

Saturday, March 24, 1866

**COUNCIL OF THE GOVERNOR GENERAL
OF INDIA**

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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 Saturday, the 24th March 1866.

P R E S E N T .

His Excellency the Viceroy and Governor-General of India, *presiding*.

His Honour the Lieutenant-Governor of Bengal.

His Excellency the Commander-in-Chief.

The Hon'ble H. Sumner Maine.

The Hon'ble W. Grey.

The Hon'ble G. Noble Taylor.

The Right Hon'ble W. N. Massey.

The Hon'ble Colonel H. M. Durand, c.B.

The Hon'ble Mahárájá Vijayaráma Gajapati Ráj Bahádur of Vizianagram.

The Hon'ble Rájá Sáhib Dyál Bahádur.

The Hon'ble W. Muir.

The Hon'ble D. Cowie.

CUSTOMS DUTIES.

The Right Hon'ble MR. MASSEY moved for leave to introduce a Bill to alter the Customs Duty on the export of Saltpetre. He said—

“It is now my duty to lay before the Council the financial result of the year which expired on the 30th of April last; the results, so far as they have been ascertained, of the current year, and also the Budget Estimate for the ensuing year, 1866-67.

According to the Estimates of 1864-65, we should have had a Revenue in excess of Expenditure of £823,288.

Unfortunately those anticipations have not been realized, and instead of a surplus of over £800,000, the actual result is a deficit of £193,520, the difference, as the Council will see, being upwards of a million sterling. Now this great difference is caused by the over-estimate of a great head of Revenue, and under-estimate of a great head of Charge. The Military Expenditure had been under-estimated by more than £500,000. This under-estimate was caused by circumstances not in the contemplation of those who framed the estimate. There was a demand for increased expenditure on account

of increased price of provisions, that told on the expenditure of every Department. Besides this, there was the substitution of full for half batta. And lastly there were the expenses arising out of the Bhután War.

On the Revenue side of the account, with one exception, the calculation had been so moderate that the Revenue has yielded £327,622 more than was estimated. But unfortunately Opium, that great disturbing element of Indian Finance, failed. There was a falling off in the returns from the sale of that drug, as compared with the Estimate, of upwards of £800,000, so that, putting together the failure of Opium and the under-calculation of Military Expenditure, the result is a deficit of £198,520. For the present I will say no more upon the financial transactions of 1864-65. I shall have occasion to refer to them again; but I will now proceed to the current year, which will expire on the 30th April next.

This year has been marked by great vicissitudes. It was the misfortune of my predecessor to meet the Council at this time last year with his Expenditure in excess of his Revenue. Sir Charles Trevelyan had estimated the expenditure at £47,204,450. The Revenue derived from ordinary and existing sources was estimated at £46,488,760. The result was a deficit of £715,690, and it was deemed necessary to balance Revenue and Expenditure by resorting to other means. The means adopted by Sir Charles Trevelyan are in the recollection of the Council. He proposed by additional Customs Duties to raise £380,000. He also proposed, in consideration of the increasing Charge of Public Works and of Military demands, to recruit the Revenues of the year by a loan of £1,200,000. It was, therefore, Sir Charles Trevelyan's opinion that the normal state of the finances required only a permanent addition of about £300,000, and that occasional demands were to be met by a loan which would be a simple charge for that particular year. The result of these operations would have been to convert the deficit of £715,690 into a surplus of £874,810. Those extraordinary ways and means by which my predecessor proposed to recruit his Revenue were however disallowed by Her Majesty's Government, and the Revenue consequently fell back upon the ordinary resources, the result being that the deficit of £715,690 was reduced by only £60,000 and remained at £655,690. In the progress of the year, that unfortunate state of things was aggravated. The estimated Expenditure was increased (speaking in round numbers) by a sum of £173,000, and if the Council will allow me for one moment, for the purpose of these calculations, to eliminate both from the Budget Estimate and the Regular Estimate at which we have now arrived, a single head of Revenue, the Receipts exhibit a decrease of £422,420. Therefore, if you add the increased expenditure of the Army, and

also the decreased returns from the Revenue, to the original deficit of £715,690, you will arrive at the formidable figure of £1,250,000.

Such was the state of our affairs at the commencement of this year; and had it not been for the fluctuations of that great source of Revenue to which I have adverted, and which the Council will readily understand to be Opium, I should have had this day to meet the Council with a deficit of 1½ million. I have shown you the effect of this disturbing element of Indian finance on the Estimates of last year. I shall now show you that, oscillating with equal violence, though fortunately this time in the right direction, it has produced a nearly equal effect on the current year. In 1864-65, Opium yielded £838,000 less than the Estimate. In the present year it will yield £915,000 more than the Estimate. Thus the effect of restoring Opium to its place in the Balance-sheet will be the reduction of the deficit of £1,250,000 to £335,000.

I now pass to the Estimates of the year which will commence on the 1st of May.

I will at once show the Council the sum total of the Balance-sheet. We estimate our Expenditure at £46,825,600. We estimate our Revenue at £46,752,800. The result is that we have a deficit of £72,800. Considering the growing increase of almost every head of Charge, and that in the ensuing year we shall be deprived of one great source of Income which has succoured our Revenue during the last three or four years—the Income Tax—I do not think that we have much reason to despair of our finances. It would have sounded better if we could have placed the small difference between Income and Expenditure on the other side of the account. But it is really immaterial whether so small a sum as £72,800 stands on the one side of the account or the other. The only question is, whether it is prudent to suffer our Revenue and Expenditure to remain nearly in a state of equilibrium. That question of course depends on a great variety of considerations, and is not to be determined by the mere result of casting up the figures.

The different heads of Revenue according to our Estimate for the coming year are for the most part in an improving condition. I cannot state that there is any great advance in any particular branch of Revenue. But I find a result which, to my mind, is most satisfactory, a gradual progression. If you look at the figures of your Balance-Sheet and find an increasing Revenue, you consider whether that increase is caused by a natural development of the ordinary sources of Revenue, or whether it is attributable to accidental causes, the recurrence of which cannot be calculated on. I can confidently tell the Council, after

careful examination of these accounts, that, so far as the Revenue shows progress, I believe that progress to be sound ; I believe that it represents a principle of progression, and that we may fairly expect that future years will show a still greater increase.

Our Revenue is in that balanced state that we have had to scrutinize every figure, because if we put down under any head more than was likely to be realized, we should be likely to disconcert the whole of our calculations. If, as in England, you have an annual surplus of millions, you may be allowed some latitude in your Estimates. It is true that our ordinary Revenue has made satisfactory progress, but it is equally true that we cannot safely look to this expansion beyond certain limits.

The Land Revenue in 1864-65 was £20,095,061. Our Estimate for the ensuing year is £20,254,800, an increase of £160,000. Connected with Land Revenue is one small item—Forests. It is of very recent origin. At present it can hardly be said to have emerged from obscurity. But still it shows a figure which exhibits a very large proportionate increase. We received from Forests in the year 1864-65 £351,000 ; we calculate on receiving in the next year £462,000.

The next head is *Abkari*, from which returned $2\frac{1}{2}$ millions in 1864-65. We expect to receive in the present year something like the same amount. We have estimated only a small increase, £80,000.

Then we come to the Income Tax, which in 1864-65 yielded a sum of £1,281,817, but in the Estimate of the present year dwindles down to £10,000 which we have set down against the small residue of arrears still outstanding. Thus under a single head, the permanent Revenue sustains a loss of £1,200,000 or, deducting the one per cent. appropriated to Local Works, about £900,000 ; and this important fact, being kept in view, a deficit of £70,000 does not present the Revenue in an unfavourable aspect.

Customs in the year 1864-65 yielded £2,296,921. Our Estimate for the next year is £2,414,100. This is not a very satisfactory figure, for it shows that however the country may have made progress in other respects, commerce has not improved to the extent which might have fairly been anticipated, and which I hope it may attain to in future years.

I now come to the great head of Revenue which is the source of distraction to our finances, and to those who have to administer them. I refer of course to Opium. The returns from Opium in 1864-65 were £7,361,405. The

amount which we expect to receive in the current year is £8,638,000. The Estimate of Sir Charles Trevelyan was framed upon the very moderate returns for three or four preceding months. Those low figures were maintained for the first three or four months of the present financial year. There was an unusually large quantity of Opium for sale during the present year, and, upon the advice of the Lieutenant-Governor of Bengal, we limited the number of chests for next year. The result of this announcement was that the price immediately rose from Rs. 850 to Rs. 1,000 a chest, and every month has shown an increase upon its predecessors, the last sale having averaged Rs. 1,487. Considering the price which has been steadily ruling since the month of August, the Government of Bengal is of opinion that we may safely set the gross Revenue for Bengal and Behar Opium at $6\frac{1}{2}$ millions, that is, about £140,000 less than the estimated returns of the preceding year. Accordingly our Estimate for 1866-67 is Rs. 1,300 per chest, which will yield £6,240,000.

The Opium returns would have shown a still more satisfactory figure if it had not been for the minor market of Bombay. Bombay Opium, as the Council is aware, is sold on a different principle from that of Bengal. Here we have a monopoly of the drug. There we levy a pass duty. That duty is at present Rs. 600 per chest. It was calculated that £2,500,000 would have been derived therefrom this year, and the high prices quoted in China fully justified the expectation that every available chest of Opium would have been brought down to Bombay for shipment. But unfortunately the drug has come into competition with an article of still greater importance, and I believe that Bombay Opium has been partially sacrificed to Cotton. The result is that, instead of getting $2\frac{1}{2}$ millions, we shall not realize more than two millions. If Bombay Opium had done its duty as Bengal has done, instead of our having a deficit of £300,000 in the current year, we should have had a surplus to nearly the same amount.

Stamps in 1864-65 yielded £1,972,098. This year we put the figure at £2,000,660. We have no cause for making a greater alteration. I cannot safely say that I have discovered any reason which renders our Stamp Revenue in 1866-67 materially different from the results which have been attained in 1864-65.

The other items are not of sufficient importance to warrant me in detaining the Council. They vary in small sums, but they vary in such a manner as not in any degree to illustrate the progress of our finances. They are simply variations which must happen from year to year, and it would

be idle to speculate upon any cause which produces any marked difference between one minor article and another.

The total estimated Revenue for the year 1866-67 being Rs. 46,752,800, I now turn to the other side of the account. In the same way as the Revenue shows a gradual progress, so I am sorry to say, the other side of the account exhibits at least an equal progress in Expenditure. The country has become more prosperous, the necessaries of life more expensive, and the attractions which India presents have certainly not increased. The result has been, that we have had to raise salaries, to make allowances for an increased price of living, and to provide for the enhanced cost of maintaining the Army both European and Native. The charge for the Army in 1864-65 was £13,181,957. The Estimate for the present year is nearly exactly the same. The difference is £747. But the Estimate of 1866-67 is a considerable diminution on the Charge of the current year. That diminution has been caused in part by the cessation of the Bhután War, a peace having been concluded suitable to the circumstances of the case and to the character of the people with whom we had to deal. Besides dispensing with a Native regiment at Madras, certain reductions have been made in the rank and file of the Army on the representation of His Excellency the Commander-in-Chief, with the full sanction of Her Majesty's Government. Probably my Hon'ble and gallant friend will take the opportunity, before the Council rises, of explaining the grounds on which he has thought fit to recommend these reductions. Anxious as I am that the finances should be relieved as far as possible from pressure, I should be the last person to urge any reduction in our Military Force not justified by the circumstances of the country. My Hon'ble and gallant friend has, however, satisfied his colleagues and convinced Her Majesty's Government that the retrenchments which he has proposed can be safely effected. The saving will amount to more than £300,000, the greater part of which will be available in the ensuing year.

Now, Sir, the result, so far as we have gone, suggests some serious considerations. I have shown that the year 1864-65 has been ascertained to be a year of deficit. I have shown that the current year will probably also be a year of deficit; and I have laid before you an Estimate which shows a deficit for the ensuing year. In fact, the year 1862-63 was substantially the last year of surplus. The year 1863-64 certainly resulted in a nominal surplus of £78,000, but so small a sum as that makes little difference whether it stands on the one side or the other. A surplus ought to be an absolute and substantial sum, representing a positive and manifest increase of Income over Expenditure, and you cannot give such a name to the trifling figure I have mentioned. I

am justified therefore in saying that the year 1862-63 was the last year of surplus Revenue. But the year 1862-63 is an exceptional year. It is the first year that shows any results of the great financial operations commenced in 1859-60, when the finances of this country were in a most disordered state,—a state bordering on bankruptcy. It became necessary in that year, therefore, to deal with our financial system in an extraordinary manner, and the operations which went on in 1859-60 and the three succeeding years, are rather to be considered a re-construction of our financial system than ordinary adjustments between Revenue and Expenditure. In 1859-60, the Army Expenditure was reduced from 21 millions to $12\frac{1}{2}$ millions. The Civil Service had also to undergo the rigid discipline of finance. It was reduced by a million and a half. The Salt and Stamp duties were greatly increased. The Income Tax was imposed for the first time ; and the year 1862-63 was the first year that exhibited the result of these enormous changes. It so happened also that in 1862-63, by one of those vagaries to which the Opium Revenue is subject, the returns were $1\frac{1}{2}$ million in excess of the Estimate. The result was that the balance-sheet of 1862-63, which was prepared so as to leave a fair working margin, exhibited a surplus of £1,800,000, and although this figure was afterwards reduced by the Secretary of State, according to a mode of stating the account different to that which had been adopted here, there was still a large balance on the right side ; insomuch that my predecessor announced in the following year that the reign of deficit had ceased, and that of surplus had commenced. Unfortunately that expectation has not been realized, and I have to-day to ask whether you are satisfied with a statement showing a deficit in three succeeding years. This brings us to the question. Shall Expenditure be reduced, or taxation be increased ? Before answering that question, let us take a general review of our finances for the last few years. Our Expenditure in 1863-64 was $44\frac{1}{2}$ millions. In 1864-65 it was $45\frac{1}{2}$ millions. In 1865-66 it is estimated at $47\frac{1}{2}$ millions, and in 1866-67 at $46\frac{1}{2}$ millions ; so that, compared with the year 1863-64, there has been on the average an increase of upwards of two millions. If that ratio of Expenditure is to go on, it is quite manifest that our existing resources cannot keep pace with it. What is the nature of this formidable increase of Charge ? A part of it, and a considerable part of it, I find, is attributable to augmented establishments consequent on the increase of Income under the different heads of Revenue. Thus there are £200,000 due to Land Revenue, Forest and Abkárí. We have for some years been engaged in a revision of the whole of the country not already in settlement. The Expenditure thus incurred has been considerable, but the charge is finite, while the result will be a large permanent addition to the Revenue. I may mention that, as regards Oude alone, the result will be an increase of the Land Revenue to the extent of

£340,000 a year. Therefore, so far as the additional Expenditure is represented by an outlay of that kind, it is an outlay to produce large returns. A charge has also been incurred in improving the Income derived from Forests, resulting in an increase of one-fourth, or about £100,000 a year. The growing charge for Telegraphs will likewise be productive of Income. The large advance in the vote for Public Works represents, for the most part, undertakings necessary for the public service, but which, when completed, will entail no other Charge than the cost of repairs.

Then there is a second class of increased Charge, which, although unprofitable in a financial sense, yet in a larger view is gratifying, inasmuch as it represents the progress of the country in wealth, prosperity, and civilization. Thus we find that Law and Justice have increased by £200,000. Then Education will require an advance of £100,000 upon the vote of the previous year. Medical Services have been increased by £26,000; and even such items as Stationery and Printing show a considerable increase.

There is an item of increase not likely to recur. The charge for stores which has doubled in the last year owing to the necessity of replacing stock, and partly to the Bhutan War, which, if it has not been marked by glitter and glory, has been unfortunately attended by the usual financial consequences of Military operations. Many heads of the Army Expenditure show increase. But the necessity for that increase I have already explained by the augmented price of the necessaries of life, which are not likely to undergo any diminution for some time to come, and therefore we must look upon the increase as permanent. Passing now to the other side of the account, since the year 1863-64 there has been a steady progress under the principal heads of Revenue, with the exception of Customs, the Revenue from which has been diminished in consequence of the derangement of trade in Lancashire owing to the American War. Land, Stamps, Abkari, and Salt show an increase which, if not quite commensurate with the progress of Expenditure, is not very far from being so. But not to detain the Council by dwelling on minor particulars, I proceed now to give the totals. The actual Revenue of 1863-64 was £44,600,000. In 1864-65, which was the last year of the Income Tax, our Revenue was £45,600,000. That included a sum of £380,000 which Opium yielded in excess of Estimate. The Revenue of the current year is expected to result in a round sum of 47 millions, more by 1½ millions than the former year; and if we make allowance for the loss of Income Tax, the Revenue will show improvement to the extent of two millions.

The result at which we arrive then is this. So far as ordinary Revenue is concerned, on the whole, it keeps pace with Expenditure. But to make both

ends meet, we have to rely on a head of Revenue of the unstable and capricious character to which I have so frequently adverted. In order to maintain our financial system on its present footing, we must depend upon Opium. But the whole blame must not attach to Opium. There was on the other side of the account a disturbing element of Charge. I mean the great vote for Public Works. But there is this difference between Opium and Public Works, that although they are both disturbing elements of finance, you have little or no control over the one, whilst you have an almost absolute power over the other; and if you wish to maintain anything like equilibrium between your Receipts and Expenditure for the next three or four years, you must not allow this vote to have its own way. I know it will be said that the vote is practically uncontrollable. The promoters of Expenditure under this head invariably say that it is necessary and urgent; but whether it be a Barrack, a Church, a Dock or Road, any one of these charges can be postponed to a more favourable season if brought forward at a time when our finances are not in a condition to meet it. The Estimate under this head comprises not only Charges for Public Works, the sanction of which is optional, but also items which are debitable rather to Capital than to Income. If we had a flourishing and redundant Revenue, it might not be worth while to discriminate between these items; but if taxation is to be kept within the limits prescribed by the ordinary demands of the public service, this vote must be subjected to a rigid scrutiny. It has grown from £4,400,000 in 1862-63, to £5,850,000 in 1865-66, with an Estimate for more than a million in advance of this sum in the ensuing year.

I am afraid I am wearying the Council. But our Revenue is in such a state that a close examination is necessary in order to understand it rightly. If the finances of India were wholly dependent from year to year on the Balance-sheet, they could not be safely left in a condition which provides no resource against these emergencies, to which every Government, and perhaps this Government especially, is liable. But we have such a resource in our Cash Balances. Owing to the peculiarity of our administration, the public monies, instead of being collected in two or three depositaries, are diffused through a great number of Treasuries and Collectorates scattered through the country; and the consequence is that a far greater amount of money is required to be kept in reserve for the public service than would be necessary under a concentrated system. As the country is opened up by railroads, we shall be able to dispense with many of the minor treasuries, and in proportion as they disappear, we shall be able to work the Government with diminished balances. At present we require about ten millions; all that we have beyond this amount is available for other purposes. The Cash Balances for the year

1864-65 were estimated at £11,417,000; but the closing balance actually ascertained on 30th April was £12,638,897. The Cash Balance, which was estimated by Sir Charles Trevelyan for the year about to expire, was £10,860,000. It is now estimated at £12,859,000. That difference is attributable mainly to the large increase of railway traffic receipts, and another cause which I am sorry to mention. It may not have escaped attention that although Sir Charles Trevelyan was deprived of Revenue to the amount of 1½ millions which he had calculated upon, and that this was compensated only to the extent of £915,000 from Opium, yet that the deficit amounted to no more than £885,000. The fact is that we received exceptional aid from the Home Government. In the original Estimate from Home for the current year, the Secretary of State proposed to draw upon India to the extent of £800,000 more than his drafts actually reached. But unfortunately the expenses of the Home Government did not admit of retrenchment to a corresponding amount; and the money was obtained by the sale of stock, the proceeds of which were credited in the Home Accounts. The transaction, though it does not appear in our Balance-sheet, has in fact added £800,000 to the Balances. We have estimated the Cash Balance on the 1st of May 1867 at £10,506,000.

Considering then that, on the whole, our Revenue keeps pace with our Expenditure; that though we have, it is true, one great irregular source of Revenue, yet one that is capable of being calculated upon data which yield an average Income in a series of years; considering also that there are large items in our Expenditure not likely to recur; considering the state of our Cash Balances, more than two millions in excess, we have come to the conclusion that there is no necessity this year to impose fresh burdens on the people. I will only answer for this year, because if a coincidence so improbable should happen as a great failure of ordinary Revenue and a great sinking of Cash Balances, you must be prepared promptly and vigorously to meet such a state of things by new taxes.

I have not the least doubt that, if an unforeseen necessity arises, there will be no difficulty in raising additional funds. There is one great source of Revenue which we have abandoned, to which we shall recur if necessary; an Income Tax, so assessed as to reach those who are able to pay, would be far more productive than that which has recently expired. There are many Charges debited to Imperial Revenue, which might be transferred to Local Funds. I hold in my hand a paper showing that the actual sum received from Local Funds in 1864-65 was £2,451,000. So far from our being enabled to calculate on any advance on that moderate figure this year,

we are obliged to estimate for a smaller sum, only £2,320,000. It is impossible to believe that the capacity of this country to contribute to local objects is measured by such a sum as 2½ millions. I do not want to quote the precedent of England. But I may just remark that England, besides a Revenue of £70,000,000, pays £17,000,000 by voluntary assessment for local objects. I do not say that it is practicable to raise such a sum as that for local purposes in this country. But surely the disproportion between these two figures might be reduced, and we might fairly expect that, on a re-distribution of our burdens, we may look to the Local Governments to raise, by local taxation, a sum which will relieve us to a certain extent from Charges which properly belong to Local Revenue, and unfairly find their place in the Imperial Accounts.

There are certain great Public Works in which the people of India are especially interested. I mean Irrigation Works. I hope it is probable that in the course of the ensuing year the remodelled plan of the Ganges Canal will be undertaken, that certain works on the Godavery will be prosecuted, and that the Baree Doab Canal will be proceeded with. With regard to the Ganges Canal, the plans have been prepared by Captain Crofton, and have been submitted to a Committee of Engineer Officers, whose report will, I hope, be received in time to enable the works to be commenced this year. The works on the Godavery are under the direction of Major Haig, and I understand that that Officer, who is now in England, in communication with Her Majesty's Government, has devised a plan by which those works will be brought to a successful termination. And as to the Baree Doab Canal, I hope there will be no material obstacles to its progress. But it is impossible to say with certainty whether any of these works will be undertaken at all this year. We have roughly estimated the cost of these works at about 1½ millions, of which something less than £300,000 will come into Charge during the ensuing year. No provision has been made for this Expenditure in the Estimates; and for this reason, that they are works of a totally different nature from Ordinary Public Works. They belong to a class called Reproductive Works, that is to say, works the Expenditure upon which is likely to prove a profitable investment of capital, and it is the desire of the Secretary of State that works of this sort shall be provided for out of surplus Revenue, the available surplus balances; and failing these, by loan. Of course we have this year no surplus Revenue. There will however be available balances adequate to the moderate demands which may be expected in respect to these works, so that there is no probability that it will be necessary, during the course of the year, for the Government to propose a loan.

The vigorous prosecution of Irrigation Works has been delayed by various causes. There have been in the first place very considerable discussion and doubt as to the agency by which these works shall be done. The Government of India has expressed an opinion in which Her Majesty's Government concurred, that works of this character, so likely to be productive of Revenue, should be retained in the hands of the Government, and conducted by Officers acting under its orders, and defrayed entirely from Revenue raised on its credit. On the other hand, there have not been wanting many advocates of private enterprize. I may say at once that the field is ample for both. I concur, however, generally, in the opinions which were expressed by the Government of former years that, all other conditions being favourable, the construction and management of these works should be undertaken mainly by the State. It is of paramount importance, however, that the works should be done, and if they are to be undertaken and vigorously prosecuted, I do not see how it is possible to dispense with the co-operation of private enterprize.

There has been another reason, I know, assigned why the Government should maintain works of this kind in their own hands. It has been said that it is not right to abandon the Natives to the mercies of Joint Stock Companies. For my part I am not pressed by the force of that objection. This country had for a century, until indeed the other day, been governed by a trading corporation, and I am not aware that the rule of the great Company which has passed away contrasted unfavourably either in generosity or humanity with the Government of the Queen. But whatever force may be attributed to an objection of this kind, I still recur to the overwhelming necessity of executing these works. It is not a question merely as to who shall derive the enormous profits of these undertakings—whether they shall go into the treasury of the Government or the pockets of shareholders in Companies. It is a question of far greater magnitude, involving public health and the lives of the people. If that is so—and no man denies it—is it becoming that we should permit unnecessary delay in the prosecution of those undertakings for the sake of any financial reasons whatever? I am the last man to relinquish any available source of Revenue, and I am very sure that works of this class are capable of furnishing in future years ways and means which would greatly tend to diminish the anxieties of a future minister of finance. But there is an over-ruling necessity which peremptorily demands that these undertakings should not be neglected or delayed. We must not, therefore, discourage the co-operation of private Companies which can satisfy us that they can command the means and mechanical ability to construct such works. Even if it were possible for the Government to undertake an enterprize so vast as the construction of the whole of the Irrigation Works

which India requires, I say we might still yield a very large portion to private enterprise, and retain what would be amply sufficient to occupy our time and our resources.

That being the case with regard to the question of agency, we have had another difficulty to encounter. We have had differences of opinion—differences very likely to arise between eminent Engineers—as to the mode in which these works should be carried out. I should rather say that there has been a conflict of opinion between two schools of Engineers on the subject. While that conflict was raging, it was difficult for an unskilled Government to take upon itself to pronounce an opinion. But steps have been taken to reconcile these conflicting opinions, and I am sure that the ability and zeal which actuate the professional men who have given their time and talents to project of this magnitude may be relied on to remove minor causes of difference and to reach some practical conclusion, advantageous to the country, conducive to their own fame, and satisfactory to the Government.

There is a third hindrance which has also obstructed the progress in Irrigation Works, and that is a financial one. It is manifestly impossible to meet demands of this sort out of Ordinary Revenue, and therefore you must either fall back on your Cash Balances, which you cannot safely depend upon to yield enormous sums, or resort to a loan. The state of the money market in England, overwhelmed as it is by projects of every description, is not very favourable to Indian loans. But I am not without hope that well-considered plans of Irrigation Works may prove attractive to Indian capital when I consider the vast results which have already been accomplished in this field of enterprise. At all events the experiment should be tried; and in no case can it be maintained that an Expenditure of some thirty millions presents an insuperable difficulty, or indeed a formidable obstacle, to the execution of designs more conducive to the prosperity of the country and the welfare of the people than any which the well-wishers of both have yet been able to realize.

I must not omit to mention a fourth difficulty which has hitherto stood in the way of these operations, and that is the condition of the labour market. Alarm has been felt in high quarters lest works of this magnitude should overtask the swarming multitudes of India, and that the ordinary demands for labour would be left unsatisfied by the competition to which they would be exposed. Such apprehensions were felt in England when the Railway system was introduced. I need hardly say that they were found to be futile; and though the conditions of the labour market in England are in some important particulars different from the conditions of the labour market in India, there

are elements enough common to both to justify us in believing that, here, as in England, there is no cause for such alarm, and that the fear of overtaxing labour has been greatly exaggerated.

I have thought it my duty to state the reasons which have satisfied the Government that the mere fact of a small deficit is not sufficient to warrant new taxation. I hope those reasons will be found satisfactory. But I must not omit to mention that there is one very small tax—not indeed so much a tax as a fiscal arrangement—which I must ask you to sanction. There is at present a difference in price between Bombay and Madras Salt. The Salt Revenue in Bombay is raised by an ordinary excise duty. But in Madras the Government itself buys the Salt, and adds an amount of Revenue equivalent to the duty raised in Bombay. Now the cost price of the manufacture in Madras has increased by about three annas, while the price charged by Government remains the same, *viz.*, Re. 1-8-0. The consequence is a difference of about three annas in favour of Bombay. We have thought fit, therefore, with the assent of the Madras Government, to make a small addition to the price of the Madras Salt, which will make the duty equivalent to that which is obtained in Bombay.

The financial result will be an additional Revenue of about £185,000, and that is the only tax which we propose.

Of course we are not in a position to propose any remission of taxation. But there is one article which it is necessary to deal. Some years ago, Mr. Wilson expressed a hope that the Customs Duty from Saltpetre, which then only paid a three per cent. *ad valorem* duty, might be made to present a respectable figure in the Revenue. That expectation has been wholly disappointed. The augmented duty was first fixed at two Rupees, and afterwards reduced to one Rupee a maund. Notwithstanding that deduction, the Indian article was found unable to compete with the new manufacture in Europe, and the trade in Saltpetre became and still continues in a very languishing state. It is not, however, desperate; and there is no reason to hope that the manufactured commodity will not, in the long run, supplant the Indian article when relieved from the weight of taxation with which it is now oppressed. We propose therefore to repeal the duty of one Rupee per maund, and to restore the former duty of three per cent. *ad valorem*.

These are the only changes which we propose to make. But the whole of the Customs Duties will undergo revision, with a view to the classification and re-adjustment of the Tariff. This, however, we shall reserve for a future year.

With these observations, I beg to move for leave to introduce the Bill.

The Hon'ble MR. COWIE said that, at the risk of again falling under His Excellency's censure for holding unorthodox opinions, as was the case at that period of last year, he again recorded his opinion that large Public Works of great and enduring utility ought to be provided for by loans extending over a moderate term of years, instead of being, as at present, taken out of the Revenue of a single year. That was the practice followed by municipalities, by European landlords and by others, and he held that it would be judiciously followed by Governments also. The Right Hon'ble gentleman had happily been able to show an estimated deficiency of only six lakhs of rupees. If in the course of the year, or at its close, that state of things should materially alter for the worse, he trusted he would resort to a loan, on the principle to which he had referred, in preference to falling back on the much abused Income-tax, or in fact, of resorting to any taxation at all.

There was a minor feature in the Right Hon'ble gentleman's able address on which he wished to remark. It was the retention of any duty on Saltpetre. Our Finance Minister, in his Statement of Objects and Reasons, admitted that the high duty had acted injuriously on the trade. It had done so, and that for a length of time, and he thought manufacturers and exporters of the article were now fairly entitled to have it placed on the free list. With His Excellency's permission he (MR. COWIE) would propose an amendment to that effect.

His Excellency the COMMANDER-IN-CHIEF said—"At the instance of my Right Hon'ble friend, I depart from the rule which has hitherto obtained in the transactions of the Indian Government. I allude to the reticence which has invariably been practised by those placed at the head of great Executive Departments. I hold strongly to the opinion that such reticence is advantageous neither to the public nor the Government, when recommendations are to be considered which have been turned into practical measures, and those measures have become accomplished facts. Still the rule existed, and had I not been invited by my Right Hon'ble friend, I should have felt myself bound by it. With regard to the recommendations referred to by my Right Hon'ble friend, I would remind the Council that, when I first joined this Government, I was requested by your Excellency in Council to consider if it were possible to propose any measures of military economy which, without impairing our military strength, and therefore our political security, might conduce to further the purpose more immediately suggested by my Right Hon'ble friend. For two or three months I gave the utmost attention to the subject, with the assistance of the gallant Officers more immediately under my orders. The result was that, after careful consi-

deration, I was able to propose that a plan should be followed in this country similar to that pursued in England, namely, to reduce the aggregate numbers of the British part of the forces by operating on the rank and file, without diminishing the number of the heads of troops in the several centres of population, by which the sense of military strength is actually made present to the whole population at large. Such a proposal was accordingly made by your Excellency's Government to the Right Hon'ble the Secretary of State. But I may be asked how I would justify the course I thus ventured to propose. That, Sir, depends on the vast strategical change effected in this country by the development of our new means of communication. Thus, in old days, there was no communication between the three Presidencies by railway, or steamer, or even by common roads. The minor Presidencies of Bombay and Madras were, for the purposes of war, as much separated from that of Bengal as England is now. If a great war broke out in the North-West, the Armies of Madras and Bombay might be a distant reserve on which to draw eventually, as is the case now with Her Majesty's forces in Great Britain. But they were practically useless for the purpose of an effective military combination in the execution of the immediate campaign.

What is the case now ? The barriers between the Presidencies have been virtually swept away, and our troops are moved with a rapidity and an exactness which can alone be appreciated by those who have to direct them. Thus I may mention that a regiment is suddenly placed under my orders on arriving at Fort William from England. Within a week it is comfortably housed in its new quarters at Agra. Such an instance actually occurred a few weeks ago. I may give another illustration in the movement of the corps directed in the late operations of Bhutan. With your Excellency's entire concurrence and sanction, I declined to move a man till the very unhealthy season of the Bengal Dooars should have passed away. I felt that two nights passed in September or October in the Dooars would entail a heavier loss on our troops than any mischief that would have been caused if the whole military force of Thibet and Bhutan had been directed against General Tytler. Sir, with your entire concurrence, notwithstanding considerable pressure from the outside, I remained firm in this matter. Well, was any inconvenience caused ? Was any political delay entailed ? Was the campaign protracted ? On the contrary, such is the perfection of our communications, by steam and rail—such was the dexterity with which those means were applied by the Officers under the orders of the Commander-in-Chief, as well as by my gallant friend the Commissary General, and his assistants,—that the regiments arrived with the greatest exactness, after traversing distances varying from 1,500 to 500 miles, at

the time they were wanted, with a rapidity which would have been inconceivable before the existence of Railways. With such evidence before us of what I have ventured to call the strategical change effected in this country by the construction of our new communications, is it wise, is it reasonable, is it to be supposed that we should not apply the principles here displayed for the purposes of military economy? I venture to say that there is no military man who has studied the theory as well as the practice of his profession who would not agree with me that this question should be answered in the negative.

I have already referred to Bhutan affairs, but as I am in the course of making explanations, I think it right to allude more especially to the strange misapprehension by which the public mind has been perverted. It has been declared that the honour of England has not been supported, that her reputation has been stained and her name disgraced, because we declined to press with what might approach to cruelty on a miserable and wretched people lying at our feet.

What are the facts? The Government of India had already inflicted heavy punishment on Bhután. A proclamation had been issued by which a large slip of Bhután territory had been annexed. Was it to be supposed that a people which, however barbarous and untaught, at least possessed the attribute of animal courage, would submit to the loss of a slip of territory which, in their eyes, was probably as valuable as the territory that remained to them—I say, was it to be supposed that a people in such circumstances would not stand up and fight for their own property? Surely nothing else could be expected, and the Bhuteas are hardly to be blamed on that account. Yet, that was the head and front of their offending, which raised such a cry for more punishment. They stood up and fought, and I can only say that they are in my opinion to be respected for so doing. People clamoured for more punishment—for what?—because the Bhuteas came and re-occupied a few posts. What really took place? The first duty I had to perform on assuming my command was to receive the reports of the heavy blows delivered by Generals Tytler and Tombs at Bala and Dewangari. I am justified in attributing that character to them, because, when the small number of the Bhután population is considered, the actions they fought with respect to the losses they incurred, must have assumed in their eyes such proportions as in great European contests would be attributed to pitched battles. This is undoubtedly true, notwithstanding that to us such actions appear as insignificant skirmishes. I say it with confidence. The numbers of Bhuteas reported to have been killed in General Tombs' affair having been reported to be 200. I ask with confidence if this was not a terrible retribution, with regard to the numbers of the Bhután population, for the

check sustained by our arms at Dewangari? I am happy to say that such was the opinion of your Excellency's Government. If we had further pressed this miserable people for the purpose of inflicting a still greater summary punishment, we should have laid ourselves open throughout the civilised world both in India and in Europe, and even with those who had been most impatient at our assumed inaction, to a charge of inhuman oppression, and, I think I may say, cruelty. I am happy to think that this Government has escaped such a stigma. We are saved from shame on such account. The Bhuteas, as soon as it could be arranged, shewed themselves anxious for peace and made overtures. They are however a fickle and unstable race, and their temperament is represented as most uncertain. It was therefore obviously necessary to take precautions that their overtures should have a basis of certainty and truth, and to guard against disappointment in the event. To do so, it was necessary to continue the military demonstration and so to support our diplomatic action. Sir, in the conduct of these affairs, the Government of India followed a policy worthy of itself, in declining to carry on a little war with a wretched State, whilst it really prosecuted war as a great Empire should in such circumstances. The Council will recollect the Duke of Wellington's objections to what he called "a little war." He did not mean that it might not be necessary to punish a barbarous tribe, but he did mean that, when required, the conflict should be carried on by means of the magnificent momentum of the Empire, by which blood and misery would be saved, instead of by engaging in petty and partial conflicts with combatants on equal terms. Well, Sir, such is the policy pursued by the Government, a policy by which all the evils of war have been saved to Bhután, its overtures having grown into a mission, the mission to a treaty, while the heavy penalty originally decreed was exacted from Bhután on account of former misdeeds. Thus was the object effected without loss of life and the glitter of arms to which my Right Hon'ble friend has alluded. The last man sacrificed in this conflict with a wretched people was slain, I believe, in March last. That was most satisfactory, although the ardent spirits on the frontier were doubtless anxious for war, a feeling with which, as a soldier, I can sympathise.

When I come to consider the Military Estimates, I cannot but admit that the administration of the Army must follow the law of civilisation. Thus the means which we have to employ, the rules we have to follow, become more and more artificial. We have to consider the demands on account of education and improved appliances, and such matters as short enlistments and the fact of the many walks of life which now attract the men who formerly had little but the Army open to them. These considerations all involve higher Estimates. Then we have to think of the rise in prices which affects the

people under my command in an extraordinary manner. I cannot exaggerate the pain with which I have contemplated the struggle which many of them have to make in consequence. This applies equally to Subaltern Officers, to Non-Commissioned Officers, to the Soldiers and their families, and to all ranks of the Native Army, from the Subadar downwards. It has been my duty during the last five or six years, both when I was serving under the Bombay Government and since I came here, to make urgent representations on this account, and frequent requests. Those representations have been met with liberality by the Government, and have added to the Estimates in consequence. But I fear the cause is permanent, and I do not share my Right Hon'ble friend's hope of the possibility of reduction on such account. When I was in the Bombay Presidency, I carefully compared the returns of prices for the last twenty years, more especially with regard to the subject we are now considering, namely, the lot of the people under my command. And I found that, during twenty years, with the exception of one single year, the rise of prices had continued from year to year, or in other words, that the change of values was constantly going on. I believe that last year this rise culminated in Bombay. The extraordinary high prices were not confined to the Presidency Town: they spread throughout the Presidency, the prices being equalized by the railways.

To turn now to the subject of Military Public Works, I think I can show that there is some consolation for my Right Hon'ble friend. At present, owing to the very temporary nature of a very large proportion of military buildings, the annual repairs amount up to enormous sums, namely, to ten and fifteen, and as I am told in some cases perhaps even to twenty per cent. on the cost of construction. Now, when the Public Works Department shall have completed thoroughly a system of permanent barracks, one hitherto never-ceasing item of Expenditure in that Department will almost disappear. Thus it may be said that the construction of such permanent buildings comes to bear the character of a sinking fund; that is to say, that a large Expenditure is incurred for the future as well as for the present, or, in other words, that such permanent structures might fairly be charged against Capital instead of Revenue. I am justified in this view by the analogous case of the fortifications for the coast of England, which Parliament determined to charge against Capital, and not to Revenue. It was resolved by my Right Hon'ble friend, and I think with great propriety, that the course adopted by Parliament in the case of the fortifications should not be followed in this country with respect to the barracks. His reason was that he saw that, notwithstanding the vastness of the projects for military buildings, it would not do to encumber with loans on such account the market which might have to meet the

demands of another great cause of Expenditure of a reproductive character, on which my Right Hon'ble friend has dilated with so much truth and eloquence. I might say that the necessity for building these barracks is such that the task can no longer be put aside. It will be understood that I make no reflections on my predecessors in command, or on other Governments. But I have no hesitation in saying, that many of the barracks throughout the country are such as we are not justified in continuing for permanent occupation. It is absolutely impossible to allow the troops to continue to lodge in them. This great stress was caused, not by any fault of my predecessor in the command, but by the fact of the doubling of the European force in 1858, since which date the troops had been put up as well as circumstances admitted.

There has been great consultation between the Government and the Secretary of State, and between Commissions at Home and in India. I am happy to say that the phase of consultation seems now to have passed, and that we are entering on that of action. So it happens that nearly two millions are set aside for military buildings in the Estimate—or rather more by a million than is usually so devoted—of the year. So urgent is the necessity, that I would express a confident hope to my Right Hon'ble friend, that even if Opium go down, the barracks will nevertheless go up.

There is one more point to which I will advert. I have noticed in the most influential public prints in England and other influential quarters, that a great misapprehension prevails regarding the strength of our Native forces in this country. Such statements have been made and argued on with so much force, that I believe it is right to contradict them with authority. Thus it has been said that the numbers of our Native Armies are so large that they interfere with the great objects of economy aimed at by my Right Hon'ble friend, and that those Armies are on such account a cause of just alarm. I consider that such statements are wholly unfounded. I hold in my hand returns shewing the comparative strength of the Native forces in the month of January, in the years 1856 and 1866 respectively. I quote from the abstract, by which it appears that, on the 1st January 1856, the Native forces under the Commander-in-Chief and the Government in the Bengal Presidency amounted to 160,129. In the same month of 1866, the two sets of forces stood at 61,499; the reduction thus shewn amounting to nearly 100,000 men in the Presidency of Bengal. In Madras, in 1856, the forces stood at 57,265. In 1866 the same Army stood at 33,187. In Bombay, the forces under the Commander-in-Chief and under the Government amounted to 38,850. In 1866, they were a little over 25,000. Having called for those figures yesterday, I cannot answer for the perfect accuracy of the numbers stated for

the two minor Presidencies. But I am able to say, from my own knowledge, that they are sufficiently exact for the purposes of this statement. I have chosen the year 1856 for one of comparison, as while it was one of peace, it preceded the great disruption which led to the re-organization of our military system.

In conclusion I would observe, that the Officers directing the Departments of the Army give the utmost satisfaction to the Government, and this not only as respects the performance of their military duties, but also as conducting by the advice they afford me, to the economy of the State."

The Motion was put and agreed to.

The Right Hon'ble MR. MASSEY having applied to His Excellency the President to suspend the Rules for the Conduct of Business.

The President declared the Rules suspended.

The Right Hon'ble MR. MASSEY then introduced the Bill and moved that it be taken into consideration.

The Motion was put and agreed to.

The Hon'ble MR. COWIE moved as an amendment that the article of Saltpetre be placed in the free list.

The Right Hon'ble MR. MASSEY said that he had received representations from various quarters urging the reduction, but in only a very few instances requiring the total repeal, of the duty. The better opinion—if his Hon'ble friend would forgive him for saying so—was that the more moderate course which he proposed was sufficient for the present. If that concession should prove to be insufficient, the Government would be willing that Saltpetre should be placed in the free list. But he was not disposed in the present state of our finances to make any concession further than was necessary, and he hoped that his Hon'ble friend would allow the experiment to be tried during the present financial year.

The Hon'ble MR. COWIE said that he had had no communication with any gentleman connected with the Saltpetre trade, but that he had moved his amendment from a sense of justice to the manufacturers and exporters of the article. After what had been stated, however, by the Right Hon'ble gentleman, he begged to withdraw his amendment.

The Motion was accordingly withdrawn.

The Right Hon'ble Mr. MASSEY then moved that the Bill be passed.

The Motion was put and agreed to.

SALT (MADRAS) BILL.

The Right Hon'ble Mr. MASSEY moved for leave to introduce a Bill to enhance the price of Salt manufactured and sold under the orders of the Governor of the Presidency of Fort Saint George in Council.

The Motion was put and agreed to.

The Right Hon'ble Mr. MASSEY having applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Right Hon'ble Mr. MASSEY then introduced the Bill and moved that it be taken into consideration.

The Motion was put and agreed to.

The Right Hon'ble Mr. MASSEY then moved that the Bill be passed.

The Motion was put and agreed to.

The Council then adjourned till the 31st March.

WHITLEY STOKES,

Asst. Secy. to the Govt. of India,

Home Dept. (Legislative.)

CALCUTTA,

The 24th March 1866.