

Thursday, April 7, 1864

**COUNCIL OF THE GOVERNOR GENERAL
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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., cap. 67.

The Council met at Government House on Thursday, the 7th April 1864.

P R E S E N T :

His Excellency the Viceroy and Governor-General of India, *presiding*.
 His Honour the Lieutenant-Governor of Bengal.
 Major General the Hon'ble Sir R. Napier, K. C. B.
 The Hon'ble H. B. Harington.
 The Hon'ble H. Sumner Maine.
 The Hon'ble Sir C. E. Trevelyan, K. C. B.
 The Hon'ble W. Grey.
 The Hon'ble A. A. Roberts, C. B.
 The Hon'ble H. L. Anderson.
 The Hon'ble C. H. Brown.
 The Hon'ble J. N. Bullen.
 The Hon'ble Rájá Sáhib Dyál Báhadur.

CUSTOMS DUTIES.

THE HON'BLE SIR C. TREVELYAN, in moving for leave to introduce a Bill to amend the law relating to the Customs Duties on goods imported by sea said—

I remarked in my last Financial Statement that, after a long series of Indian deficits, the year 1862-63 opened a new era. The account of that year has now been completed, and the surplus of Income over Expenditure amounts to £1,827,345, which sum was added to the Cash Balances.

Compared with the Budget Estimate of the year, the improvement is £1,647,531, or, according to the Secretary of State's corrected Statement, £1,183,631. The increase in the single item of Opium was £1,755,476. Mr Laing's Estimate was £6,300,000. The actual receipts were £8,055,476.

The increase in the Revenue of India during the last five years, corrected according to the actual accounts, is as follows:—

1858-59	. . . . .	£30,000,788
1859-60	. . . . .	£39,705,823
1860-61	. . . . .	£42,903,254
1861-62	. . . . .	£43,839,472
1862-63	. . . . .	£45,143,752

The most important event of the current year, 1863-64, in its bearing upon the finances, has been the depressed state of the money market. The first symptoms of this appeared at Bombay in October, and, throughout the last six months of the year, the revenue has suffered from its injurious influence. Upon the Opium revenue the effect has been particularly marked. The average price of the Calcutta sales during 1862-63 was Rs. 1,429 a chest. The average price during the first six months of 1863-64 was Rs. 1,371. The average price of the five sales which have since taken place is Rs. 1,100. At Bombay, owing to the scarcity and dearness of money, which afterwards extended to China, and caused a serious fall in the prices there, the taking out of Opium Passes at the fixed rate of Rs. 600 a chest was almost suspended. Last year, in order to get the benefit of the high prices, every available chest was sent down to Bombay. This year a large number of chests are held back, awaiting a better state of the money market and the greater part of the receipts from the pass duty will be thrown forward to 1864-65. The Budget Estimate for Bengal will be rather more than realized; but there is an estimated deficiency of £1,150,000 on the entire produce of this branch of revenue in the two Presidencies of Bengal and Bombay.

Two other sources of revenue show a small decrease owing to exceptional causes. "Customs" are £15,400 less than the Budget Estimate, and £140,166 less than the actual receipts of 1862-63. The import trade, from which the greater part of the Customs Revenue is derived, has continued in a depressed state, owing to the high price of Manchester goods and the abnormal condition of the money market. The other item is "Salt," in which there is a decrease, compared with the Budget, of £124,100; but an increase, compared with the actual receipts of 1862-63, of £34,150. Owing to the unusually large quantity of duty-paid salt which came into the market in Bengal in 1862-63, the decrease there is £200,000, but there is an increase of £27,500 in the Punjab and of £61,000 at Madras.

The other sources of revenue show satisfactory improvement.

In "Land Revenue" the increase is general throughout India, amounting to £572,100 compared with the Budget Estimate, and £710,853 compared with the actual receipts of 1862-83.

In "Forest," which is now separated from "Sayer," there is an increase of £41,900.

In "Abkaree" there is an increase of £154,700 compared with the Budget Estimate, and £42,920 compared with the actual receipts of 1862-63. This increase would have been larger but for falling off in the North-Western Provinces owing to the introduction of the Sudder Distillery System in May last. The

object of the system is to raise a maximum revenue from a minimum consumption. The loss of revenue is not to be regretted so far as it is caused by the cessation of the inducements to the intemperate use of spirits held out by the former contract system; but it is not desirable that there should be a virtual prohibition of the ordinary wine of the country, which can only benefit the Smugler. The experiment is in safe hands, and the whole of India will gain by its being satisfactorily worked out.

The "Income Tax" shows an increase of £88,800 compared with the Budget Estimate, of which £51,700 occurs in Bombay. Compared with the actuals of 1862-63, when the tax was one per cent. higher upon incomes above Rs. 500 and the tax of two per cent. on incomes below Rs. 500 had still to be collected for three months, there is a decrease of £487,212.

"Stamps" show an increase of £ 208,600 compared with the Budget Estimate, and of £242,562 compared with the actual receipts 1862-63.

The other items are under heads the receipts of which accrue under no fixed rules, but vary with the circumstances of the time. They show an increase of £5,700 compared with the Budget Estimate, and of £640,797 compared with the actuals of 1862-63. The falling off of £125,400 in "Military Receipts," compared with the Budget Estimate, is chiefly caused by the cessation of the nominal receipts from cash payments between Departments; and the diminution of £250,700 under Public Works arises, partly from the withdrawal, from this head of receipt, of funds which, although received by Public Works Officers, were expended for, and had been finally appropriated to local objects; and partly from Public Works Receipts having been over-estimated.

The whole of the revenue of the year, including opium, is less than the Budget Estimate by £217,700, and than the Actual Receipts of 1862-63 by £390,252. Excluding Opium, there is an increase of £932,300 compared with the former, and of £815,254 compared with the latter. The temporary falling off in a branch of revenue which is peculiarly dependent upon the state of the money and produce markets, has, therefore, been almost compensated by the continued improvement of those branches which are the true index of the condition of the people. The increase of £710,863 in the Land Revenue, compared with last year, furnishes decisive proof of the prosperous state of the agricultural community. It must arise from extended and improved cultivation, for there has been no enhancement of rates. The increase of £242,562 in the produce of the Stamp Revenue, in like manner, shows the activity which has prevailed among the Commercial classes and the increasing extent of their transactions.

Before noticing the expenditure, it is necessary to mention that the practice of dividing the charge for the same service among several Departments has been discontinued, and the grants are now shown, according to the English method, under the Departments which undertake the respective services. Therefore, although the aggregate sum of the Estimate published with the Financial Statement of the 30th of April last, is the same as that of the Budget Estimate now given, the details vary under most of the heads of expenditure from those which appeared in that Estimate.

The increase under "Allowances, Refunds, and Drawbacks," £47,700, is nominal, the entire amount being on both sides, and the payments being claimable of right. Compared with the Actuals of 1862-63, there is a decrease of £26,766.

Actuals

The increase under "Salt," £56,475, arises in Bengal and Bombay. In the former Presidency reductions in Establishments were not effected so early as was anticipated, and in the latter, the purchase of Salt, which had previously been shown under a suspense head in the "Debt" Account, is now shown as a charge against Revenue. Compared with the Actuals of 1862-63, there is a decrease of £164,511.

The increase under "Opium", £108,700 is caused by larger advances made to cultivators at the increased rates, and by the sums expended in buildings. Compared with 1862-63, there is an increase of £ 253,122.

The increase of £36,504 under "Mint" arises from the more full employment to the Mints at Calcutta, Madras, and Bombay.

The increase under "Army", £150,309, is caused by the expenditure, estimated at £200,000, arising out of the Sitana Expedition, and the movements of Troops connected with that Expedition and with the Camp of Exercise which was at one time contemplated. Compared with 1862-63, there is an increase in the Military expenditure of £956.

The increase under Marine charges, £244,344, is caused by the Marine Establishments at Bombay not having been reduced to the extent intended. Compared with 1862-63, the decrease is only £193,390.

The sum appropriated for "Public Works" by the Budget of 1863-64, irrespective of the constructions of Railways, was £4,995,100, after which additional grants were made, which brought the total amount up to £5,408,575; but, according to the best information that can be obtained, at least £250,000 of this will not be expended previously to the termination of the Financial year, because the available supply of labour is limited in many parts of India, and professional establishments cannot be suddenly expanded to meet additional demands upon

them. The sum at which the expenditure for " Public Works " has been taken in the Regular Estimate is, therefore, £5,158,575. This is £163,475 more than the Budget Estimate, and £757,943 more than was expended in 1862-63.

The Budget Estimate for " Education, Science, and Art " was £461,600, which was increased by additional grants to £552,300. Owing, however, to the late period at which most of these additional grants were made, and to the time occupied in the administrative arrangements to give effect to them, it is improbable that the sum expended within the Financial year will exceed £502,300. This is an increase over the Budget Estimate of £40,700, and of £101,939 over the expenditure of 1862-63.

The decrease under " Interest," £98,208, is caused, partly by the reduction effected in the Public Debt by the purchase of Government Securities, and partly by the exclusion of Unclaimed Interest after a careful calculation of the average charge. Compared with 1862-63, there is a decrease of £106,680.

£ 98, 2

Under " Net expenditure in England " there is a decrease of £312,118, which arises from an increase of £132,662 in the Home Receipts, and a diminution of £179,447 in the Home Charges.

" Guaranteed Interest on Railway Capital, less Net Traffic Receipts," is also less than the Budget Estimate by £71,492, the Net Traffic Receipts having been larger than was expected by £88,667.

According to the Regular Estimate, the net increase in the expenditure compared with the Budget Estimate is £231,546.

The Budget Estimate assumed a surplus of Income over Expenditure of £480,775. According to the Regular Estimate, the surplus will be only £31,529 being a difference against the Budget Estimate of £449,246. My own expectation, however, is that, when the accounts of the year are finally made up, the customary result of increased receipts and diminished expenditure will appear, and the surplus will be found to be as large as was originally estimated by me. Compared with the actual accounts of 1862-63, the Regular Estimate for 1863-64 is worse, by £1,795,816. This is mainly due to the difference, amounting to £1,205,476, between the receipts from Opium in the former and in the latter year.

In my last Financial statement, I announced, on behalf of the Government that any funds that could be expended with advantage on Roads, on Works of Irrigation and Navigation, or on any other useful works, would be granted, during this Financial year, in addition to the large appropriation for Public Works amounting to nearly £5,000,000, made by the Budget, and to £4,000,000 more, estimated to be required for the construction of Guaranteed Railways. I also said that if, in the course of this year, any well-considered plans for promoting Education were brought forward which could not be provided for from the grant

of the year, a further appropriation would be made. These pledges have been redeemed. No objection has been made to any proposal for Public Works or Education on the score of want of Funds. The additional grants for Public Works have amounted to £413,475, and for Education to £90,700. They will not all be spent within the year, as has been already stated ; but the Government did all that was in its power.

I also showed how much a healthy state of the Finances would be promoted if, instead of paying for Public Works out of the Cash Balances, the whole expenditure of the year, including the great Public Works grants, were provided for out of Ways and Means raised within the year, and the surplus of the Cash Balances were employed in extinguishing Debt. This policy has been acted upon. Including the Public Securities purchased from the Currency Deposits, which are held to meet a possible, but extremely improbable, demand for the payment of an equivalent amount of Government notes, the net annual charge for Interest here and at home has, within the last two years, been reduced by half a million. The operations alluded to are as follows :—

<i>At Home.</i>	£
East India Bonds paid off	256,200
Loans on Security of East India Bonds repaid	1,500,000
Debentures paid off	5,557,000
<i>In India.</i>	
Government Securities purchased out of the Balances at Calcutta	1,000,000
Ditto ditto out of the proceeds of the sale of Waste Lands and confiscated Estates	100,000
Ditto ditto out of the Currency Deposits under Act XIX of 1861	3,000,000
Tanjore Debt and Treasury Notes and Bills paid off	431,303
Loan repaid to the Rájáh of Cashmere	60,000
Cancelled Government Securities of the Rebel Narain Sing after deducting £75,000, to make a provision for his brother by adoption	200,500
TOTAL	<u>12,105,003</u>

On the other hand, Non-transferable Notes have been granted for £669,067 for the investment of sums belonging to the Pension Funds of different branches of the public service ; but, as the Government has bound itself to receive the available balances of these Funds, whether the money is wanted or not, and to allow rates of interest higher than the usual rate, they should be distinguished from the ordinary debt. These transactions have in them more of the nature of grants than of loans.

It must be remembered that, as mentioned in my last Financial Statement we borrowed towards the close of the Mutiny, five millions sterling more than we wanted.

According to the Budget Estimate, the Cash Balance on the 30th April 1864 would have been £15,427,400. According to the Regular Estimate it will be £14,533,834, or £893,566 less. This is the balance which remains in hand in India, after providing for the payment of the Drafts of the Secretary of State to the extent of £9,000,000, and for payments to the several Railway Companies and the Irrigation and Canal Company, amounting to £3,873,567. The sale of the Secretary of State's Bills upon the Indian Treasuries has given great relief to trade by obviating the necessity for the remittance of an equal amount of Bullion from England; and further aid has been afforded by gathering up our Indian balances, and sending to Bombay every available Rupee to be exchanged for a portion of the Bullion which the Mint was unable to coin with the requisite speed. The working power of the mint has been lately much increased by additional machinery.

At Home, there are only two Treasuries—the Bank of England and the Bank of Ireland—and an annual expenditure of upwards of £70,000,000 is worked by a Cash Balance which seldom amounts to more than £6,000,000, and even this is exhausted by the payments of the dividends after the close of the quarter. In India, there are 211 separate Treasuries, which have to be kept in funds to provide for the payment of the Troops and other current demands; and, with a total annual expenditure of only £44,000,000, including the payment of the Secretary of States' Drafts, the average Cash Balances in India have been in 1860-61 £14,144,240; in 1861-62 £16,451,621; in 1862-63 £18,322,423; in ten months of 1863-64 £15,376,033; and in the whole forty-six months £16,103,007. This is in addition to the Cash Balance at the credit of the Secretary of State in London. Therefore, although the difficulties are great, there is still much room for improvement in India in this important branch of Finance; and arrangements have been made, by a careful classification of the Treasuries, and a strict limitation of the amount to be retained in each, for keeping the Balances in the Provincial Treasuries as low as possible, and for promptly remitting all surplus funds to the General Treasuries at Calcutta, Madras, and Bombay, in order to their being utilised for the public service. These large accumulations of silver, under the name of Cash Balances, are one of the causes of the scarcity of that metal. Their amount for each month since May 1860 will be seen from the Table in the Appendix, page i.

I now proceed to the expenditure for 1864-65.

In "Allowances, Refunds, and Drawbacks" there is an increase, compared which the last Budget Estimate, of £20,040, but as this item is incapable of strict regulation, it calls for no remark.

In "Land Revenue, Forest and Abkaree," there is an increase of expenditure amounting to £245,368 compared with the Budget Estimate, and to £270,450 compared with the Regular Estimate of 1863-64. The progress of improvement has given value to the Forests, and exertions are making to save them from further dilapidation by a well-considered system of conservation. This is one reason for the increased expenditure; another is the employment of additional Establishments in every Province to revise the existing Land Revenue Settlements, with view to give to India, at the earliest practicable period, the advantage of a permanent limitation of the Land Tax, or, where the cultivation is in too backward a state to allow of this, of a thirty years' lease. The outlay upon this and upon the conservation of the forests, is of the nature of a reproductive investment. The financial results, direct and indirect, of the new Permanent Settlement, will be of the most important kind. One effect will be that the charge for the settlement, and collection of the Land Revenue, which has become a very serious item, will be much diminished.

There is a reduction of £5,377 in "Assessed Taxes," and of £76,017 in "Customs" compared with the expenditure provided for in the Budget Estimate of 1863-64.

In "Salt," there is an increase of £50,372 compared with the Budget Estimate of 1863-64, which chiefly arises from the provision made at Madras for an increased quantity of salt for consumption in 1864-65; but there is a reduction of £170,614, compared with the actual expenditure of 1862-63, caused by the cessation of the Government manufacture in Bengal.

In "Opium" there is an increased expenditure of £253,461, compared with the Budget Estimate, and of £144,701 compared with the Regular Estimate for 1863-64. This also is of the nature of an investment to be reproduced in increased receipts. The increase in the rates of payment to cultivators has produced that extension of the cultivation which was pronounced by Mr. Wilson and Mr. Laing to be indispensable for the preservation of the Opium Revenue.

The expenditure on "Stamps" is substantially the same as in the Budget and Regular Estimates for 1863-64.

The expenditure on the three Mints of Calcutta, Madras, and Bombay shows an increase of £89,869 compared with the Budget Estimate, and of £53,365 compared with the Regular Estimate of 1863-64. This arises from the necessary preparations for an increased coinage of Silver and Copper money during the ensuing year, the expected fruit of which is seen in the estimated increased receipts from this source amounting to £78,500 compared with the Budget Estimate of 1863-64.

Both " Post Office " and " Electric Telegraph " shows a small decrease of expenditure, which, in the case of the Post Office, chiefly arises from the development of the Railway system.

There is a reduction of £50,458 on " Allowances and Assignments under Treaties and Engagements," and an increase of £40,481 on " Allowances to District and Village Officers " compared with the Budget Estimate of 1863-64. These payments are made under positive engagements or fixed rules.

On " Miscellaneous," and " Contingencies, special and temporary, " taken together, there is a decrease of £10,569 compared with the Budget Estimate of 1863-64.

The actual expenditure on the Army in 1862-63 was £12,764,325. The Budget Estimate for 1863-64 was £12,614,972. The Budget Estimate for 1864-65 is £12,653,189.

Under this aggregate, important increases and decreases are included.

The new scales of Staff Salaries and Regimental Pay cause an additional annual charge of £90,000.

Increased pay to Native Officers and improved rates of Good Conduct Pay to Privates of the Native Army, £90,400.

The transfer of the two remaining Military Police Corps from the Police to the Military Establishment, £27,400.

Two years' arrears of compensation for Extra Clothing recently granted to the European Troops, £60,000.

Additional compensation for dearness of provisions to the Native Troops in the Madras and Bombay Presidencies, £45,000.

Increased expenditure in the Bengal Ordnance and in the Madras and Bombay Commissariat, caused partly by the necessity of bringing up reduced stocks, and partly by the present enhanced prices, £110,000.

On the other hand, £50,000 has been saved by reduced stock, and diminished price of beer; and £60,000 by the decrease and better regulation of the Pension List. After deducting the cost of gratuities and extra pensions to the Madras Native Artillery to four Regiments of Madras Native Infantry, and to the East Indian Regiment, which are to be disbanded, there will be a reduced ex-

penditure of £35,000 in 1864-65, and a prospective reduction of upwards of £60,000. A transfer has been made to the Civil Departments of the charge for the pay of Officers employed by them, amounting to £63,700.

It will be seen from what I have said that, while, on the one hand, reductions of permanent charge have been made ; on the other, a considerable additional outlay has been authorized for improvements which will promote the fidelity and efficiency of the Native, and the comfort of the European Army. But for the heavy additional charge arising from this, and from the increase of prices, especially in the Madras and Bombay Presidencies, there would have been a reduction in the Military expenditure. Order has been re-established in the administration of the Army after the great convulsion through which it passed, and all that relates to the accounting for, and auditing of the expenditure, is worked up closer than before. At the same time, the tendency to increased expenditure, arising from enhanced prices and the demand for improvements of various kinds, continues, and will be productive of embarrassing results if it is not met by corresponding measures of economy. The entire estimated cost of the Indian Army for the year, including the payments to be made at Home, is £14,856,201.

The incidental receipts of each Department are credited in the Balance Sheet on the opposite side from the expenditure. It will be seen that the sum expected to be received in connection with the Army in 1864-65 is £661,300 ; so that the net charge for the Army in India is £11,991,889.

‘ Marine Charges ’ are £231,924 more than the Budget Estimate for 1863-64, which was taken on the supposition that the Marine Expenditure would be much diminished by the abolition of the Indian Navy. Subsidies to Steam-boat Companies, amounting to 46,200 per annum, which had previously been divided among several Departments, will, for the future, be entirely charged to this head. ‘ Marine Charges ’ are still in course of reduction as the arrangements for the Royal Navy performing the same duties in the Eastern Seas as in other parts of the world are carried into effect.

The grant for Works of Public Improvement for the current year was £2,380,000 with a Reserve Fund of 10 per cent. or £238,000, for any works which it might afterwards be determined to commence, and which could not be provided for out of the proportion of the £2,380,000 allotted to the several Local Governments and Administrations. The additional sum actually granted exceeded the Reserve Fund, but the expenditure will fall a good deal short of the grants.

It has been determined to appropriate a consolidated sum for Works of Public Improvement next year, equal to the grants of this year, with the addition of the Reserve Fund, or £2,618,000 in all; and to allot it among the different Governments and Administrations in about the same proportions as the original grant of this year. The sum for Civil Buildings and ordinary Military Works will be the same as last year; *i.e.*, £570,000 for the former and £650,000 for the latter.

The proportion of the three preceding grants assigned to the Bombay Presidency is £620,000. This is reported by the Governor in Council to be insufficient. The development of that part of India and the harbour and fortification works in progress, undoubtedly require a large expenditure; but the works carried on at the same time ought to be kept within such limits as will not violently disturb the labour market. "The price of all materials and labour has so greatly increased that 60 lakhs of Rupees will not now do more than that which 30 or 40 lakhs would have effected three years ago." From this it may be inferred what would be the consequence of a largely increased expenditure. All things considered, the Governor-General in Council has determined to increase the assignment for Public Works at Bombay by a special grant of £200,000. This will be irrespective of £204,330 estimated to be required in 1864-65 for Public Buildings at Bombay, balanced by a sum of £250,000 expected to be realized by the sale of lands on the Esplanade.

The sum appropriated this year for building new barracks for the European Troops and for other special Military works is the same as last year, or £300,000. This will be divided among the Local Governments, including Bombay, according to their respective requirements.

The sum taken in the Budget Estimate for 1863-64 for Railway supervision and cost of land was £182,500. This year it will amount to £309,500.

The loss by Railway exchange in 1863-64 was estimated at £204,000. In 1864-65 it will be £256,900.

The one per cent. appropriated from the Income Tax in aid of Local Works was at first roughly estimated at £380,000 a year. The continuance of this rate of advance would exceed the proportion applicable by law to the object; and, as the Act will expire soon after the termination of 1864-65, the appropriation for that year has been limited to £250,000, subject to a settlement of account after the Tax shall have been fully realized.

While, therefore, the aggregate grant for 1863-64 was £4,995,100, the grant for 1864-65 is £5,358,730, besides about £35,000 appropriated in the Educational

Estimate for grants-in-aid of building schools, and £4,185,420 which will be advanced for the works of Railway and Irrigation Companies, £9,579,150 in all. All this is in addition to a further large sum which will be expended upon Works of Public Improvement from Local Funds. The details of the grant will be seen in one view in the Statement in the Appendix, page ii.

Under "Salaries and expenses of Public Departments," the Budget and Regular Estimates of 1863-64, and the Budget Estimate for 1864-65, are much the same. This arises from the care which is taken to reduce unnecessary Offices, while others, suited to the want of the time, are established.

Under "Law and Justice" there is an increase of £100,225 compared with the Budget, and of £175,611 compared with the Regular Estimate of 1863-64. This is caused by the appointment of additional Judges, and by the grant of increased salaries to the inferior Judges with a view to secure a more complete administration of justice.

Under "Police" there is a reduction of £62,754 compared with the Budget, and of £51,760 compared with the Regular Estimate of 1863-64. The beneficial effect of the revision of the Police expenditure, which has been for some time in progress, and of collecting under this head the charges for Treasury, Jail, and personal guards, which used to be scattered through the different Departmental Estimates, is very apparent. The Bombay Government has ordered the disbandment of the Guzerat Horse, the cost of which, amounting to £165,606 per annum was included in the Police Estimate of that Presidency.

The grant for "Education Science, and Art" has been increased in reference to each of the Local Governments and Administrations, the aggregate grant for 1863-64 having been £461,600, and that for 1864-65 being £561,175. This is in addition to large appropriations from Local Funds, and to School Fees, which last have been placed on an equal footing with local subscriptions as a basis for grants-in-aid. There is no subject to which the administrative freedom of the Local Governments is more applicable than that of Education. Instead of the Supreme Government jealously insisting on adherence to a particular code, the Local Governments are left to adapt the regulations to their respective wants. It is evident, from the general movements in this direction, that the time has arrived for extending education, from the upper and middle classes, to the body of the people; and the impression is gaining ground that the last English improvement of the grant-in-aid system—the plan of paying by results—is even more applica-

ble to India than to England. It furnishes a simple, elastic, intelligible rule which is capable of easy adaptation to every circumstance, whether the difference be between the scholars in normal, and those in ordinary schools; between boys or girls; or between children in advanced or backward parts of the country. Care should be taken that the funds applicable to education are not bestowed upon institutions which are already self-supporting.

There is an increase, compared with the Budget Estimate of 1863-64, of £13,409 for "Political Agencies and other foreign services," and a larger one, amounting to £71,597, under "Superannuation and Retired Allowances, and gratuities for charitable and other purposes." This last arises from the transfer of the Marine pensions to this head.

"Miscellaneous" and "Civil Contingencies," taken together, are less than the Budget Estimate of 1863-64 by £7,937.

Under "Interest" there is a reduction of £137,951 compared with the Actual of 1862-63, and of £129,479 compared with the Budget Estimate of 1863-64. This is caused by the repayment of the sum lent by the Rajah of Cashmere during the mutiny; the cancelment of the Government Securities belonging to the Rebel Madhu Rao; and the purchase of Government Securities from the proceeds of the sale of Waste Lands and of lands belonging to Rebels. The average sum annually disbursed for the payment of interest has also been more accurately ascertained.

The next expenditure in England, amounting to £4,929,924, is £13,504, less than the actual expenditure of 1862-63; £417,376 less than the Budget Estimate of 1863-64; and £105,258 less than the Regular Estimate of 1863-64. This favourable result is chiefly due to an extensive payment of debt.

"Guaranteed Interest" on Railway Capital, less Net Traffic Receipts, is £1,622,916 in 1864-65 against £1,617,825 in 1863-64, or £5,091 more. While the guaranteed interest payable in England has increased from £2,445,825, to £2,700,000, a set-off has been obtained by the increase in the Net Traffic Receipts in India from £828,000 to £1,077,084.

The total estimated expenditure for 1864-65 is £45,340,582, which shows the following increase:—

Compared with the actual expenditure of 1863-63 . . .	£2,024,175
„ with the Budget Estimate of 1863-64 . . .	„ 850,157
„ with the Regular Estimate of 1863-64 . . .	„ 618,611

I will now make such remarks as appear to be called for upon the Estimate of the Revenue for 1864-65.

I observed that in " Land Revenue " the increase in the current year has been general throughout India, amounting to £572,100 compared with the Budget Estimate, and £710,853 compared with the actual receipts of 1862-63. I estimate the Land Revenue for 1864-65 at £20,265,000. This is £16,000 less than is expected to be realized according to the Regular Estimate in the current year. Considering the steady increase of the Land Revenue for several years, and the stimulus which the prevailing high prices give to the extension of cultivation, this is a very moderate Estimate. The Land Revenue is justifying its old reputation as the staple of our financial system. Only one-third of the culturable area of India is cultivated; and, as it is evident that the prices of agricultural produce cannot recede to their former level, the increase of cultivation, and with it, if proper steps are, the accretion of the Government share of the rental must go on for an indefinite time to come.

" Abkaree," in like manner, has shown a steady annual increase in spite of the falling off in some parts of India arising from the introduction of the Sudder Distillery System. The increase of the Budget over the Regular Estimate is £93,680. Effectual steps have been taken to remedy the defects of the Sudder Distillery System which led to a falling off in certain districts.

Under " Assessed Taxes " the Estimate for 1864-65 is £207,340 less than the Regular Estimate for the current year, which is chiefly owing to one-quarter of the full rate of four per cent. having been realized in the current year, whereas 1864-65 will be entirely at three per cent.

" Customs " are estimated at £13,140 less than the sum expected to be realized in the current year according to the Regular Estimate. There is a falling off to the extent of £81,000 by the abolition of the Transit duties under the Treaty with Burmah; and, although a revival of the general trade may be expected in the course of next year, it is safer to take the Estimate on the supposition that trade will continue in the depressed state in which it has been for the last two years.

This revenue from ' Salt ' is estimated at £5,442,510, against Budget Estimate this year of £5,402,400, and a Regular Estimate of £5,278,300. This Revenue shows a general growth in all parts of India, and the local causes which led to its falling off in Bengal in the current year are passing away.

Last year the Pass duty was realized upon 51,228 chests of Malwa and Guzerat Opium, which was nearly the entire crop of the year. This year, at least 20,000

chests will be held over the expiration of the year, and must be added to 25,000 chests, which is the lowest Estimate that can be made of the Malwa Crop ; and to 5,000 chests expected from Guzerat, making 50,000 chests in all. The produce of the Pass duty upon this number of chests is £3,000,000. As only 21,730 chests of Malwa and Guzerat Opium were sent forward to Bombay in eleven months of this year, against 48,454 chests in the same period of last year, or 26,724 chests less, the stocks in China must be low.

The number of chests to be brought to sale in Bengal in 1804-05 is 50,516. The lowest average rate per chest which was obtained at the period of the greatest scarcity of money in December last was Rs. 903. The average price at the five sales which have taken place since the depression in the money market commenced is Rs. 1,100. It is extremely improbable that, under any state of thing that is likely to arise during the ensuing year, the average price will fall below Rs. 1,000 a chest, and I have, therefore, taken it at that amount. On 50,516 chests, this gives £5,051,600.

The remaining £200,000 is the sum which will be credited to the Opium Revenue for 3,000 chests of Opium to be supplied to the Abkaree and Medical Departments during the ensuing year, and for the miscellaneous receipts of the Opium Department.

In a branch of Revenue which depends so much upon the state of the produce and money markets, there must, of course, be great uncertainty, and I have therefore, framed by estimate at the lowest rates admissible according to the facts before us.

“ Stamps ” have been taken at £12,070 more than is expected to be realized in the current year according to the Regular Estimate, which, considering the general activity in business throughout the country, and the consequently growing nature of this branch of Revenue, is less than may be expected to be realized.

Mint, Post Office, and Electric Telegraph show a moderate but satisfactory increase. A large profit will be derived from an extensive coinage of Copper money. The convenience of the body of the people is more concerned in an abundant supply of Copper money for carrying on their countless small transactions, than in a gold or paper currency.

The increase in the Public Works Receipts arises from £250,000 expected to be received from the sale of building allotments on the Esplanade at Bombay against an estimated expenditure of £201,330 for new Public Buildings at that place.

The increase of £88,400 over the Budget Estimate of 1863-64 under receipts from " Interest " is caused by additional investments of Currency Deposits, and the dividends upon additional shares held by the Government in the Banks of Madras and Bombay.

The total estimated Revenue is £46,163,870, which exceeds the actual Receipts of 1862-63 by £1,020,118, and the Regular Estimate of 1863-64 by £1,410,370.

As the estimated expenditure for 1864-65 is £45,582, there is an estimated surplus for that year amounting to £823,283.

So far as it is possible to form a judgment of the future, I considered this an assured surplus.

The ordinary sources of Revenue have steadily increased for several years, and have not been materially checked even by the late extraordinary embarrassments of the money market; and if this growth continues for another year, the Receipts will be carried much beyond the figures at which I have taken them. The Receipts from Opium are at the lowest rate at which it was possible to estimate them. On a view of all the probabilities, the Estimate of the Government of Bengal, which was at the rate of Rs. 1,122 a chest, will be nearest the truth but I have taken it only at Rs. 1,000 a chest.

On the other hand, the Estimates of expenditure are at a maximum, and in some important respects beyond a maximum. If the appropriation for Public Works, amounting to £4,995,100, which included a large sum for Local Funds, could not be spent in 1863-64, it is still less likely that £5,358,730, irrespective of Local Funds, can be spent in 1864-65. At, any rate, the ample provision which has been made for the ensuing year will prevent any extra demands. The Estimate for the rest of the expenditure has been taken on the basis of the full sanctioned scale for all fixed charges payable within the year, with an ample margin for contingencies.

At this time it becomes necessary to review our position.

The Income Tax will expire on the 31st July 1865. Its annual produce, at the present rate of three per cent., is estimated at £1,187,660. Of this £237,532 is applicable by law to Local Funds; and a further deduction of £46,513 has to be made for the cost of collecting the tax. The remaining £903,615 forms part of our ordinary Ways and Means; and, in order to meet the annual charge, an equal sum must be forthcoming from some other source.

On the other hand, we have to provide for a large additional expenditure arising from two distinct causes,

The first of these is the great and general rise in prices and wages. This swells the expenditure through the Commissariat contracts; through the rates of compensation to the Native Troops for the dearness of provisions; through the enhanced cost of labour and material for every kind of work; through the demands made upon the Government for an increase of the pay of entire bodies of Native Civil and Military servants to save them and their families from severe distress. Earnest endeavours are made to combine increased pay with diminished numbers and improved efficiency, but the augmented charge will, notwithstanding, be very heavy. We are in the midst of one of these social changes which mark the progress of Nations. A general increase of prices and wages must be followed by a general elevation of the standard of the public expenditure.

The other cause is the strong and growing demand for improved administration. This could not be fully described without going the round of the Public Departments; but I may particularly allude to the many different ways in which it is proposed to improve the condition of the European Troops, most of which are attended with great cost; to the admitted necessity for strengthening the Judicial system; to the urgent demand for a large expenditure for the improvement of the Jails; and to the heavy liabilities before us connected with the sanitary reform which has been commenced. The annual expense of the Commissions which have been established for the three Presidencies is £20,000, which, of course, bears a small proportion to the cost of the work which has to be done. Some of these demands are of such a nature, that, although they are certain to arise in the course of the year, the amount that will be required cannot be correctly estimated.

On both grounds, therefore—to be prepared for the expiration of the Income Tax in the early part of the following financial year, and to have the means of meeting demands for improved administration which cannot be postponed—it is more than usually necessary to have a large available surplus of Income over Expenditure.

Our proceedings must also have reference to a state of things which has begun to show itself in an unmistakable manner.

India was already rich in Indigo, Opium, Saltpetre, and other staples of her export trade, when the demand arising from the Russian war gave a great stimulus to Fibres and Oil seeds, and the American war has since raised the inducement to cultivate Cotton to an unprecedented height. But India has a great population to feed; and, as the breaking up of new land is a gradual process, the increased demand for exportable produce could only be met by diverting to its production a large proportion of the land which had been previously employed in raising grain.

Simultaneous with this, Railways and Public Works have been prosecuted at the rate of ten millions sterling a year ; whereby the industry of the people has been largely diverted from immediate production to increasing future production.

Consumption has also been greatly stimulated by the abundant means placed at the disposal of the cultivators by higher prices, and of the labourers on Railways and other Public Works by high wages.

The result of these combined causes is that there is a serious strain upon the springs of society in some parts of India, like that which took place in Ireland in 1846, and in England in 1847, when such a large number of labourers were employed upon Public Works and Railways. The price of every description of produce, whether for exportation or home consumption, has gone up. Exporters complain that prices are often as high here as in England. Consumers complain of the greatly enhanced cost of every necessary of life ; and, as they have so much more to pay for the means of subsistence, they are obliged to stint themselves in every thing else. This is the true explanation of the continued stagnation in the demand for Manchester goods, notwithstanding that the Native manufacture is still falling off. A man must feed himself and his family before he can buy clothes ; and, at the present high prices of food, the body of the people, in several parts of India, are barely able to subsist. A fall in the price of Manchester goods would not have much influence in promoting their sale under such circumstances.

The effects upon the labour market are very striking. Although population is congested in some parts of India, there is, in other, a scarcity of labour. For a long time complaints have been received from several extensive provinces that the progress of public works and industrial undertakings is seriously impeded for want of labour. New Roads and Tea and Coffee Plantations are chiefly in thinly inhabited and unimproved parts of the country. Even if the population of India could be equally spread over the whole surface of the Continent, it may be doubted whether the supply of labour would, under present circumstances, need all the calls that would be made upon it ; but, as it is, the obstruction in several important districts is positive and decisive.

Owing to the suitableness of the greater part of the Bombay Presidency for growing Cotton, this state of things is at its height there. An artificial famine has been created. The price of labour and materials has doubled, and Public Works are constructed at a greatly enhanced cost. The most serious symptom of all, however, is that the Government of India has been called upon to sanction a general increase in the pay of the public establishments of the Bombay Presidency, with the certainty that, if the same causes continue, a similar necessity must soon arise for a further augmentation. On the one hand, we are urged to supply

funds, without limit, for the prosecution of Public Works; and, on the other, we are told that the dearness of every necessary of life, which arises, in great degree, from this large expenditure, must be compensated by a corresponding increase of pay to the public establishments. The economical system is almost as much deranged in the Bombay Presidency as it was in Ireland in 1840-47. The rural population in that country was employed upon Public Works to an extent which threatened a disastrous neglect of the ordinary tillage, and 734,000 able-bodied men, representing, at a moderate estimate of the average extent of each family, upwards of 3,000,000 of persons, were struck off the labour lists by successive instalments are moving at Bombay in the same circle; and we should take warning in time to avoid the necessity for having recourse to like strong remedies.

The most essential point of all is to observe some moderation in Public Works; to finish what we have begun, and not to crowd the work of several years into one. Works which, when spread over a reasonable period, would be attended with general benefit, may, if they are all put forward at once, convulse society, and fail, after all, owing to their excessive cost, to attain the end intended.

Next to this our object should be to remove, as far as possible, every obstruction to the freedom of trade, as was done in the analogous case at Home. The great embarrassment of the trade of India has always been the want of imports to meet the vast quantity of exportable produce which the country is capable of sending forth. If we desire to relieve the trade of India, and to give free scope to its further extension, we should give all possible encouragement to her imports.

There will be found in the Appendix, pages ii to v, in illustration of these statements—

First.—A comparison of the exports of merchandise from India in 1840-41, 1841-42, and 1842-43, with those of three subsequent decennial periods;

Secondly.—The Raw Cotton exported for the first eleven months of 1862-63 and 1863-64;

Thirdly.—The prices of Grains in the Bombay Presidency from 1823 to 1863;

Fourthly.—Extract from a Report from the Collector of Khandeish, dated 18th September 1863; and

Fifthly.—Extract from a Report from the Commissioner of Police at Bombay, quoted in a letter from the Government of Bombay to the Government of India, dated the 30th January 1864.

Previously to 1859 the import duty was, as a general rule, five per cent. *ad valorem*. With the exception of certain specified articles, it is now ten per cent.

The Governor-General in Council has determined that this import duty of ten per cent. shall, after to-day, be reduced to seven and half.

Tobacco is at present chargeable with a special import duty of twenty per cent. As foreign tobacco has to compete with the untaxed produce of this country, it has been determined to reduce the duty to ten per cent.

The loss of Revenue arising from these reductions of duty will be balanced by increased receipts from another source. Of the Piece Goods and Yarns imported into India, about five-eighths were included in the Table of Valuations published in November 1860, while the *ad valorem* rate continued to be assessed on the current market price of the remaining three-eighths. Since that the price of all these goods has greatly increased; and the consequence is, that the owners of one portion of them pay the full duty and the others less than one-half. In order to remove this inequality, the valuation will be re-adjusted to the prevailing prices with a liberal allowance for a possible fall.

The estimated surplus, amounting to £823,288, will not be diminished by these arrangements, and the whole of it will be held to meet the exigencies of 1864-65, and 1865-66, including the expiration of the Income Tax on the 31st of July of the last mentioned year.

But, after all, it is impossible that all the wants of this great Continent, according to the continually rising standard of the public requirements, can be provided for out of the Imperial Revenue. Local Agency and local resources, which are as multifarious as they are inexhaustible, must be increasingly drawn upon; and the Imperial expenditure must be gradually confined to such objects as are of common interest to the whole of India. The growth of habits of self-government is to be sought for in the same direction. It is time that the people of this country should cease to be helplessly dependent upon the Government, and should learn, by the example and aid of their English fellow subjects, to raise and spend their own money in maintaining the Roads, improving the sanitary state of the Towns, assisting education, and promoting every other object of local interest.

A commencement was made by Lord Canning's Government towards reducing this part of the public Income and Expenditure to order, which was followed up last year by directing that an annual Local Fund Estimate should be prepared by each Government and Administration, according to the same rules as the Budget Estimate of public Income and Expenditure, except that the balance at the end of each year was to be carried on to the next; and that an annual Account of the expenditure should be rendered under the same heads; and it was again explained that the object in requiring this Estimate and Account was, not to exercise any interference with the expenditure of funds which were entirely at the disposal of the Local Governments, but merely that the Government of India should be kept

informed of the progress of the income and expenditure for financial and other general purposes. Some receipts and payments, which had been improperly included in Local Funds, have been re-credited to Revenue and Charge; while others to a much larger amount have been finally transferred to Local Funds. Of this last description are the Tolls upon the Nuddca Rivers and Calcutta Canals, the Tolls taken at Ferries upon Imperial Roads, the Receipts connected with Travellers' Bungalows, and the *Jalkar* or Revenue derived from the Fisheries in Bengal. A balance of Local Fund receipts due to the Government of Bombay, amounting to £94,508, has been paid, as a similar balance, amounting to £58,700, was last year to the Government of Bengal. They have both been made specially applicable to the construction of Railway Feeders.

The following is an abstract of the Local Funds' Estimate for 1864-65 :—

	Estimated Balance on the 30th of April 1864.	ESTIMATES OF 1864-65.		Estimated Balance on the 30th of April 1865.
		Receipts.	Charges.	
	£	£	£	£
Bengal	450,785	471,796	550,110	375,465
British Burmah	90,170	58,040	46,776	110,440
North-West Provinces	270,070	443,175	430,000	281,845
Oudh	97,620	107,000	105,000	100,120
Madras	72,608	93,373	122,373	43,000
Central Provinces	40,800	70,500	80,288	40,071
Bihar	71,917	70,001	80,837	01,751
Bombay	371,080	350,132	347,001	382,020
Punjab	97,180	180,378	208,032	69,512
Government of India	132,008	48,202	20,001	101,079
TOTAL £	1,728,040	1,918,018	2,000,155	1,600,512

The large unexpended balances arise from the same cause which checks the expenditure of the Budget grant for Public Works; that is the difficult of extemporising professional agency.

One item of receipt, arising from the appropriation of 20 per cent. of the Income tax to local objects, will, of course, cease with the Tax itself.

A large sum is derived from the cesses, in the shape of a percentage upon the Land Revenue, which are levied in the North-Western Provinces, the Punjab and some other parts of India, for the maintenance of the Roads and for Education.

Municipal Receipts from another increasing item. The mode of raising the Municipal Funds depends, of course, upon the Municipalities. In the Punjab and North-Western favourite mode is by an Octroi or Town duty. Such duties were formerly raised on behalf of the Government; and were abolished thirty

years ago, in the wake of the Transit duties, because they interfered with the free course of the general trade through the principal marts. Since their re-introduction in the shape of a municipal tax, the same symptoms have re-appeared. The principle that Town duties are a tax on the consumption of the Towns for whose benefit they are levied, and that they should, on no account, be extended to any article belonging to the transit or general trade, ought to be jealously guarded.

The other items of Receipt are Educational and Charitable endowments; Tolls on Roads, Ferries, and Canals; Cantonment and Bazar Funds; Port Funds; Proceeds of houses and lands which have been transferred to Municipal Bodies; and others too numerous to be described.

As it is possible that a complete view of the Finances of India can be given without including that portion of the public funds which is locally administered, it is desirable that a Local Fund Estimate and Account should, in future, be appended to the Budget Statement. This year, all that it is has been possible to do, has been to call attention to the existence of the Supplementary Budget, and to furnish a rough general Estimate.

Last year I announced that the Government had finally withdrawn from the manufacture of Salt in Bengal. The great increase in the export trade of India has caused extremely low rates of freight from England, and this has resulted in cargoes of Cheshire Salt being delivered at Calcutta at unprecedentedly low prices. In pursuance of the plan which has been so successful at Madras, a siding is to be made from the Calcutta Terminus of the East Indian Railway into the Salt Depot at Sulkea, so that the Salt may be laden at once upon the trucks for transmission into the interior.

Owing to the low prevailing market price, the sales from the Government stock of Salt, in the current year, actual and estimated, are only 12,34,678 maunds compared with 19,13,978 in 1862-63. The remaining stock belonging to the Government is estimated to amount, at the close of the present financial year, to 67,88,622 maunds or 249,378 tons. The necessity of disposing this large stock of Salt, both in the interests of the trade and of the Government, has been generally admitted; and, in order that Merchants, knowing beforehand when the Government sales are to take place, and to what extent on each occasion, may make their arrangements accordingly, it has been publicly notified that fifteen lakhs of maunds, or 55,102 tons, are, after a full year's notice, to be sold to the highest bidder in 1865, in such proportions and at such times as may be most convenient to the trade, and the remainder in the following years at the rate of twenty lakhs of maunds, or 73,469 tons, in each year.

I also said that the foundation of a sound financial system, on the English model, had been laid broad and deep by my predecessors, and that what remained

was to extend the application of these principles through the whole field of Income and Expenditure, so as to remould the entire system into one consistent whole. This work has since been in progress in different quarters.

The Military Finance Department has been consolidated with the Military Secretary's Office as its Account Branch. The Public Works System of Account and Audit has been fully enquired into, and every practicable improvement will be made. The English plan of Office organization, which combines annual increase of pay within each class, with promotion by merit from class to class, and proper securities for the admission only of qualified candidates, has been introduced into the Financial, Military, and Public Works Departments. The Police Establishment of the N. W. Provinces, and the N.-W. Frontier Preventive Line have been investigated by Colonel Bruce, who is now engaged on an inquiry into the Bengal Police; and the Subordinate Civil Establishments of the Bombay Presidency have been ordered to be revised by the ablest Officers who can be selected for the purpose, with immediate reference to two principles.—

1st.—To ascertain by a careful scrutiny, how far the work itself is capable of being simplified and curtailed, by omitting duplicate and unnecessary processes consolidating official forms, and, generally, by expediting and abbreviating the transaction of business, and

2nd.—To ascertain what is the smallest number of persons by whom the work can be properly done after it has been so revised; what rates of pay are necessary to secure the services of competent persons; and what arrangements should be made in order that the public may have the benefit of a selection of the best candidates for employment.

Steps have been taken to give effect to the recommendation contained in the valuable Report of the Commission of Inquiry into the Commissariat, and a Committee has been appointed to investigate and report upon the entire Subordinate Establishment, European and Native, of the Commissariat, and to propose such measures for its reorganization as may appear to them best adapted to promote the efficient and economical administration of the Department.

The East Indian Railway, in the economical management of which the financial interests of the Government are as much concerned as in that of any Public Establishment, has been carefully investigated, in all that relates to its system of Account and Audit, by Mr. G. N. Taylor who was afterwards deputed to conduct a similar inquiry into the Great Indian Peninsula and Bombay and Baroda Railways. Mr. Taylor's recommendations have been cordially accepted by the Directors and Officers of the East Indian Railway, and great practical improvements have been made.

The most important work of all is the revision of the general system of Account and Audit. The existing system was established by the East India Com-

pany on the good old, mercantile, double entry principle, but it has since been overlaid and confused by a variety of obsolete entries, irrecoverable balances, and, above all, by a vast number of complicated and unnecessary inter-presidential and inter-departmental advances and re-payments. In the course of the past year, the main principles, whereby regularity and exactness have been established in the accounts of Her Majesty's Government, have been introduced into the Indian Accounts ; such as the rule that the Estimates shall be taken for expenditure coming in course of payment within the year, and that every thing shall be debited or credited to the accounts of the year in which the amount is received or paid ; that the progress receipts shall be credited to Revenue and the gross expenditure shall be debited to Charge ; that expenditure shall be provided for, *as a final charge*, in the Estimates of the Department responsible for the general head of Service, and so forth. The good effect of this has already appeared in the increased uniformity and correctness with which the estimates now submitted have been prepared. The two Financial Officers who were deputed to India by Her Majesty's Government are now making a searching investigation into all the details of the system of Accounts and Audit, and it may be hoped that, on the receipt of their Report, the last finish will be put to the reform of our financial machinery, which has now been for several years in progress.

I have alluded to the commercial crisis through which the country has passed only so far as the finances have been affected by it. The Government Note Currency has stood the trial in a very satisfactory manner. So completely is its identity in value with silver established in peoples' minds, that, even at the time of the greatest scarcity of coin at Bombay, Rupees continued to be sent to the Currency Department to be exchanged for Notes. The general stock of specie has been economized by the investment, in Government Securities, of £3,000,000 of deposits on a Note circulation of £5,350,000. Arrangements are in progress for the information of three new Currency Circles,—one for the North-west Provinces and Oudh, another for the Punjab, and the third for the Central Provinces. The introduction of a gold currency has been recommended by the Chambers of Commerce of Calcutta and Bombay, and the subject will occupy the serious attention of this Government in communication with the Secretary of State. The difficulties are great ; but there can be no doubt of the advantages of the measure if it can be satisfactorily effected. It would bind together England, Australia and India in a triangular trade of a highly beneficial kind. The manufactured goods exported from England to Australia would be paid for by sovereigns sent to India to pay for Indian produce exported to England ; and the convulsive efforts by which gold is periodically abstracted from the Bank of England, to sweep the Continent of silver for transmission to India, would be sensibly mitigated. The de-

preciation of gold would be arrested by bringing to bear upon it the power which India has of absorbing the precious metals ; and, besides the advantage of a convenient currency suited to the increasing wealth of this country, the chronic embarrassment of the Indian trade arising from the great excess of the exports over the imports would, as far as possible, be diminished by the firm establishment of an article of import of which there is an unlimited supply, and for which there would be an unlimited demand.

The Hon'ble Mr. BULLEN said, that he had listened with pleasure to the able and satisfactory statement of the Hon'ble Member. It was gratifying to find that in spite of an unexpected frontier war, and notwithstanding an equally unexpected falling off of over a million in the Opium Revenue, the Hon'ble gentleman was still able to announce a surplus, and that surplus, not arising from retrenchment of the sums appropriated last year for public works or for education, or from the denial of any legitimate demands for the public service, but from actual increase of the revenue-yielding resources of the country. This was very very satisfactory, but it was when the present financial position was contrasted with the financial position of four years ago, that the improvement which had taken place in the interval could be properly appreciated. Then with a debt with which owing to the expenditure caused by the mutiny, had in three years enormously increased, and with an annually recurring deficit, the revenues of the country were believed to be so inelastic, that extraordinary taxation could alone avert bankruptcy. As a consequence public securities were discredited, and could only be sold at a heavy discount. Now, instead of a deficit, there was a surplus ; instead of an annually increasing debt, it had been announced that during the last two years, the debt had been reduced by twelve millions sterling ; instead of extraordinary taxation being absolutely necessary, the Hon'ble gentleman contemplated with equanimity the expiry of the Income Tax next year, and with the loss of a million sterling of revenue ; and instead of the public securities being only saleable at a heavy discount, they were now in active demand, both in India and in Europe, at a high premium. Satisfactory, however, as was the retrospect of the past, the prospects of the future were, he believed, even brighter. The Commerce of the country was increasing with unexampled rapidity. Large tracts of land, hitherto waste, were by the application of European capital and by European energy and enterprise, being rapidly brought under cultivation. Those great arterial lines of Railway communication which had been so long under construction were approaching completion, and last, though not least, by means of the telegraph cable, which had just been so successfully laid by the skill of Colonel Patrick Stewart and the other scientific gentlemen associated with him in that great work, this country would shortly be in direct communication with England. All that India required

was peace ; peace within and without her boundaries. If the blessings of peace were preserved to her, he did not doubt that, great as had been the progress made during the last four years, even greater progress would be made during the next four years, and that in all that constituted material prosperity, the India of 1868 would be found as far in advance of the India of the present day, as the India of 1864 was in advance of the India of four years ago. With regard to the alterations which the Hon'ble gentleman proposed to make in the Customs' Duties, he would only say that the reduction of the Duties on all articles now paying 10 per cent. to 7½ per cent. had his warm approval so far as it went ; but he regretted the Government had not gone further and reduced those duties to 5 per cent. He hoped, however, to see a further reduction next year. The revenue which the Hon'ble gentleman would lose by the reduction, he proposed to recover by a re-adjustment of the fixed values on which the Customs' Duties on Cotton Piece Goods were levied. This could not be objected to as inequitable. There was no doubt that on the valuation fixed three years ago, before the outbreak of the secession war in America, the duties which for some time had been paid on Yarn and on Grey Cottons was much below the Duties paid on other kinds of Cotton Goods, on which the Duties were levied *ad valorem*, and no reasonable objection could be urged to such re-adjustment of the tariff of values as would cause the incidence of the Duties to be equal on all kinds alike. He would only further allude to an article which, although not mentioned in the Hon'ble gentleman's statement, he knew had not escaped the Hon'ble gentleman's attention because the Hon'ble gentlemen had done him (Mr. Bullen) the honour of consulting him in regard to it a short time ago. The article was Saltpetre. The Hon'ble gentleman, when he had consulted him regarding this article, had appealed to the export since the present Duty had been in force, in proof that the export Duty had not interfered with the demand for foreign markets. He (Mr. Bullen) admitted that, the taking the exports as a test, it was difficult to make out a case, and he was not, therefore, surprised that Government were unwilling to give up a considerable revenue levied from foreign consumers. But it was nevertheless true that the manufacture of artificial nitre was on the increase, especially on the Continent of Europe, and that it could be produced at a lower price than Indian Saltpetre could be laid down in the markets of Europe. There was danger, therefore that if this heavy export Duty was maintained too long, the important Saltpetre trade of this country might be placed in some jeopardy. He hoped the Hon'ble gentleman would bear this in mind, and prepare himself for the reduction or abandonment of this Duty at no distant period.

The Hon'ble SIR ROBERT NAPIER said—" I beg permission to occupy the attention of the Council for a moment to do an act of justice. It has been

said, and with truth, that it is the tendency of all Government Establishments to increase in expensiveness. It is certainly true with regard to the Military Establishments of India. Much of this is due to the improving condition of the people : as the social condition of the people improves their wants increase, and it was justly observed by Lord Hardinge, that 'the Soldier must not be left the only persons whose condition is not to keep pace with that of the other classes of society.' It is perhaps one of the most difficult duties of the Department whose business it is to scrutinize the details of the Military expenditure, to discriminate between the increasing demands which are necessary, and those which are not so. It is only just to the Officers of these Departments to say that they have done their work with great vigilance and rectitude. During the past year no less than cloven lakhs of Rupees have been saved by the economical revision of the ordinary expenditure alone. It has been pronounced by officers of great ability and experience, highly competent to form an opinion, and who had made the armies of India their study, that that the expense of the armies should be reduced to twelve millions, and I am happy in being able to say that the estimated net, or actual, cost of the armies, for the coming year, is within that sum, notwithstanding that some very unexpected and extraordinary expenses have been thrown upon the Army Estimates. Much of the credit of this result is due to the Officers of the Departments that I have named, the Military Secretary, the Accountant General in the Military Department, and the Controllers of Army and Commissariat Accounts ; and it is only fair that it should be mentioned."

The Hon'ble SIR C. TREVELYAN explained that although he entirely agreed in the praise which had been bestowed upon the Military Secretary and the Officers of the Military Account Department for their exertions in keeping down expenditure, it must be remembered that the incidental receipts connected with each of the great Departments, such as Law and Justice, Public Works Marine, and Military form part of the public revenue, and that, according to the English as well as the Indian practice, the expenditure which had to be operated upon, in dealing with the Departmental Estimates, was the gross expenditure. He also said that the attention of the Government had, as observed by the Hon'ble Mr. Bullen, been closely directed to the circumstances of the Saltpetre trade, and that care would be taken not to risk a valuable staple by levying an unsuitable Duty. He further remarked that a virtual bounty was given upon the production of Saltpetre by not taking any steps to levy the duty of one Rupee four annas a maund upon the edible salt which was educed in the process of manufacture in the Province of Behar, where the great bulk of the Saltpetre was produced.

The motion was put and agreed to.

The Hon'ble SIR C. TREVELYAN having applied to His Excellency the President to suspend the Rules for the Conduct of Business.

The President declared the Rules suspended.

The Hon'ble SIR C. TREVELYAN then introduced the Bill and moved that it be taken into consideration.

The motion was put and agreed to.

The Hon'ble SIR C. TREVELYAN also moved that the Bill be passed.

The Motion was put and agreed to.

The Council adjourned.

CALCUTTA, }
The 7th April 1864. }

C. BOULNOIS,
Offg. Depy. Secy. to Govt. of India,
Home Dept.