retaining a further money surplus, which would only invite to extravagance.

The question is, can we, or can we not, safely apply our present surplus in relief of Taxation?

To answer this it is absolutely necessary to look beyond the present year and take a general view of Indian Finance.

In any estimate of the Financial prospects of India, Opium necessarily demands our first consideration. We are deriving a net Income of £4,000,000 a year from this source, and if, as is sometimes asserted, this Income is altogether precarious, our position is still one of great hazard.

I have thought it right, therefore, to take every means in my power of thoroughly satisfying myself on this head, before I ventured to propose any reductions of existing Revenue.

The result is, that I can see no reason why the Revenue derived by India from Opium should be considered more precarious than that derived by England from Gin or Tobacco.

I believe the cry of the precariousness of the Opium Revenue has originated, very much from the strong aversion felt to it in certain quarters on moral grounds.

This is not the place to go into any lengthened argument as to the moral bearings of the question. I have heard the most contradictory opinions advanced, in perfect good faith, by respectable men who had been in China, some denouncing Opium as a deliberate poisoning of the Chinese for the sake of filthy lucre, others contending that it had produced a most beneficial effect by substituting a comparatively tranquil stimulus for the wilder excitement of intoxicating drinks, which led to bloodshed and crimes of violence.

My own belief is that the truth lies between the two extremes, and that Opium is neither very much better, nor very much worse, than Gin.

This much seems certain in speculating on the probable continuance of a demand for Opium in China. Every civilized or semi-civilized race of mankind seems to affect some peculiar form of nervous stimulant, and as the Natives of Northern Europe take to Alcohol, so the Chinese take to Opium. Possibly, in each case, the craving is for something to supply an innate want. The Englishman, the Dane, the German, and the Russian, resort to that, the specific effect of which is to raise the spirits, and produce temporary exhilaration.

The Chinese, whose greatest deficiency, as shown by the whole history, religion, and literature of the race, is in the imaginative faculties, resorts to that which stimulates the imagination and makes his sluggish brain see visions and dream dreams.

Be this as it may, the fact is certain, that under all circumstances and in all climates, as the Englishman is a drinker of Beer, so is the Chinaman a smoker of Opium.

We have, therefore, at the bottom of our Opium Revenue, one of those great natural instincts of a large population upon which English Chancellors of the Exchequer confidently rely for half their Revenue.

It is, of course, theoretically possible, in the case of Gin, Whiskey, Rum, and Tobacco, that the exhortations of the Temperance advocates in the former case, and of the Ladies in the latter, might, at any moment, so far prevail, as to induce the population generally to abstain from habits which are in many cases pernicious, and in many more wasteful and disagreeable.

Should they so prevail, the Finances of England, and, indeed, of almost every country of the civilized world, would collapse far more suddenly and hopelessly than ours would in India by the failure of Opium.

But, as I have said, an English Chancellor of the Exchequer goes on with equanimity, relying on a taxation of 400 or 500 per cent. *ad valorem* on Spirits and Tobacco for £20,000,000 of his Revenue, and while this is the case, I can see nothing in any general considerations as to Opium, to prevent us from doing the same.

The question is altogether a specific one of selling price and cost of production. Is there anything in the actual condition of our Opium Révenue, to render precarious the continuance of that which has gone on steadily growing for the last ten or fifteen years?

With the short supply and excessive prices of the last two years, no doubt this was the case.

We were not in the least degree weaning the Chinese from the use of Opium, but we were stimulating the production of a Native article, which, although inferior in quality, was fast entering into competition with us.

But the question is not one of maintaining a price of 2,000 or even, 1,500 Rupees a chest for Indian Opium.

Measures have already been taken which will increase the average production of Bengal Opium to about 50,000 chests a year, while that of Malwa exceeds 40,000, and the question is, at what price is China likely to take this quantity off our hands?

On referring to the Returns of the last ten years, I find the following results as to the supply of Indian Opium exported to China each year, the average price, and the approximate amount which China has paid to India each year for Opium.

YEAR.	NO. OF CHESTS.			Average price of Calcutta Sales.	Approximate sum paid for Opium by China.
	Bengal.	Malwa.	Total.		
1852-53	35,521	27,111	62,632	1,104	6,800,000
1853-54	42,408	28,473	70,876	887	6,200,000
1854-55	49,979	24,672	74,651	711	5,250,000
1855-56	49,399	25,999	75,398	834	6,225,000
1856-57	42,272	29,589	71,861	891	6,300,000
1857-58	40,128	39,797	79,925	1,285	10,240,000
1858-59	30,871	42,000	72,871	1,487	10,500,000
1859-60	25,253	44,002	69,255	1,675	11,500,000
1860-61	21,263	40,703	61,966	1,921	11,750,000
1861-62	24,063	36,000	70,063	1,600	11,200,000
Average of first five years, 1852-57			71,088	885	6,120,000
Average of second five years, 1857-62	70,600	1,593	11,000,000

This Table shows that, notwithstanding great fluctuations of price and of supply from year to year, the Opium trade with China is amenable to certain general laws.

There has been a progressively increasing demand, which, being met by a stationary supply of about 70,000 chests a year, has, in ten years, nearly doubled the price, and called into existence a supplemental Native supply, estimated by those acquainted with the trade, at from 20,000 to 30,000 chests, selling at perhaps two-thirds of the price of Indian Opium.

There is conclusive evidence, therefore, that as matters stand, China requires every year a supply of 100,000 chests of Opium, and is prepared to spend from £12,000,000 to £15,000,000 on the article.

When I say China, I mean that part of the vast Empire with which we have commercial relations, for of the interior we know very little. It is probably supplied largely by Native Opium, as the late Expedition saw an extensive Poppy cultivation above Hong-Kow.

Now to maintain our existing Revenue, all we require is, not to maintain existing prices, but that China shall, one year with another, take from us either 80,000 chests at 1,000 Rupees a chest, or 100,000 chests at 800 Rupees a chest. We can produce Opium in Bengal, even with the present high price to the Cultivator, at 400 Rupees a chest, and experience has proved that with a Pass Duty of 400 Rupees a chest, Malwa Opium admits of rapid extension.

In fact, the cultivation of Opium is so profitable to the Ryot, and so popular, that we can get almost any quantity we like at those prices, especially in our own territories, where the profit to the Cultivator is not curtailed by excessive land assessments, transit duties, profits to middlemen, and usurious interest on advances.

This year our net Revenue from Opium is at a low point, for we are paying a price for double the production which we are bringing into the market.

Our gross receipts are about £6,000,000, but we are paying, not £1,000,000, which would suffice for the quantity we have to sell this year, but £2,000,000, for the crop which will only come into the market next year.

The conclusion, therefore, is irresistible, that there is no risk of our actual Opium Revenue diminishing, unless the demand in China should so far fall off as to be unable to spend £8,000,000 a year on Indian Opium; while this year, and for the average of the last five years, they have been spending £11,000,000.

Should they continue to spend £11,000,000, our net Revenue from Opium must infallibly improve, and if, as some think, Indian Opium, if it could be sold at about 450 Dollars a chest in China, would almost supersede the Native article; there is really no limit to the progressive increase of Revenue from this source. I think myself, viewing the matter as dispassionately as I can, that the probabilities are rather in favor of an increase than a decrease of Opium Revenue for the next few years, but I am satisfied if I have established that the existing Revenue is not more precarious than any other Revenue depending on a widely diffused artificial taste among a vast population.

This being so, I proceed to examine what are the prospects of the other great branches of Indian Revenue, and here the result is most satisfactory.

The total Revenue of India, ten years ago, was £29,210,000,—it is now £43,750,000.

The average Revenue of the three years before the Mutiny, or 1854-55 to 1856-57, was £31,980,000,—that of the three years, 1860-61 to 1862-63, is £43,203,000.

We have therefore an increase of £14,500,000 a year in ten years, and of £11,000,000 a year in five years.

Of this increase not quite £1,500,000 is due to Opium, and about £5,000,000 to new Taxes—as the Income Tax, and enhanced Duties on Salt, Stamps, and Customs. Another £1,000,000 may be due to acquisitions of Territory.

There remains, therefore, an increase of £7,000,000 in ten years, or of £4,500,000 in five years, which is due solely to the elasticity of existing Revenue:—Land, for instance, including Sayer and Abkarree and Salt, irrespective of enhanced Duty, have each risen upwards of £2,000,000 in the last five or six years.

It is an incontrovertible fact, therefore that the progressive increase of ordinary Indian Revenue has averaged £700,000 a year, each year, for the last ten years, and that the tendency of this rate is to increase rather than diminish. Nor can it be doubted that if, during this period, £5,000,000 a year had not been added by new Taxation, the increase of the old Taxes must have been somewhat greater.

I confess that I was hardly prepared myself for this result.

I came out here under the impression of the gloomy and almost despairing views of Indian Finance which were universally prevalent a year ago, and it is only by degrees, and is the result of close enquiry, that the conviction has forced itself on my mind, that the Revenue of India is really buoyant and elastic in an extraordinary degree.

I know of no other country of which it can be said that her ordinary Revenue is increasing by £750,000 a year, while her Expenditure has, in one year, been reduced by £4,000,000; and that she is maintaining an equilibrium, while expending out of Revenue upwards of £4,000,000 a year on Public Works, and another, £1,000,000 for Interest on unfinished Railways.

Nor can I see any reason, looking to the future, why, if by the blessing of Providence peace be maintained, this prosperity should not go on increasing. On the contrary, we are apparently commencing a period when, by the opening of Communications, the improvement of Agriculture, the extension of Commerce, and the tranquillity resulting from a strong Government directing all its energies to peaceful pursuits, India will enter on a career of material prosperity hitherto unexampled.

Without speculating, however on any such future advance, it is enough to say that, under existing circumstances, the Government feel justified in dealing with any surplus shown by the Estimates, as a *bonâ fide* surplus available for improvements or remissions; and that they do not think it would be good policy to maintain in addition to the large Expenditure on Public Works which is really a sinking fund admirably invested, a further Cash Surplus against remote contingencies, which would only be a temptation, both here and at Home, to relapse into extravagance.

There is one objection, however, to any reduction of existing Taxes, which I am anxious to meet, in order to show that the Government is not acting without a full consideration of all circumstances.

It is this, that a war or some unforeseen event may suddenly cause increased Expenditure, and that it is imprudent to part with any established Tax, which, in such a case, might be needed.

I quite agree that it is wrong for a Government to speculate on Financial prosperity, and to leave itself bare of resources in case of difficulty.

But what are our Reserves, and how shuld we be prepared to face a crisis if it arose ?

In the first place, we have got, and if prudent shall always keep, a very large Cash Balance beyond our immediate wants.

Under the old system a Cash Balance of £10,000,000 has sufficed, and with Railways, an improved Currency, and arrangements with Banks, we could carry on the ordinary business of the Government with perfect ease, with a Balance of £7,000,000 or £8,000,000.

Now we have actually got over £17,000,000, and, after allowing for all liabilities to the Home Government or otherwise, fully £14,000,000 of this is our own undoubted property. We could, therefore, in case of need, get over

two or three little wars, or the first year of a great war, without either Loans or new Taxes; and I earnestly trust that no Government of India will ever leave itself without this, which is the first and best of all Reserves, an available £3,000,000 or £4,000,000 in hard cash, on which it can lay its hands at any moment.

Beyond this the credit of a Government is its Reserve, and if, by two or three years of tranquillity, we raise our Funds to a comparatively high level, as we infallibly shall do, our money power, in case of an emergency, is proportionately increased.

And if driven to resort to increased Taxation, it would be easy, with the experience of the Income Tax, to frame a measure, partly Poll Tax, and partly License Tax, to produce £1,500,000 or £2,000,000 a year. The Duty on Salt could also be raised, and, in case of need, the Customs Duties again increased, so that probably £3,000,000 or £4,000,000 a year could, at any moment, be raised by new Taxation, which would be submitted to readily, as the country had learned from experience to trust the assurances of the Government that war-taxes would be repealed with the return of peace.

Moreover, at least £2,000,000 a year of our Expenditure on Public Works is optional, and could be suspended in an emergency.

I trust we may never be driven to such a measure, but the Reserve is not the less there, if needed, and I know of no other State, not even England, which possess such a Reserve to the same extent.

I hope, therefore, I have satisfied the Council that the Government has not been unmindful of the maxim, "*si vis pacem para bellum*," and that whatever reductions we propose may be accepted with a safe conscience.

I have now established two points :—

First.—That we have a surplus for the ensuing year of £903,814, after allowing for additional grants for Public Works and Education.

Secondly.—That there is nothing in the general circumstances of Indian Finance which should make us hesitate to use this surplus for purposes of remission.

I have dwelt upon the second point at a length which must, I fear, have wearied the Council, but many watch these statements with interest, and it is important, both for myself personally, as I may not have another opportunity of expressing my general views respecting Indian Finance, and, what, is of far more consequence, it is important for the credit of the Government, to show that in proposing to remit Taxes, in little more than twelve months after we were supposed to be in a state of hopeless insolvency, we are not acting on a spasmodic impulse, but on a comprehensive and deliberate review of the whole circumstances of our position.

I proceed to state, what is of more immediate interest, how the Government propose to deal with this surplus of £900,000.

Three Taxes were proposed as special measures to meet the late Financial crisis; the Income Tax, the License Tax, and the enhanced Customs Duties on Manufactured Goods.

Of these the two former pressed directly on the Native population and European residents of India, while the latter pressed mainly on English interests, and on the operations of Commerce.

The License Tax, which would have affected 5,000,000 of Native Traders, Artizans, and Mechanics, representing, with their families, a population of not less than 20,000,000, has been arrested after it had become law.

Even if the produce of the two remaining Imposts had been the same, so that it had been equally easy to repeal the Income Tax, or the enhanced Import Duties on Manufactures, the claim of Commerce to the next share of remission might have been urged with some plausibility.

But, in fact, there is no such choice, for one is possible, and the other impossible. The Income Tax produces £1,800,000, while the enhanced Duty on Piece Goods and Yarns produces less than £500,000. At the rate of importation for the last nine months, the difference between a 10 per cent. and a 5 per cent. Duty on Piece Goods for all India is not quite £450,000 a year.

This being the case, the time has evidently arrived when the extra Duty imposed to meet an emergency should be remitted, unless we are prepared to retain it as part of our regular Financial system.

Some think this ought to be done, and no less an authority than His Honor the Lieutenant-Governor of Bengal has recorded an opinion, that a 10 per cent. Duty on imported Manufacturers is "one of the most legitimate sources of Revenue we have."

The Government, however, are of a different opinion for two very plain and obvious reasons.

Firstly, the Duty applies almost exclusively to British Manufactures. Now, as long as England and India remain parts of our great Empire, it is impossible to apply precisely the same rules as if they were separate and independent countries. I have opposed, as stoutly as any one, any attempt to ease English Finance unduly at the expense of India; but I cannot deny that England, having founded the Indian Empire, and being ready to sustain it, and having given up all pretensions to exact a tribute, as Holland does from Java, or Spain from Cuba, and all claim on a monopoly of the Indian Market and carrying trade, may, with some reason, ask India so to levy the necessary Revenue as not to interfere injuriously with trade between the two countries.

In fact, so completely has England given up those claims which other countries have enforced on their dependencies, that speculative reasoners have even argued that the parent State would be better without its Foreign and Colonial Empire.

That is an opinion which no practical Statesman will for a moment entertain; but it cannot be denied that, apart from moral and political considerations, the extension of Commerce is the most direct and palpable advantage derived by England from the possession of India.

A heavy Import Duty, therefore, on trade between England and India, comes very near in principle to a Transit Duty between parts of the same Empire, and what is more important than any theory, it is a Tax which, in practice, is not likely to be permanently maintained.

To those who argue this point on abstract grounds, and overlook the practical considerations arising from our actual position with regard to England, I would simply put two questions.—Do you believe that if Ireland found it more convenient to tax Manchester Goods than to levy a poor rate, she would be allowed to do so; or do you believe that if it were found that 25 per cent. would give India a better Revenue than 10 per cent., we could raise the Duty to that amount with the slightest chance of retaining it?

But, secondly, there is another argument, even more conclusive, against the permanent retention of a 10 per cent. Duty.

Either the clothing of the people is a proper subject for taxation, or it is not. If it be so, on what possible principle can we impose a considerable Duty on clothing which comes from abroad, and levy no Duty at all on clothing produced at Home?

It is the old question of the Corn Laws over again.

Free-trade does not mean that there shall be no Taxes, but that Taxes shall be levied solely with a view to Revenue, and not partly for Revenue and partly for protection.

That every Customs Duty on an imported article should have a corresponding Excise Duty on similar articles produced at Home, has therefore become an axiom, and it only admits of one exception, where the amount of Import Duty is so moderate that it does not seriously affect trade, while it makes it obviously inexpedient to establish an Excise machinery for the sake of levying a trifling Duty.

This is the case with regard to Corn in England, where a Duty of 1s. a quarter, equal to 5 per cent. on the cheaper sorts of Foreign Grain, is retained, and it is precisely our case with regard to Piece Goods.

We cannot dispense with Customs Duties on our Imports generally, and while this is the case, no reasonable man can object to our retaining an old accustomed Duty of 5 per cent. on Manufactured Goods; but when this is raised to 10 per cent., which, in effect, may often amount to 15 or 20 per cent. on the cost price of the article at Home, no one who is not prepared to abjure the principles of Free-trade can deny, that this is a rate which, if it is to be maintained, requires us at once to impose a countervailing Excise Duty on every loom in India.

The Government do not think that this would be desirable.

We do not wish to discourage Manufactures in India. On the contrary, I believe there are many Manufactures in which India is calculated to excel.

With cheap raw material, cheap labor, and many classes of the Native population patient, ingenious, and endowed with a fine touch and delicate organization, I see no reason why the interchange between India and Europe

should be confined to Agricultural produce against Manufactures, and why, in course of time Manufactures of certain descriptions where India has a natural advantage, may not enter largely into her staple Exports.

But because I desire to see this, I am the more anxious not to bestow on Indian Manufactures the fatal boon of a temporary and precarious protection.

Whatever step they make forward in fair competition with Manchester will be a solid and substantial advance, but they will never thrive while the progress of one year creates the panic of the next, by changes, or rumours of changes, in a protective Duty of so high an amount as necessarily to form a vital element in all their calculations.

I may add this, that although the benefit to India, generally, from a reduction of this Import Duty is not so palpable and immediate as from the remission of a direct Tax, it is not the less real.

There can be no question that the population of India are, on the whole, insufficiently clothed; and that whatever may be the case under the temporary conditions of an over-stocked market, an extra Duty of 5 per cent. on imported cotton clothing, does, in the long run, raise the price of all cotton clothing in India to the consumer, to a level higher by one Rupee in every 20 than it would have stood at otherwise.

It is certain also that the Export Trade, on which so much of the prosperity of India depends, depends itself very much on the Import Trade. The more we take from England, the more will England take from us; and a cessation of Imports would soon translate itself into a reduced price to the Ryon for his Oil-Seeds, his Cotton, and his Jute.

This is especially important at a time when India is hoping to secure the largest share of a trade of £20,000,000 a year in Raw Cotton, thrown suddenly open by the failure of the American supply.

For these reasons the Government of India has determined to reduce the Import Duties on Piece Goods and Yarns to the old rates of 5 and $3\frac{1}{2}$ per cent. respectively.

The question arises, when this reduction should take place.

All public interests point to its being immediate. Trade must be paralyzed to a great extent by a prospective reduction, and if, for a period of several months, purchasers hold back and stocks accumulate in Bond, there is every reason to apprehend a greater fall of price than could possibly be caused by an immediate reduction.

This could only be met by fixing a very distant period for the reduction, but I confess that, in the present state of things in Lancashire, I should be very unwilling to postpone, for a single day, any benefit they may get from this reduction.

The only argument I know of for delaying the reduction is, that there are large stocks of Duty-paid Goods.

Now I must say the holders of such Goods have had fair warning. I have repeatedly stated in public, in the course of the last year, that the Government of India did not consider the 10 per cent. Duty as a permanent one, and in reducing the Duty on Yarn twelve months ago, we gave a practical proof of our intention to reduce the Duty on Piece Goods at the first possible moment. The state of the Cash Balances has shown for months past that such a result was possible, and, since the remission of the License Tax, no one could doubt that it was highly probable, or rather, almost certain.

Throughout this period we received Memorials from the Chambers of Commerce of Calcutta, Bombay, and Madras, urging reduction, and either expressly deprecating delay, or making no allusion to it.

It is only at the last moment that Memorials have been received from a few highly respectable Firms at Calcutta and Bombay, asking that the reduction should be postponed for a long period, or, in the latter case, I may say indefinitely, until the state of the Market is changed. Other Firms in Calcutta have sent a counter-Memorial for immediate reduction.

It appears, therefore, that opinions here are divided, and that the opinion in favor of delay is apparently not a very clear and decided one, or it would never have left itself to be expressed as an after-thought at the last moment. Moreover, it is apparently confined to Merchants who might have bonded, but who preferred paying Duty, and who, therefore, probably were on the right side when the Duty was raised three years ago.

And what is more material, the Merchants and Manufacturers in England, who, I apprehend, would generally bear the loss if there is a fall of price consequent on the reduction, which I do not expect, have not only not asked for delay, but have pressed most earnestly in all the reports I have seen of their proceedings for an immediate reduction of the whole 10 per cent.

Under these circumstances, the Government see no sufficient reason to depart from the usual and accustomed course in such cases, which is clearly best for the interests of the public; and I accordingly propose that the reduction of the Duty shall take effect from the passing of the Act on Wednesday next.

Under ordinary circumstances, I should expect a large part of the loss to be recovered from increased importation; but, with the market still over-stocked and the price of Raw Cotton extremely high, I do not calculate on any improvement for the ensuing year, though I have no doubt that, with the first favorable change in the trade, a large portion of the loss will be recovered.

The same arguments for reduction as in the case of Piece Goods, do not apply to other articles of the Tariff which are not extensively produced in India as well as imported. A moderate Duty, such as 10 per cent., on such articles, is not an objectionable mode of raising Revenue. There are, however, a few articles in the Tariff where relief is required, and may be given at a trifling cost to the Revenue.

Paper is taxed 10 per cent. on its value, and yields little more than £10,000 a year. Now I am not going to enter on the large question, which for two years agitated the British Parliament, whether a Tax on Paper is so obnoxious as a Tax on Knowledge, that it ought to be repealed even at the risk of creating a deficit. It is enough to say, that a Duty on the raw material, "Paper," is indefensible, while the manufactured article, "Books," are admitted free, and that practically cases have arisen where, owing to this anomaly, it has been cheaper to send Manuscripts of works intended for Indian circulation to be printed in England than to print them here. We do not propose to tax Books, and therefore we place Paper on the free list.

I may add that, though I should not have been prepared to give up a large existing Revenue from Paper without a clear surplus, I have real pleasure in finding that the state of things in India enables us to give any contribution, however trifling, towards cheapening the cost of an article which enters so largely into the Statistics of Elementary Education, and of the diffusion of knowledge, through the Press.

I pass to a very different subject, that of Beer.

The Duty before 1859 was 5 per cent. *ad valorem*; it had since been 4 annas per gallon, which, I find, has averaged nearly 20 per cent. on the value of the Beer imported. The importation has greatly fallen off, and though this may be attributed mainly to the excessive importation of 1859, which glutted the market, still it cannot be denied, that a Duty of nearly 20 per cent. is excessive, and calculated to check seriously the importation of an Article which, in this climate, is to many European constitutions almost a necessary.

Accordingly, I propose to reduce the Duty by one-half, or to 2 annas per gallon, and here again I feel a very disinterested pleasure,—for I am no Beer-drinker myself,—in being able to propose any boon, however slight, to the class who have perhaps suffered more than any other from recent Taxation, that of Europeans residing in India.

The reduction at the present rate of Imports will not cost above £10,000 a year.

From Beer to Tobacco the transition is easy and natural.

The Duty on Tobacco is so absurdly high, that it is clear we are driving all but the superior sorts out of the market, and losing Revenue. The Duty of 1 Rupee per seer is fully 100 per cent. on ordinary American Tobacco, and its effect has been to reduce the importation in three years from 1,200,000 lbs. to about 360,000 lbs., a striking proof of the impolicy of excessive Import Duties. I propose to reduce the Duty to 20 per cent. *ad valorem*, which I have no doubt will cause a slight gain rather than a loss to the Revenue.

The Duty on light Wines is also so high as to be almost prohibitory as regards the cheaper descriptions. I propose to reduce it from 2 Rupees to 1 Rupee per gallon, in the case of light Wines declared of less value than 12 Rupees per dozen.

There are some other slight reforms in the Tariff which do not appreciably affect Revenue, and are made with a view to correct anomalies.

For instance, there is an Export Duty of 3 per cent. on Coals and Iron the produce of India. This is as yet of no great practical importance, but it is manifestly wrong that a cargo of Raneegunge Coal should be burdened with an Export Duty, if shipped to Ceylon or Java, to compete with Coal from England.

There can be no reason why Carriages should be imported free, while all the chief materials used in Carriage making pay an Import Duty.

These, however, and any other minor matters, can be dealt with in Committee on the Customs Bill, and for the present it is enough to state, that the total effect of the reductions proposed in Customs Duties may be taken at £475,000 for the ensuing year.

This reduces my surplus to £428,814.

One question only now remains for consideration, *viz.*, how to deal with the Income Tax.

Some action is requisite, for the Act of last year, continuing the first year's assessments, will soon expire, and it is necessary to provide before August, whether the Notices and Forms of Return prescribed by the original Act shall or shall not be again issued.

Upon this point, there is, I believe, no second opinion among men practically acquainted with India, that they ought not to issue. It is admitted on all hands that the alarm, the vexation, the oppression, and the extortion, inseparable from calling for complicated Returns of individual Incomes, in a country like India, are a far greater evil than the Tax itself, and that, assuming such a Tax to be indispensable, a rough classification at fixed rates, somewhat on the plan proposed by my Hon'ble friend Mr. Harington, would have been infinitely preferable to any attempt to ascertain individual Incomes.

Accordingly, I had thought last year, when it seemed certain that both an Income Tax and a License Tax would be required to maintain an equilibrium, that the opportunity of passing the License Tax Act should be taken to mould the two together into one measure on the principle of a fixed classification.

Circumstances led, during my absence, to the License Tax being passed in the form originally proposed, and a temporary Act was passed continuing the existing assessments under the Income Tax for one year.

Since then, Financial prospects have materially improved, and we have been able to arrest the License Tax on the very eve of its imposition, thus saving 5,000,000 of tax-payers from the incidence of a direct Tax, and the annoyance of classification.

The situation of matters with regard to the Income Tax is thus materially changed. If we were now imposing it for the first time, or if it were clear that it would be permanent, I should have no hesitation in recommending that it should be commuted into a Tax on the principle of Mr. Harington's

Bill, and probably made over to the local Governments to deal with on this principle, according to their own local circumstances and for their own local requirements.

A proposal of this sort has been made by the Government of Bombay, and it has much to recommend it.

It is most desirable to break through the system of barren uniformity and pedantic centralization which have tended in times past to reduce all India to dependence on the *bureaux* of Calcutta, and to give to Local Governments the power and the responsibility of managing their own local affairs.

The great branches of the Expenditure, such as the Army and National Debt, are Imperial, and while this is the case, the great branches of Revenue must remain Imperial also.

But there is a wide field, both of Revenue and Expenditure, which is properly local, which in England is met by local rates, and which, in fact, must be met locally, or not at all.

I hail, therefore, every proposal which shows signs of independence and self-reliance, and if the Income Tax were to be perpetual, I would much rather see it transferred into a local Tax, than continued as an Imperial Tax.

But before acting on this view, there is one paramount consideration which has to be weighed, *viz.*, whether the Income Tax is to be looked upon as a permanent or a temporary measure.

Upon this point I have myself no doubt. The Tax was imposed for a limited term, and at all hazards we must strive to keep faith with the people of India by not prolonging it.

It is, of course, impossible to give any absolute pledge as to what may occur three years hence. Necessity knows no law, and unforeseen events may upset all calculations. But the question is, are we to look on the implied pledge given by passing the Income Tax Act for five years only, as a serious promise which we must strain every nerve to fulfil, or are we to follow the example of England, and treat it as one of those common forms which, like "lover's vows," are only made to be broken.

It is my firm conviction that the latter course would be alike wrong and impolitic.

The people of England can understand, that whatever a Chancellor of the Exchequer may say to round a period, or elicit a cheer, the Income Tax cannot be repealed unless they are prepared either to abdicate the position of a first-rate power by disarming, or to retrace the steps of Sir Robert Peel's legislation, by imposing crushing Duties on Commerce and Consumption.

But the people of India see no such reasons for continuing the Indian Income Tax, and they would simply feel that the Government having got the Tax on false pretences, was determined to keep it.

Now, if there is one thing more than another on which our Indian Empire is based, it is on our character for speaking truth. The idea that

" the word of the British Government is as good as its bond," is the keystone of the fabric of our power in the East.

Measures which, like the famous conversion of the 4 per cents., cast even a plausible suspicion on the character of the Government for straightforward and open honesty in its Financial dealings with its subjects, are, above all others, to be deprecated.

Hence, without in any way pledging the Government as to what may or may not be possible three years hence, I venture to say this—that in my judgment the main object to which the Financial policy of the Government should now be directed, is to keep faith with India by getting rid of the Income Tax. That will be the great object of my endeavors as long as I continue responsible for Indian Finance, and when I leave, it is the legacy I should wish to leave to my successor.

I will say also that, although it is impossible to anticipate what the future may have in store, there is, as matters now stand, every fair and reasonable probability that we may in three years or sooner be able to dispense with the Income Tax. If for three years the Revenue increases at the average rate of the last ten years, and if the Expenditure be kept within its present bounds, the object would be easily attained.

In the meantime, although with a remaining surplus of less than half a million, it is manifestly impossible for us to make any large present reduction of the Income Tax, there are certain measures which the Government propose, in the hope that they will afford a most material alleviation of its pressure.

In the first place, we propose to renew for the next three years the temporary Act of last year, dispensing with all further Returns and enquiries, and to take the first year's assessment for the remainder of the Tax, unless in cases of fraud or manifest inadequacy, or where the party assessed himself wishes to re-open the question.

We add a provision, that parties who desire it may pay up once for all their remaining assessments.

The vexation and oppression incidental to calling for fresh Returns, and renewing each year an inquisitorial enquiry, are thus, we hope, completely obviated.

There is, however, a still greater and more beneficial change which we propose to make. We find on enquiry that the number of persons who pay the lower rate of 2 per cent. on Incomes between 200 and 500 Rupees a year, amounts to nearly two-thirds of the whole who pay the Tax, while the money they pay is not above one-fifth of its whole proceeds.

In other words, between 500,000 and 600,000 persons are taxed to produce a gross Revenue of not more than £350,000.

I do not put the case for the exemption of these persons on the ground that they are poor, for I have no sympathy with the Socialist legislation which would place taxation exclusively on the rich. On the contrary, I believe that poor as well as rich, and often even more than rich, are interested in the

support of the State and the maintenance of social order, and that the middle and working classes are those who, in the long run, suffer most from the seductions of political demagogues and from the sickly sentimentality of injudicious philanthropists.

But in the present instance there are very different grounds on which to justify the exemption of the class in question.

The cost of collecting the Income Tax was last year £160,934, and of this by far the greater part is due to the numerous class of small payers. With the number of payers reduced to one-third, and existing assessments continued, nearly the whole extra establishment may be dispensed with, and I am quite within the mark in saying that we shall save at least £100,000.

Now a Tax which affects 600,000 persons, to produce £350,000 gross, of which at least £100,000 is absorbed by cost of collection, is condemned by the mere statement of figures.

Nor is this all, for I much fear the large cost of collection must be taken as an index to a large amount of annoyance and oppression. The mere numbers show that two-thirds of the objections to the Income Tax will be got rid of by relieving two-thirds of the Tax-payers.

But the numbers alone do not adequately represent the real relief, for it is beyond all question that men of property and intelligence can defend themselves against mistakes or attempts at extortion by Native officials, far better than the classes who just come within the limit of the 2 per cent. assessment.

This alone is a conclusive argument against any attempt to substitute for a total repeal of the 2 per cent. Tax, a partial relief to all Income-Tax payers by a reduction from 4 to 3 per cent. in the rate of payment.

We could barely afford a reduction of 1 per cent. all round, by maintaining some of the most objectionable Import Duties, and such a reduction would not in the slightest degree diminish the cost of collection, or the annoyance and oppression incidental to it.

I know that the Tax presses unduly upon many who pay their full 4 per cent. on an honest account of their Incomes, while others escape.

But those are classes to whose intelligence and public spirit we may confidently appeal. We have endeavored to deal frankly with them for some time past in all matters of Financial policy, and our reward for so doing is, that on an occasion like this, we are able to take them as it were into our confidence, and explain to them without disguise our real position.

I do not believe in " ignorant impatience of Taxation " on the part of educated gentlemen, like the great majority of the Official and Non-Official Europeans in India, when they are fairly dealt with. On the contrary, I am convinced that however strongly they may feel the natural desire of every body to escape his own peculiar burden, they will be satisfied with the assurance that the Government is sincerely desirous not to perpetuate the Income Tax, and with the pledge given for the future by the remissions already made.

The prosperity of India is their prosperity, and I am much mistaken in their intelligence and right feeling if they are disposed to use the dog-in-the-manger argument, that because we cannot afford to believe them, 600,000 of our fellow-subjects of the humbler classes shall, for the sake of £250,000, which we do not want, be kept under the bondage of an unpopular Tax.

At any rate, such is not the decision of one class, who will continue to pay the full Income Tax, *viz.*, His Excellency the Governor-General and the Members of the Supreme Council; and we therefore propose that from August next, *i.e.*, from the termination of the 2nd year of the Income Tax, assessments on Incomes under 500 Rupees a year shall cease, collections for the present year being of course completed.

I estimate the cost of this great boon at £250,000, *i.e.*, I shall lose £350,000 of Revenue, and gain £100,000 in Expenditure. This reduces my surplus to £179,814, which is as low as it is prudent to go; nor, indeed, should I have ventured to go so low, but for the fact that we are already investing such a large surplus in Public Works.

The estimate of Cash requirements shows, that we may expect to arrive at the 30th April 1863 with a Cash Balance of £17,050,673, after setting apart all we shall owe England in the transactions of the year.

I have endeavored to make this latter estimate more intelligible than it has hitherto been. It is the estimate of Cash transactions of the year as distinguished from Revenue and Expenditure.

A man who is a Trustee for others, or who is borrowing and paying off Capital for improving his Estates, will have Cash transactions in the course of the year very different from his Current Income and Expenditure.

So it is with us; we have receipts and disbursements on various Deposit Accounts, for Service Funds, Suitor's Funds, and otherwise, which are classed under the general head of "Debt." Our receipts in 1862-63 under this head will be £11,053,360; our payments £11,799,150; the excess of £745,790 showing that we shall have diminished our standing liabilities to that extent principally by the payment of all remaining instalments of Prize-money.

The other entries in the estimate are adjustments, between India and England, of sums paid here and received there, as for Railway construction, or *vice versa*, and a final entry is made of the remittance which, according to the estimate received from Home, is necessary, after these adjustments, to discharge all the remaining liabilities of India to England, on account of Home Expenditure for the year 1862-63.

This amounts to £3,727,732, *viz.*, £2,200,000 for guaranteed Railway Interest, and a balance of £1,527,732 in General Account.

The result leaves an estimated Cash Balance of £17,050,673 on the 30th April 1863, which will exist in actual Rupees and be entirely our own, subject, as far as I am aware, to no extraneous claims or liabilities whatever.

It only remains now briefly to sum up the results which I have endeavored to convey to the Council in this necessarily long Statement.

The year 1860-61 closed a long series of deficits with one still estimated at £6,000,000, and which in reality was upwards of £4,000,000.

1861-62 sees this deficit extinguished by a reduction of £5,000,000 of Expenditure effected within twelve months in a total Expenditure of £29,000,000 open to revision.

Further reductions and continued buoyancy of Revenue find us in 1862-63, notwithstanding the remission of the License Tax, and a large increase of outlay on Opium and Public Works, with a surplus of £1,428,623.

We apply this surplus,—

First.—In further augmenting by £524,813, the grants for Public Works and Education.

Secondly.—In reducing to the normal rate the exceptional Import Duties imposed on Manufactures.

Thirdly.—In relieving two-thirds of the payers of Income Tax from all further assessments.

We close the year 1861-62 with a Cash Balance of £17,690,000. We have every reason to believe that our estimates are on the safe side, and that we shall close the year 1862-63 with a Balance of more than £17,000,000.

This is the simple state of facts laid before you without exaggeration or embellishment.

There is no doubt that it contrasts favorably with the Financial Statements which India has been accustomed to receive, and with those which other great Empires of the civilized world have been recently making.

Let us not be too confident in this prosperity, or relax that wise economy which has been the principal means of effecting so beneficial a change.

And, above all, let us not forget, that, while thankful to the Almighty Ruler of events for giving us peace and tranquillity and this foretaste of material prosperity, we shall best merit the continuance of these blessings by using them as means for higher ends, for the diffusion of civilization, the moral and intellectual elevation of our people, and all that goes to the mighty task of building up solidly and securely the foundations of a great and enduring Empire.

It is, I trust, a happy augury, that as our late Viceroy was able to close his career in India by relieving 5,000,000 of Her Majesty's Indian subjects from the imposing of the License Tax, His Excellency the present Governor-General is enabled to inaugurate his Government by relieving two-thirds of the Income Tax-payers, and reducing Duties which press on the Commerce of India with the mother country.

I closed my Statement last year with the expression of a confident hope, that India might become the brightest jewel of the British Crown.

I close it now with a still more confident expression of the same hope, and with a feeling that the twelve-months have not elapsed without something being done towards its realization.

The Hon'ble MR. COWIE said that, as an unofficial Member, he felt it to be his duty to express the gratification with which he had listened to the Statement which had just been made, respecting the Surplus Revenue and the objects to which it was to be devoted. To the high Duties on Imports he had always objected as wholly indefensible, except upon the ground of necessity, and he regarded their reduction as a simple act of justice, quite irrespectively of any pressure from Manchester or any other quarter. He also cordially approved of the abolition of the 2 per cent. Income Tax. At the time of the introduction of the Tax by the late Mr. Wilson, he (Mr. Cowie) thought that the limit had been fixed too low, and two years' experience as an Income Tax Commissioner had convinced him that the greater part of the oppression of which complaint was made in the collection of the Income Tax, was exercised in respect of the 2 per cent. levied on the smaller Incomes. With reference to the continuance of the remainder of the Tax for three years more, he trusted that the prosperity of the country would be so progressive that the Council might be able to remove it altogether before the expiration of that period.

The Hon'ble MR. FITZWILLIAM said that he was happy to join in the congratulations of his colleague on the Financial Statement which the Council had just heard. He considered that the reduction of the Import Duties would afford an important relief to the country, and especially to its commerce. He fully concurred with Mr. Cowie in his views of the Income Tax, and could, in like manner, speak from experience as a Commissioner for its collection. The Tax had the effect of promoting both oppression and immorality, more particularly in its operation, on the large class who would now be relieved. As a Member of that Council, he felt happy to give his cordial assent to the present partial remission of the Tax, and he hoped that the time might soon arrive when the Tax could be dispensed with altogether.

His Honor the LIEUTENANT-GOVERNOR said that, as his views on the Import Duties had been alluded to by Mr. Laing, it might be necessary to explain them for the satisfaction of those Members of the Council who were not Members of the Executive Council, and therefore had not seen the papers on the subject. No Member of the Council objected more strongly than he did to all Duties in the nature of protective Duties; and if he had thought that the question of protection was involved in the difference between a 5 per cent. and 10 per cent. Duty, he should have considered that the additional 5 per cent. should be the first to be remitted, or if the whole Tax partook of the character of a protective Duty, he should have been in favor of its being taken off altogether. But looking at the Tax merely as one for Revenue, in preference to the License Tax which was then about to be imposed, he thought that it was free from objection. The License Tax, however, had been given up, and thereby a considerable burden of anxiety had been removed from his mind. His impression was that the next Tax to be assailed, should be the Income Tax, in preference to the Duties on Importations. But if practical

men said that those Duties acted as protective Duties, then no one more heartily approved of their remission than himself.

The Motion was then put and agreed to.

The Hon'ble MR. LAING then applied to His Excellency the President to suspend Rules 15 and 16 for the conduct of business, in order that he might introduce the Bill.

His Excellency the PRESIDENT declared the Rules in question suspended.

The Hon'ble MR. LAING then introduced the Bill, and moved that it be referred to a Select Committee with instructions to report in a week.

The Motion was put and agreed to.

INCOME TAX.

The Hon'ble MR. LAING moved for leave to bring in a Bill to amend Act XXXII of 1860 (for imposing Duties on Profits arising from Property, Professions, Trades, and Offices).

The Motion was put and agreed to.

The Hon'ble MR. LAING then applied to His Excellency the President to suspend Rules 15 and 16 for the conduct of business, in order that he might introduce the Bill.

His Excellency the PRESIDENT declared the Rules in question suspended.

The Hon'ble MR. LAING then introduced the Bill, and moved that it be referred to a Select Committee with instructions to report in a week.

The Motion was put and agreed to.

CONTRABAND SALT (OUDE).

The Hon'ble MR. HARINGTON moved for leave to bring in a Bill to extend Act XIV of 1843 (for regulating the levy of Customs Duties and the manufacture of Salt in the North-Western Provinces of the Presidency of Bengal), and Act XXXVI of 1855 (to empower Officers of Customs and Land Revenue to search houses and other enclosed places for contraband Salt in the North-Western Provinces) to the Province of Oude, and to amend the last mentioned Act. He said that an Act was passed last year by the late Legislative Council to regulate the Manufacture of Saltpetre by requiring that such Manufacture should be carried on under license, and to enable the manufacturers of Saltpetre to refine the Salt produced in the Manufacture of Saltpetre, and to sell the same on payment of the Government dues. The Act, as it passed, took effect at once only in the North-Western Provinces, but it contained a provision, authorizing the Governor-General in Council to extend its provisions to

other parts of India. This power had lately been exercised in the case of Oude, to which Province the Act was extended by an order of the Governor-General in Council, dated the 9th April; but the Act of last year referred in one of its provisions to two previous Acts relating to Salt which were not in force in Oude; and the local authorities, with whom the Government of India concurred, considering it desirable that these Acts should also be extended to the Province of Oude with effect from the date on which the Act of last year was extended to the Province, the present Bill had been framed to effect such extension. It was also proposed to take the opportunity of the introduction of the present Bill to amend one of the Sections of the two Acts which they were asked to extend to the Province of Oude, in so far as it related to forcible entries in cases of search for contraband Salt, and to bring the law in respect of such searches into conformity with the Code of Criminal Procedure.

The Motion was put and agreed to.

The following Select Committees were named :

On the Bill to amend Act XIV of 1859 (to provide for the Limitation of Suits)—the Hon'ble Messrs. Laing, Harington, Erskine, and Fitzwilliam.

On the Bill to amend Act X of 1860 (to amend Act VII of 1859, to alter the Duties of Customs on Goods imported or exported by Sea)—the Hon'ble Messrs. Laing Harington, Fitzwilliam, and Cowie.

On the Bill to amend Act XXXII of 1860 (for imposing Duties on Profits arising from Property, Professions, Trades, and Offices)—the Hon'ble Messrs. Laing, Harington, Fitzwilliam, and Cowie.

The Council adjourned till Wednesday, the 23rd instant, at 11 A.M.

M. WYLIE,

*Deputy Secy. to the Govt. of India,
Home Department.*

CALCUTTA,

The 16th April 1862.