

Friday, November 26, 1869

**ABSTRACT OF PROCEEDINGS**

**COUNCIL OF THE GOVERNOR GENERAL OF INDIA**

**LAWS AND REGULATIONS.**

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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 & 25 Vic., cap. 87.*

The Council met at Government House on Friday, the 26th November 1860.

PRESENT:

His Excellency the Viceroy and Governor General of India, K. P., G. C. S. I.,  
*presiding.*

The Hon'ble G. Noble Taylor.

Major General the Hon'ble Sir H. M. Durand, C. B., K. C. S. I.

The Hon'ble John Strachey.

The Hon'ble Sir Richard Temple, K. C. S. I.

The Hon'ble F. R. Cockerell.

The Hon'ble Gordon S. Forbes.

The Hon'ble D. Cowie.

Colonel the Hon'ble R. Strachey.

The Hon'ble Francis Steuart Chapman.

The Hon'ble J. R. Bullen Smith.

His Highness Sarámade Rájáháe Hindústán Ráj Rájendra Srí Mahárájá  
Dhiráj Sivái Rám Singh Bahádur, of Jaypúr, G. C. S. I.

ALIMENTARY SALT (N. W. P. &c.) BILL.

The Hon'ble MR. STRACHEY introduced the Bill to provide rules for the manufacture, storing and sale of alimentary salt in the North-Western Provinces, the Panjáb, Oudh and the Central Provinces, and moved that it be referred to a Select Committee with instructions to report in a week. He said that, when he introduced the Bill for enhancing the duty on salt in the Presidencies of Madras and Bombay last week, he referred, in general terms, to the policy which the Government proposed in future to follow in regard to the management of its salt-revenue. The present Bill appeared, at first sight, to be a small and somewhat insignificant one; but, in reality, it might be taken as one of the signs of a great and important change in the policy which had, for many years, been followed in regard to the levy of salt-duties in the North of India. That change of policy was initiated before Lord Lawrence left India, and had been vigorously followed up since the arrival of His Excellency the present Viceroy. The objects aimed at were so important that he proposed to state, for the information of the Council, what the main features of that policy were.

Quoting from a despatch which had been lately received from the Secretary of State for India, he (MR. STRACHEY) stated last week his belief that salt was in India a perfectly legitimate subject of taxation, but that, of course, it was necessary for the Government to take care that the duty did not bear oppressively on the poor, and that the best and really the only test for ascertaining whether oppression was avoided, was to observe the effect produced on the consumption of salt by the people. In the case of Madras and Bombay, MR. STRACHEY had endeavoured to show that there was reason to believe that the increase of duty would cause no diminution in the consumption of salt, while it would lead to an increase of revenue. But he was afraid that, in the case of Upper India, we could not say that our fiscal system in regard to salt could bear the test above described. There could be no doubt, he thought, that the result of that system in those parts of India had been such, that the people did not get anything like the quantity of salt which they required, and that they had to pay enormous prices for that insufficient supply. But in Northern India, the insufficiency in the supply of salt had been by no means solely or mainly the consequence of the taxation placed on that article. In Lower Bengal, the duty was four annas a maund higher than it was in the North-Western Provinces; still, although no doubt the price of salt in Lower Bengal was high, it could not be said that the people suffered by not getting a sufficient supply of salt, and the reason of the difference in this respect between Lower Bengal and Northern India was very simple. He believed that, thirty years ago, Bengal was in this respect no better off than the North-Western Provinces were now. It was only within the last thirty years that the people of Bengal had had it in their power to increase their consumption of salt to any very great extent. Sir John Peter Grant, when Lieutenant Governor of Bengal, said:—"The figures before 1837 show, not what quantity of salt the people wanted to eat, but what quantity of licit salt the Salt Board and the sub-monopolists chose to dole out to them at exorbitant prices."

But that had long ceased to be true. Practically, there was now a supply which might be called inexhaustible, derived from the salt-mines of Cheshire, which supplied by far the greater portion of the salt consumed in Bengal; and during the last thirty years the consumption of salt in Bengal had nearly doubled. There being no census, it was difficult to say with accuracy what the consumption of salt per head actually was in Bengal; but, as far as he could make out, there was reason to believe that it could hardly fall short of 12 lbs. per head per annum; and this, though not a very large supply and not as large as that consumed in Madras and Bombay, where the people were said to consume 14 to

16 lbs. per head, still, judging from experience in other countries and in other parts of India, it could not be said that a supply of 12 lbs. per head was insufficient. The North-Western Provinces, the Central Provinces, the Panjáb and Oudh were too far from the sea to be able to supply themselves largely with sea-borne salt.

There was, however, in Upper India really no natural want of salt, and if it were not for our fiscal system, salt would almost everywhere be cheap and abundant. The system which had for a very long time been in force in Upper India might be very easily described. He would read to the Council a short account that he had himself written about that system some years ago. He said :—

“Nearly the whole of the North-Western Provinces, and a large portion of the Central Provinces and of the Panjáb, are supplied with salt brought from the foreign States of Bhartpúr and Rájputána. This great tract of country is believed to contain between fifty and sixty millions of people” (since this was written, Mr. Hume had shown that the number was nearer seventy millions).

“We are told by the Customs authorities that the salt-sources in our own provinces are practically limitless in number. Mr. Vere, the Deputy Commissioner of Customs, who has long had charge of the Salt Department in the North-Western Provinces, says that salt of excellent quality can be made at a cheap rate in most of our districts. If it were not for our fiscal system, I suppose that there are few parts of India where salt would be cheaper and more plentiful. As matters now stand there is no part of India where salt is so dear, and where the consumption of the people is so small.

“The main features of that system may be stated in a few words. First, we absolutely prohibit the manufacture of salt throughout our territories. The result is that the enormous quantity of salt required for the consumption of fifty or sixty millions of people (seventy millions I now call it) has to be brought from places in foreign States. These places are at the northern extremity of the country to be supplied, and several hundred miles distant from the greater number of its markets. The most important of the salt-sources, the Sámbhar Lake, is nearly two hundred miles beyond our frontier. There are no roads that deserve the name between the places from which the salt is brought and our own territory; there are no other facilities for communication, and, in passing through the Native States, traders are subjected to vexatious hindrances and imposts. We have acted as if the object were to make the supply of salt as difficult and expensive as possible, and if this had been our object, we should have gained it most completely.”

The result of this system had been, as he was reading the other day in a Newspaper article evidently written by some one who had access to the whole literature of the subject, that a ton of salt, of which the ordinary cost at the place of production was six or seven shillings, fetched, in the nearest British

markets, £14 or £15, about half of the cost being attributable to the customs-duties, and the greater part of the rest to the other causes to which he had already referred.

To enable us to collect these duties and to separate the Provinces where the higher duty of three rupees per maund was levied, from the countries where salt was produced, or from the territories in which the lower rate of one rupee eight annas was levied, we maintained an inland customs-line which, with all its windings and ramifications, was more than 2,700 miles long, which required, to keep it up, some sixteen thousand men, and, including the charges of other preventive establishments, cost more than £200,000 a year. He had no doubt that the utmost care was taken to prevent abuses arising. The name of the able and energetic Customs Commissioner, Mr. Hume, was alone a sufficient guarantee that every precaution that could be taken was taken; still it was quite obvious that it was altogether impossible to avoid vexation and inconvenience to the people and to the interests of trade, so long as this internal customs-line continued. Owing to the obstructions caused by this system, MR. STRACHEY was quite satisfied that it was physically impossible to provide for Northern India anything like the quantity of salt really required. He did not mean to say that the supply was so scanty that it had in the smallest degree affected the health of the people. He was sure that there were no grounds for such an assertion. This had been very well shown by Mr. Hume. The conclusions he had stated were, MR. STRACHEY had no doubt, correct. Those conclusions were that, while a comparatively small quantity of salt sufficed to maintain human beings in perfect health, they would, if they could readily procure it, consume by preference a much larger quantity than was essential for that purpose; and that in no situation and among no class of the people was there reason to believe that our system had so affected consumption as to reduce it below the minimum required for the maintenance of health.

Consequently, the question was not really one of moral obligation, but one of fiscal policy. He thought it very important that there should be no misunderstanding on this point; otherwise he might seem to be drawing up a serious indictment against the Government. Although he certainly believed that the present system was a bad one, the objections were fiscal and economical, and not of a moral character. Our system was not really depriving the people of this necessary of life to an extent affecting their health, nor could it be even said that it seriously affected their comfort. Under these circumstances, we were under no obligation to make a sacrifice of revenue which could not be made without extreme inconvenience, and which would involve the imposition

of fresh burdens on other classes. The only thing necessary was to reform the system as rapidly as fiscal and other considerations would allow us to do.

As to the actual extent to which the existing system was checking the consumption of salt in the North-Western Provinces, it was not easy to give figures with much confidence; but he thought, as he said before, that we might assume from the experience both of other countries and other parts of India that, if the people had the means of obtaining an ample and cheap supply of salt they would not consume less than 12lbs. per head per annum. In Bengal, he believed that that was about the quantity which they consumed per head already. In Madras, the quantity amounted to 14 or 16 lbs. Mr. Hume, who had gone very carefully into the matter, had come to the conclusion that, in parts of India immediately outside our customs-line, the adult population certainly consumed 13lbs. per head, and probably a good deal more. On the inside of the line, in the North-Western Provinces, the conclusion to which Mr. Hume arrived was that the average annual consumption amounted to 6½lbs. per head. MR. STRACHEY's own calculations had made it out to be something less than that; but whatever might be the real amount, he thought there could be no doubt of this, that the people really did not consume half as much salt as they would consume if there were an abundant and cheap supply. Mr. Hume's conclusion was that, if the system were altered, we should have an increase of at least forty per cent. in the consumption; and his testimony was peculiarly valuable, for this reason, that for some time after he became Commissioner of Customs, he was disposed to believe that it was not the case that our system had checked the consumption of salt. For years past, it had been the common belief of the department that no objections of this sort could reasonably be made. The system having existed for a very long time, it was taken for granted that it was right; but when Mr. Hume had made careful enquiries for himself, he threw over the traditions of the department, and arrived at the conclusions which had just been stated to the Council.

MR. STRACHEY had now spoken only of the consumption of salt which had paid duty; but there was no doubt that there was a very large quantity of salt consumed in Upper India which had been smuggled into our territories, or had been illicitly manufactured. According to Mr. Hume's estimate, from the best information which he had been able to obtain, 8,58,000 maunds of salt which had not paid duty were consumed last year. This involved a loss of revenue of more than a quarter of a million sterling, and it was perfectly clear that, so long as the present enormous difference remained between the cost of production and the market-price of salt, there must always be a large amount of smuggling.

This system had certainly not been even financially successful. According to Mr. Hume, seventy millions of people in Upper India, where the duty was three rupees a maund, consumed, in the year, 49,00,000 maunds of salt, and paid a revenue of £1,470,000. In Madras and Bombay and other parts of Southern India, where the duty was, until the other day, one rupee and eight annas per maund, sixty millions of people consumed more than nine millions of maunds, or about double the quantity consumed by the larger population in Northern India, and paid a revenue of £1,410,000,—a larger amount, taking into consideration the expense of the customs-line, than was paid in the other case. MR. STRACHEY believed that those figures rather understated than exaggerated the facts; but taking them as they were, they spoke volumes in condemnation of the existing system in Upper India. If the consumption of salt in Upper India were only to rise to the rate already reached in Madras, or, say, 15 lbs. per head—and no one would say that was not a perfectly reasonable and moderate supposition—and if we levied a duty of one rupee and thirteen annas a maund—the duty now levied in Madras and Bombay—we should get a salt-revenue of £ 2,378,000, or almost a million more than what we now obtained from salt in the Provinces of Northern India.

Under circumstances such as those which he had endeavoured to describe, it was perfectly clear, he thought, that no mere reduction of duty, uncombined with other measures, could give any real or sufficient relief to the people. The fact was, that there was now a physical impossibility, owing to the circumstances he had stated, in bringing into the country a sufficient supply of salt. By our system, as he had said on other occasions, we had created a sort of artificial salt-famine which no mere reduction of price could adequately relieve. The means of transport necessary for bringing into Northern India double the quantity of salt which was now consumed certainly had no existence, and this could not be provided without a radical change of system. Anybody might calculate this for himself, and if he would reckon up the number of carts and cattle and camels that would be required to bring this enormous quantity of salt required for the consumption of seventy millions of people, he would easily convince himself that what MR. STRACHEY had said was true.

The measures which were first required were measures which would make it possible to bring into the market a much larger quantity of salt. Until that was done, there would be little advantage in reducing the duties. We should lose revenue, and the people would get little more salt than they got now. Consequently, the Government was of opinion that there was no actual necessity for making any reduction in the salt-duties on this side of India; and, indeed, financial reasons rendered this at present quite impracticable.

The present Bill was one of the results of the determination of the Government, arrived at before Lord Lawrence left India and steadily acted upon since, to increase the facilities of obtaining an abundant supply of salt. In Oudh and in parts of the North-Western Provinces, there were great natural facilities for the production of salt. In Oudh, before it became a British Province, the production of salt was extremely large. In one place, within a very small area, there were brine-wells, which were said to have produced annually 400,000 maunds, at a cost of a few annas per maund, and in Jaunpur, in the North-Western Provinces, facilities for the production of salt were said to be still greater. The Government believed that, by allowing the manufacture of salt under an excise system, in carefully selected places and in places distant from the Rájputána frontier, we should gain a sensible addition to the quantity of salt produced, without any risk to our revenue. But no doubt caution would be necessary in carrying out this plan. It was only where great facilities existed both for the manufacture of salt and for supervising the manufacture that we could venture to try the experiment; but to allow any general manufacture of salt would, for obvious fiscal reasons, be quite out of the question. The existing law gave no power to the Government to regulate the local manufacture of salt, and the present Bill was intended to remedy this defect.

MR. STRACHEY thought that he might fittingly take this opportunity of describing, for the information of the Council, the other measures which were in active progress for increasing the supply of salt in Northern India. He referred last week to the treaty which had been entered into between the British Government and His Highness the Maharájá of Jaypúr with the view of obtaining the full advantage of the great supplies of salt in the Sámbar lake. This lake was one of the main sources of supply of Northern India, and an excellent account had been given of it from personal observation by Mr. Hume. He described the lake as being a shallow sheet of water extending in the height of the rains to about eighteen miles in length, and from three to ten miles in breadth. It was distant about thirty-six miles from Jaypúr, and about two hundred miles from Delhi. The whole of the eastern shore of the lake and a part of the southern portion belonged to the Jaypúr and Joudhpúr States jointly; the rest belonged exclusively to Joudhpúr. Salt was made in several different ways, but in all the manufacture depended on solar evaporation. The process was extremely simple, and the cost of producing a maund of salt was under three annas. The quantity of salt was, it might be said, for all practical purposes unlimited. Mr. Hume found from a number of observations that, on the average, each cubic foot of water contained eight pounds of

pure salt, and of the mud which formed the bottom of the lake, one-fifth part was also pure salt; and he came to the conclusion that, assuming the annual consumption at the largest possible amount at which we could ever expect to arrive, there were supplies at the Sámbar lake which would certainly last for the next four hundred and fifty years.

MR. STRACHEY thought that it would be obvious to every one, that it was most important that we should obtain, for the people of Northern India, the full advantage of this practically inexhaustible supply of pure salt. To enable us to do this, two things were necessary. First, railway communication; but the mere construction of railways would not be sufficient, for the fact must be remembered that the States of Jaypúr and Joudhpúr, and especially Jaypúr, had command of this the most important of all the sources of our salt-supply, and the future traffic in salt would be, to a very great extent, dependent on the action taken by those States. Consequently, it was evidently desirable to remove all danger of future complications and difficulties that might arise, and to render it certain that the great resources of the Sámbar lake would be available to the utmost possible extent. Fortunately, the Government had to deal in this matter with one of the most enlightened of our Indian Princes—one who, by his numerous reforms in his own country, had shown very clearly that he thoroughly understood the measures that it was right to adopt for the benefit of his people and of his Government. His Highness the Mahárájá of Jaypúr at once expressed his complete willingness to enter into negotiations with the British Government on this subject, and there was found no difficulty in coming to an arrangement with His Highness on this subject. The result was that a treaty was drawn up, under which His Highness had leased to the British Government a complete control over the manufacture and sale of salt in the Sámbar lake. Similar negotiations had been going on with His Highness the Mahárájá of Joudhpúr, and we had learned by telegraph that they had been brought to a successful termination; but we had not yet heard any details of what had been done, and, therefore, MR. STRACHEY could only refer generally to the matter. We might, however, confidently hope that arrangements had been made which would enable our own people to have the full advantage of the salt-supply of the Sámbar lake, and MR. STRACHEY was sure that the arrangements were not at all one-sided, and that they would be found to be really as advantageous to the States of Jaypúr and Joudhpúr as to us. He was satisfied that, if no such arrangements had been made, it would have been very unlikely that those States would ever have derived from the Sámbar lake so large a revenue as they would probably derive when the arrangements entered into with the British Government should have come into full operation.

The railway which was to connect the Sámbar lake with our own provinces was already in progress. As far as Rewári, about fifty miles from Delhi, the survey had been made and the line completely settled. Orders for commencing the works had been given, and there was no doubt that, within the next month or two, they would be actually begun. On that line, about thirty miles from Delhi, there was one of the most important salt-sources in Northern India—the brine-wells of Sultánpúr; they were in our own territory, and capable of immense development. Mr. Hume believed that we might expect to get from them, without any difficulty, not less than 50,000 tons a year. MR. STRACHEY thought that we might reasonably hope that, within the close of next year, railway communication could be completed between the salt-works at Sultánpúr and Delhi. The engineers were also making surveys, both on the line from Agra to Jaypúr, which would open up all the great salt-supplies of Bhartpúr, and also on the section from Rewári to Jaypúr. The first object would be to obtain direct communication between Sámbar and Delhi. The railway bridge at Delhi would give the means of communication with the whole railway-system of Northern India, and the salt-wagons from Sámbar and Sultánpúr would be able to go straight to their destination. A further great stimulus to the production of salt would be given by the railway communication which would soon be opened out with the districts of Rohilkhand, which furnished a large portion of the main staples of the return trade to Rájputána. The most important of these were rice and sugar. Every means which would facilitate the export of our own commodities would also facilitate the import of salt from Rájputána into our own territories. A railway had been already commenced from Aligarh to Chandowsi, and thence to Murádabád, Bareilly and Sháhjihánpúr. It was difficult to say how long it would take before the whole of these railways were finished, but MR. STRACHEY would hope that, with the exception of some great bridges, the whole of the lines of which he had been speaking would be finished within the next two years.

There was one other most important source of supply of salt in Northern India, *viz.*, the salt-mines in the salt-range in the Panjáb. These no doubt were capable of immense development. The main source of this supply was near Pinddádán Khán, which was about forty miles from the main line of the proposed Lahore and Pesháwar railway. Consequently, the Government contemplated making a branch from the salt-mines, to connect them with the main line. Orders had been already given for making the survey and estimates for this line, and it was hoped that, in the course of the present season, the Government would be in a position to come to a final conclusion about it. If present anticipations should be realized, it seemed reasonable to hope that, excepting the great bridges

across the Panjáb rivers, there might be, in the course of the next year or so, direct railway communication between the salt-mines and the railway-systems of Upper India. Nor must MR. STRACHEY forget, in speaking of the means of communication which would exist in the future, to mention the canals which were in progress. No doubt they would not come into full operation for a considerable time to come; but, before many years expired, it was not too much to say that there would be direct means of water-communication between almost all parts of the Panjáb, Oudh and the North-Western Provinces. When all these measures to which he had referred were in full operation, when the local manufacture of salt was properly developed, and when our railway communication to the inexhaustible sources of supply in Rájputána and the Panjáb were open, he thought that the problem now before the Government would find its solution. It would then become possible for the people of Upper India to obtain all the salt which they required, and a great increase in their consumption would then, for the first time, become practicable. No doubt a long time must elapse before we could hope to carry out an equalisation of the salt-duties throughout India, or to get rid of the inland Customs-line; but the measures which he had now been describing would be an essential and a most important step towards the fulfilment of that great object,—an object which he thought the Government ought in future steadily to hold in view as one which it hoped ultimately to attain.

The Hon'ble SIR RICHARD TEMPLE said that, though he had nothing new to add regarding the proposed legalization of the manufacture of alimentary salt in Northern and Central India, yet he hardly liked to give a silent vote on this occasion, having necessarily been much concerned in the general supervision of the Customs Department.

While admitting the defects in the present system, as pointed out by the Hon'ble Mr. Strachey, SIR R. TEMPLE yet thought that this Council would do well to remember that, originally, there were many good reasons for the establishment of that system in the North-Western Provinces many years ago. He believed the main reasons to have been somewhat as follows:—It was believed that the North-West Provinces were not, on the whole, well suited for the production of salt locally; that, at least, they were inferior in this respect to several adjoining Provinces, such as Rájputána or the Panjáb. Some districts of the North-West might yield tolerably good salt; others little or none. But in none would the salt be of first-rate quality. Thus the prohibition of local manufacture was not thought to be a real grievance. Then the belief doubtless was that Rájputána was the natural and the best source of supply of salt for the North-Western

Provinces. This salt was much superior to any that could be produced in those provinces. However much the provincial manufacture might be encouraged, the foreign Rájputána salt would be sure to enter into competition. That being so, a Customs-line must be kept up on account of Rájputána, unless the foreign salt was to be allowed to enter untaxed, in which case the taxation on home-made salt must be relaxed, and, indeed, the salt-revenue be given up altogether. Then, if the Customs-line were maintained for the foreign salt, and supervision on home manufacture were also maintained, there would be double establishments, and double trouble in every way. Thus it were better to prohibit internal manufacture altogether, and concentrate effort on the external Customs-line, to the great simplification of system. There would be but one line of supervision along the frontier, and there would be no material interference or inquisition in the interior of the country.

These and many other reasons weighed in favour of the present system, which was in former days considered a fiscal measure in every way simple and effective. It had been successfully administered for many years by highly qualified officers, many of whom had deserved well of the country. The revenue had flourished; and, as Mr. Strachey had today admitted, the people were not really injured, and were, for the most part, saved from supervision within the outside line.

But while urging this much (though indeed much more might be urged) in justice to what had been done by those who preceded us, SIR R. TEMPLE inclined to acknowledge that, in certain respects, the system had hardly fulfilled all the expectations which doubtless were formed of it originally; and that various circumstances were developing themselves which warned us imperatively to prepare for change.

In the first place, experience, lasting now for a long time, and having its teachings carefully noted, shewed us that the North-West population had never yet consumed so much salt per head as they might consume beneficially, and as we should like to see them consume, both for their own sakes, and for the interest of our revenue. Careful enquiry had now established that the consumption was perceptibly greater beyond our frontier-line than within it. Analysis of the statistics of consumption in Eastern and Southern India, also, perhaps, in North-Western India, shewed that many sections of our population consumed much more salt proportionally than the people in the North-West. All this pointed to the conclusion that the North-West consumption was checked by the fiscal system.

In the second place, long after the Customs-cordon was fixed, the Province of Oudh, on its annexation, fell within the operation of the system and of the prohibition against local manufacture. Now, the best authorities in Oudh seemed to be clear that salt could be advantageously manufactured there, and that the people must be allowed full trial of that plan. If such trial were conceded to Oudh, it seemed impossible to withhold similar concession from the North-West.

Thirdly, one main element in the case always had been the transit of salt from Rájputána to the North-West. Now this transit, always troublesome and expensive, had grown, and was still growing, worse and worse. The cost was much affected by the general rise of prices. Hence, any difficulty which there might have originally been in respect to a full and easy supply of salt from Rájputána, was grievously aggravated. This trouble might last some few years perhaps, but would be fully removed as soon as the new arrangements in the Jaypúr territory (under the auspices of our Hon'ble colleague the Maharájá of Jaypúr) should come into play for the collection of our salt-revenue on the spot and close to the place of production; and as soon as the railway through Rájputána was completed. And this constituted, to his (SIR R. TEMPLE'S) mind, a fourth reason for preparing for change. For, the day that the Jaypúr arrangements and the Rájputána railway were completed, the maintenance of the present Salt Customs-line would be out of the question.

But, further, in the fifth place, unless we cheapened the salt now supplied in the North-West, those provinces would be gradually supplied at the one end from the Panjáb, at the other end from Bengal. From both directions railways were fast facilitating the transit of salt into the North-West. If the North were to be more largely supplied than at present from Bengal and the Panjáb, that might be a good result. But in that case, what would become of the fiscal result of the Customs frontier-line? and how could it then be worth our while to keep that line up? If, then, the North-West salt must be cheapened, one mode of compassing that was to try local manufacture.

Then, in the sixth place, while reductions of our establishments were generally so desirable, we could not forget that the strength of the establishments, preventive and other, employed on the Customs-line, was really great, helping to swell our estimate, and amounting to an appreciable percentage on the revenue collected. It was financially desirable to reduce these establishments, however much we might regret to part with an organization sustained for so many years by so many able revenue officers, and distinguished by so much zeal and devotion in the fiscal interests of the State. It might be that such reduction

would not be effected for years; but we could not too soon begin to prepare for the change which must arrive.

Lastly, SIR R. TEMPLE understood his Hon'ble friend (Mr. Strachey) to say that there was no real use in reducing the rate of Customs-duties on salt. He should himself hold a different opinion. As this Council probably knew, he proposed a reduction in the existing rate of duty, which was clearly too high: and this he did with the full approval and support of the then Governor General (Lord Lawrence). He would still desire to reduce it if possible. But financial considerations unfortunately rendered this impossible. And this furnished one more cogent reason for trying the effect of legalizing local manufacture under due restriction. If we could not afford to give the people the benefit of reduced duties, we were the more bound to adopt any other available means of relieving them from difficulty in the supply of salt.

Thus it was that, while he believed that the existing system was founded on reasons then good and valid, and had still something to be said in its recommendation, he still thought that, in accordance with the changing circumstances around it, that system now required some reconsideration and amendment, and he was therefore willing to vote for the present Bill.

HIS HIGHNESS THE MAHÁRÁJÁ OF JAYPÚR said, that he had carefully considered the Bill, and he fully admitted the benefit of its theory, both to Government and the people. But, practically, it occurred to him that, if salt was to be manufactured in too many places, the preventive service that would necessarily be required for its protection would cause an enormous amount of difficulty, and he would therefore suggest that the operation of this Bill be confined to such places only where all those difficulties could be easily obviated.

Whilst making his remarks on this Bill, he must, with His Excellency's permission, express his thanks to his Hon'ble colleague, Mr. Strachey, for the very flattering mention of his name made by him in connection with the Sámbar Lake. It had been a matter of deep regret to HIS HIGHNESS that the salt produced in his territory, although the best of its kind, was not so generally used by the public as he wished it to be. But now, as His Excellency's Government had got the lease of the lake from his hands—an arrangement which he trusted would prove advantageous both to His Excellency's Government and the Jaypúr Durbar—he confidently hoped that the Sámbar salt

would now be brought to a more extensive and general use, and the people would get the benefit of a good article at a cheap price.

Major General the Hon'ble SIR HENRY DURAND said, that the financial aspect of the question had been so fully gone into already, that there was no necessity for his making any remarks on that phase of the question. But there was one point on which he would ask to be allowed to say a few words, namely, the gratification it afforded him to find Native Princes in the position of the Mahārājā of Jaypūr so cordially combining with the Government of India in measures equally beneficial to their own and to Her Majesty's subjects. He thought it a matter of hearty congratulation to see His Highness the Mahārājā of Jaypūr coming forward in so liberal and so wise a manner. We had had as yet but few instances of such co-operation. We had one in the case of the Mahārājā of Puttiala with respect to a canal from the Sutlej. We had had a few others. But SIR HENRY DURAND thought that the example before them would greatly facilitate and encourage others to come forward and associate themselves with the British Government in acts so generally beneficial.

All that fell from the Hon'ble Mr. Strachey and the Hon'ble Sir Richard Temple went to prove how slow the action of our Government had been with reference to what was of immense importance in its bearing on the supply to the millions of India of the prime necessities of life. SIR HENRY DURAND said this without any intention of reflecting on the Government, because it had to contend against difficulties which, to a very great degree, required the capital of England to enable it to surmount. But when he looked to the number of miles of railway constructed in America, some 42,000 miles to our 5,000, when he found that there, since the close of the civil war, they had been going on constructing and opening railways at the rate of upwards of two thousand miles a year—that was to say, when he found that the United States opened, in the course of one year, ten times the number of miles of railway that we did, whilst their population numbered only thirty-five or forty millions, to ours of two hundred millions—he was struck with the enormous difference between the progress made by the United States and the progress we were making. He did not think these remarks out of place with reference to considerations affecting the measure before the Council. Although the comparison might not be strictly relevant to the Bill, and he might not be quite in order according to the rules of the Council, yet he thought it was pertinent to the matter in hand, and showed how necessary it was to increase railway communication more rapidly than we had as yet done, and that the measures taken by His Excellency with a view of securing

a more economical and expeditious construction of railways were of incalculable importance.

The Motion was put and agreed to.

#### COURT FEES' BILL.

The Hon'ble MR. COCKERELL introduced the Bill to provide for the better regulation of Court fees, and moved that it be referred to a Select Committee with instructions to report in three weeks. He said the primary object of this Bill was to grant a substantial measure of relief to the general litigation of the country, which was believed to have been unduly checked by the operation of the rates of Court fees introduced by the legislation of 1867. It further purported to effect a consolidation of the entire law relating to the special taxation imposed to meet the cost of the administration of justice; and it provided also for the enhancement of the duties heretofore levied on probates of the wills, and letters and certificates of administration of the estates, of deceased persons.

In regard to the working of Act XXVI of 1867 he need say little now. When he asked leave to introduce this Bill, he stated in some detail the results obtained from a special investigation of the effects of that enactment, and he showed that, whereas previously there had been a steady progressive increase of litigation, its introduction had been followed by a considerable falling off in the number of suits.

The High Court of the North-Western Provinces emphatically, and the High Courts of Madras and Bombay in a greater or less degree, condemned the rates fixed by that Act as entailing a greater charge upon the administration of justice than the litigation of the country could reasonably bear. And at the very time that these proposed reductions of Court fees were announced at Simla, the Judges of the High Court in Calcutta were recording their conviction, in their annual Report on the Administration of Justice for the year 1868, that the continued excessive falling off in the litigation of Bengal Proper was due entirely to the too heavy charges imposed by the existing law.

The present measure, therefore, was justified alike by the statistical returns and the unanimous opinion of those most competent to take a correct view of the question in regard to the effect of the law as it now stood.

It was unnecessary also for him on the present occasion to describe the details of the proposed reductions of the rates fixed by Act XXVI of 1867,

for those details had been already explained in the statement which he made when this subject was last before the Council. The Bill would be found to contain the reductions of rates and other alterations then proposed. He would merely now remind the Council that, as compared with the existing law, in regard to the overwhelming majority of suits, *i. e.*, suits in which the value of the property litigated did not exceed Rs. 1,000—and that the Council might understand what was here meant by an overwhelming majority, he might state that, out of an aggregate number of upwards of 7,03,000 suits instituted annually throughout this country, less than 10,000 involved an amount or value exceeding rupees one thousand—the Bill contemplated a reduction of the fee paid on the institution of the suit from ten per cent. (the present rate) to seven and a half per cent. of the amount sued for, or in other words the remission of one-fourth of the present fee. In respect of suits in which the amount or value involved exceeded rupees one thousand, the reduction was proportionately less. The maximum fee leviable in any case was rupees five thousand, in lieu of the present unlimited rates, which acted as an absolute prohibition to the institution of suits of very large amount. In regard to suits of amount or value below ten rupees, the proposed rates were considerably less than those obtaining under any former law.

The financial out-turn of fees leviable in this last class of suits was inconsiderable, and the contemplated reduction was calculated to afford appreciable relief to the poorer class of suitors, who most needed it, without any material loss of revenue.

The aim of the proposed scale of fees was to equalize, as far as possible, the incidence of the taxation on suits of different amount or value. The rates now obtaining threw an undue proportion of the burden on suitors for property of which the amount or value did not exceed rupees one thousand; hence the Bill was designed to effect the largest reductions in respect of suits of this class.

Viewed in comparison with the scale of rates which obtained under the former law on this subject, Act X of 1862, the rates contained in the Bill would be found to represent nearly the same mean percentage of institution-fee on the amount litigated, in the case of suits of amount or value not exceeding rupees one thousand, as the rates of the former enactment. But the scale of Act X of 1862 was defective both as regarded the extreme inequality of the incidence of the taxation imposed by it and its financial results: for example, on the institution of a suit for Rs. 310, and one for Rs. 800, the same fee, namely, rupees thirty-two, was levied. On a suit for Rs. 810, the institution-fee was rupees fifty; so that the person whose *bond fide* claim amounted to Rs. 810 found his

interest in suing for Rs. 800 only, and the revenue was thus mulcted of a considerable portion of its legitimate income. Instances of this kind, exhibiting the defective working of the irregular ascents which marked the scale of fees chargeable under the former law, could be multiplied.

The proposed scale, whilst it maintained the general average of the rates of Act X of 1862 in regard to suits of amount or value not exceeding rupees one thousand, comprised a system of gradual ascents which operated to equalize the incidence of the charge on suitors for different amounts, and to secure a larger income to the revenue.

The reduction of the fee on certain criminal petitions from one rupee to eight annas was proposed as a compromise between the extreme conflicting opinions which prevailed as to the policy of the existing law in this matter. As was well known to the Council, there was a strong feeling on the western side of India and in many parts of the Madras Presidency in favour of the abolition of all charge on the institution and investigation of petty criminal complaints, whilst, in the Bengal Presidency, the general opinion was that the impost supplied a wholesome check on the institution of complaints and prosecutions in the criminal courts on the most trivial and vexatious grounds, and could not, in the interests of the general community, be safely dispensed with.

There was one point in connection with this question which he thought had been to a great extent lost sight of by those who advocated the abolition of the charge, namely, that whereas, formerly, the complainant had to pay for the service of the subpoena on his witnesses and the summons on the defendant, these processes were, since the passing of the Criminal Procedure Code, served through the Police without charge to the petitioner. It was probable, having regard to the fees which had been levied under the former procedure for the service of processes, that in the majority of cases, even under the present law, the complainant in petty criminal cases was subjected to less expense in the prosecution of his case than he had been before the introduction of the Code of Criminal Procedure. He knew that the extent to which the agency of the Police was engaged in the service of these processes, and the police-force was on that account detached from its more important duties had, in the Lower Provinces of Bengal, attracted the serious attention of the Local Government; and it had been proposed to revert to the system of levying process-fees to meet the cost of supplying an independent agency for their service, and relieving the Police of a duty foreign to the purpose for which that force was established. He thought that this consideration alone pointed

to the conclusion that the Bill went quite far enough in that direction, and that the abandonment of all fees on the institution of such cases was impracticable.

So much of the Bill as embraced merely the consolidation, by transfer of portions of other enactments, of the existing law relating to the levy of fees in judicial proceedings called for but few remarks. Advantage had been taken of this opportunity so to rearrange and express the provisions of the law on this subject, without any material alteration of the substance of such provisions, as to make them generally clearer and more intelligible. With this object much that appeared in the form of explanatory notes attached to the schedule in Act XXVI of 1867 had been placed in the body of the Bill, and the whole arrangement of chapters and sections was shaped on the plan of the General Stamp Act.

The High Court Fees' Act (No. XV of 1868) and Act XVIII of 1865, an enactment conferring on the Governor General certain powers of abatement of stamp-duties, had been wholly incorporated, with the amendments of Act XXVI of 1867, in the present Bill. The only material alteration proposed in the provisions of the former of those Acts was that the levy of fees by means of stamps should at once come into operation, instead of the time for the introduction of that measure being left to the determination of the Local Governments.

The advantages of levying these fees by means of stamps were now universally acknowledged.

The High Court Fees' Act for effecting this object was passed about a year and a half ago. In Calcutta, both in the High Court and Court of Small Causes, the payment of fees by means of stamps had been for some time past in force; there had been ample time for the needful preliminary arrangements in Madras and Bombay, and it was desirable that the uniform adoption of the measure should be no longer delayed.

There was one provision of the existing law, Act XXVI of 1867, which was omitted from the Bill. The cause of its omission was mentioned in the Statement of Objects and Reasons which was published in conjunction with the Bill, and to which he should not have attached sufficient importance to make any remarks in regard to it on the present occasion, but that he had learnt that the omission had been specially noticed and was thought to require explanation. He referred to the provision which appeared in the Act just cited, under the head of exemptions, and was to the effect that "No advocate of any High Court shall be required to file or present a mukhtárnáma or vakálatnáma or any other

document empowering him to act. Now, he could only account for such a provision finding place in an enactment for regulating the payment of Court fees, by the supposition that all that was intended was the exemption of advocates from the obligation to present any *stamped vakalatnāma* or pay any fee for their license to appear as counsel before the Court.

The question as to whether an advocate should appear before any Court without presenting any written authority, was obviously for the Court's consideration, and to be determined by the rules of practice laid down by the superior Court in such matters. It certainly did not properly come within the scope of such a measure as the Bill now before the Council.

Moreover, the retention of the provision referred to in its present shape was objectionable, as it was in direct conflict with the rule laid down in section 18 of the Civil Procedure Code. So long as the advocate confined himself to the duties of counsel, he might reasonably claim the privilege of appearing before a Court without producing any written authority, as consonant with the practice of the English Courts; but if he assumed the functions of a pleader, which embraced the duties of counsel and attorney combined, he could see no reason for his claiming a privilege, merely on the ground of his being an enrolled advocate of the High Court, which was not accorded to the Native pleader.

The Bill contained a provision for a uniform charge for the service of processes issued by the Civil and Revenue Courts; heretofore there was no uniformity of practice in regard to such charges. The system had varied in each Presidency and in almost every Province.

Previous to 1863, the law provided for the levy of a certain daily rate, and it was left to the Court issuing the process to fix the number of days required for its service.

The fees were paid to the Názir or Sheriff's officer attached to each Court, by whom one-fourth of the gross amount levied was appropriated as commission—there was no fixed salary attached to his office—and the remaining three-fourths were divided amongst the establishment of peons which he was required to maintain for the service of processes. Under this system, little or no control was exercised by the Courts, and there were no means of ascertaining the actual legitimate cost of serving processes.

By Act XI of 1863, which directly applied to the North-Western Provinces, and might be extended to the Panjáb and to any of the Provinces under the immediate administration of the Governor General in Council,

power had been given to the Courts, subject to the control of the Local Government, to regulate the charges for the service of processes, and the mode of levying such charges; and it was provided, further, that the money paid for the service or execution of processes should be credited to the Government, and formed into a fund out of which the salaries of the peons employed in serving the processes were to be paid. In the same year, an Act containing similar provisions was passed by the Council of the Lieutenant Governor of Bengal and came into operation in that Province.

Thereafter, throughout the Bengal Presidency, the appropriation of the process-fees by the Názirs and their peons was discontinued, and a fixed establishment of peons, to whom regular salaries were paid, was organized in lieu of the former agency. The whole process-serving system was thus brought under control, and the charges fixed more in accordance with the actual cost of the service than obtained under the former practice.

In the Lower Provinces of Bengal a fixed scale of fees, initiated by the Board of Revenue in regard to processes issuing from the Revenue Courts, was about two years ago introduced into the Civil Courts of Lower Bengal by an order of the High Court, and has been in operation up to the present time.

That scale provided a fixed charge of one rupee leviable on each process to be served at a greater distance than twelve miles from the Court from which it issued, and a fee of eight annas on processes to be served or executed at a less distance. This system was found to yield a surplus after defraying all costs of service.

From the returns which he had obtained of the working of the system in the Revenue Courts, in which it had had the advantage of the most careful supervision by the local Board of Revenue, the actual cost of the service of each process under an economical administration of the serving agency had been ascertained, and upon this basis the experimental rates contemplated by the Bill had been determined. A certain margin of excess of probable income over expenditure had been allowed, to cover unforeseen contingencies, and it was thought that the proposed rates would be sufficient to meet the expenditure incurred in the service, and at the same time leave no material surplus. For the Government had no desire to exact from the suitor, on this account, more than was needful under an efficient administration of the process-serving department to meet its actual cost.

The scale of fees leviable on the probate of wills and the grants of letters of administration under the Indian Succession Act, and of certificates for the

collection of debts on succession under Act XXVII of 1860, as provided by the Bill, would be found to approximate the English rates chargeable on like instruments. Generally, the rates contained in the Bill were somewhat lower than those which obtained in England, but they were fixed on the same principle. This enhancement of the existing duties was rendered necessary as a set-off against the considerable loss of revenue which was anticipated as the result of the reductions of fees levied on suits.

It had been objected to on the ground of the assumed partiality of the taxation imposed by it; it was argued that a tax on wills and letters of administration would fall chiefly, if not wholly, on Europeans. But it must be remembered that we were on the eve of an extension of the testamentary provisions of the Indian Succession Act to Hindús and Buddhists at the Presidency towns, and, as the practice of testation was largely on the increase in many parts of the country, the further extension of those provisions was probably not distant.

MR. COCKERELL came now to the question of the expected financial results of this measure. They could not be anticipated with absolute accuracy, for although the primary loss occasioned by the remission of one-fourth of the tax now levied on the mass of the litigation of the country had been readily ascertained, it was impossible to gauge with any precision the extent to which the litigation repressed by the prevailing rates would revive under the proposed reductions. This could be but roughly estimated. Some considerable compensation in this direction, however, was not unreasonably to be looked for; and measuring the expected increase by the extent of the decrease which was believed to have resulted from the enhanced rates of fees obtaining under the existing law, he arrived at the conclusion that the nett loss to be anticipated from the proposed amendments in the existing charges on the administration of justice would not exceed Rs. 8,00,000. The estimated increase of revenue to be derived from the enhancement of the duties on probates and letters and certificates of administration was about Rs. 3,00,000. Deducting this amount from the anticipated deficiency of revenue just stated, the nett cost to the State, of the adoption of the provisions of the Bill as they now stood, was about Rs. 5,00,000.

In conclusion, he would advert to what he stated when he first brought the subject of this Bill before the Council, that any delay in the progress of a measure of this kind towards its final adoption would gravely disturb the course of the general litigation of the country, and was on that account greatly to be deprecated. Suitors who saw their advantage in

waiting for the passing of this Bill, would, wherever the circumstances of the case admitted of it, withhold the institution of their projected suits; not only would the whole business of the Courts be thereby seriously deranged, but the estimates of the outturn of this branch of the revenue would, in all probability, be disappointed to a much greater extent than they would be by the proposed reductions of the existing rates being immediately carried into effect.

He repeated therefore the expression of the trust that this Bill would become law before the close of the current year.

He saw no difficulty in the achievement of this object. The Bill was published nearly two months ago, and there had been ample time for the communication of opinions in regard to the changes contemplated by it.

He had therefore moved that the Bill, with the report of the Select Committee thereon, be returnable to the Council in three weeks.

The Motion was put and agreed to.

#### INCOME TAX ACT.

The Hon'ble SIR RICHARD TEMPLE presented the Report of the Select Committee on the Bill to enhance the duties leviable under the Indian Income Tax Act. He said, that he need only, on this occasion, advert most briefly to the main sections of the Bill. In the Statement of Objects and Reasons put forth in October last, it was stated that "the present Bill proposes to increase the rate of Income Tax for the second six months of the current financial year."

Now, the Bill, as revised by the Select Committee, gave precise legal effect to that intention. To this end it was necessary to frame separate sections for the duty on the several sources of income; namely, that on official salaries, that on profits of Companies, and that on all other income affected by the Act.

Section 2 prescribed that, for official salaries, two-and-a-half per cent. should be levied for the period commencing from the first of December, that was, for one-third of the year. This was meant to be equivalent to the two per cent. for the last six months of the year, so that the official classes might, *quoad* the incidence of the tax, be treated in the same way as the non-official classes. Section 4 prescribed that, on Companies which paid the tax in one sum for the

year, there should be levied an additional half per cent. on the whole, as equivalent to the one per cent. on the half. And section 5 prescribed that, on all other income on which the assessment was paid either quarterly or half-yearly, there should be levied an additional moiety.

With these remarks, SIR RICHARD TEMPLE presented the report of the Select Committee.

The Hon'ble SIR RICHARD TEMPLE 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 RICHARD TEMPLE then moved that the report be taken into consideration.

HIS HIGHNESS THE MAHÁRÁJÁ OF JAYPÚR, speaking in Urdu, said that, in offering his remarks on the Bill to enhance the duties leviable under the Indian Income Tax Act, he should, with His Excellency's permission, dwell upon two points only,—*first*, the necessity for the increased taxation; and, *secondly*, the fitness of the tax proposed to be enhanced. In his opinion, of all modes of direct taxation, the Income Tax was the most ill-suited to this country, as it was most opposed to the feelings of the people. The Natives looked upon it as a very odious tax, and they would feel it the more bitterly when the rate of assessment should have been doubled, although for a short period, as contemplated by the present Bill. But however he might deplore this state of things, and howsoever distasteful the tax might prove to the people, the exigencies of the State must outweigh all other considerations, especially in the case of a deficit in the State Exchequer, which was always a more direful calamity than the introduction of a fresh or an increased tax. The state of the Indian finances, he was fully convinced, was susceptible of great improvement, and he durst say that the system of retrenchment so vigorously pursued and the facilities afforded to trade under His Excellency's administration, would soon enable his Government to bring the income and the expenditure of the empire to an equal balance, and falsify the opinion expressed in certain quarters that the deficit in the Indian finances was a chronic one. From all that had fallen from the lips of his Hon'ble colleagues, Sir Richard Temple and Mr. Strachey, on the introduction of this Bill, great hopes were entertained of a speedy restoration of the finances of the empire to a healthy condition, and he confidently believed that when that time should come—may Heaven speed that day—His Excellency would be the first and foremost to propose the abolition of the Income Tax.

With these remarks, he would vote for the passing of the Bill, and support his Hon'ble colleague, Sir Richard Temple, in the amendment to be proposed by him.

Major-General the Hon'ble SIR HENRY DURAND said, that His Highness the Mahárájá of Jaypúr had, in some respect, rather anticipated part of what he was going to say. When the Hon'ble Sir Richard Temple introduced this Bill, SIR HENRY DURAND intimated his intention to support it. He had no purpose of departing from that intention: at the same time, he might state, as his own views were very well known, both by His Excellency the President and others, in respect of the Income Tax, the reasons which influenced his vote. He agreed with the Mahárájá of Jaypúr that it was a tax that was unsuited to the people, and, as hitherto worked, it had not been a successful tax: for that reason, he was originally averse to the tax. He also considered it a war tax, and that it should be kept in reserve for circumstances of an exceptional character, which would render it necessary to supplement the revenues of the empire in an exceptional manner. But he was reconciled to the imposition of the tax in the present instance, by the fact that our financiers seemed unable to suggest any other mode by which to touch the classes who had really benefited more from our rule than any other class. He did not look on this Bill as indicating that an Income Tax would be a permanent measure. As time progressed and the revenues of the empire improved, the Council should be able to do away with a tax which had been designated, and he believed justly designated, by the Mahárájá, as odious to the people. At the same time, he saw great difficulty in reaching the classes to which he had alluded. There was, it was true, perfect simplicity under the Income Tax with reference to the taxation, under its provisions, of all official classes and even of European mercantile classes in our great centres of commerce—he meant the towns of Calcutta, Madras and Bombay: it was perfectly easy, for instance, for an official person like himself, when the notice of the Collector was served upon him, to reply to it with a statement of his taxable means, and we knew that the return from the servants of the Government would be correct. We knew also that the patriotism of British merchants made them quite ready to say what was due from them. He wished he could say that he was satisfied that it was equally simple and easy, over the length and breadth of the land, to make sure of similar correctness of returns. He held the tax, therefore, with the exceptions stated, to be one of great difficulty in carrying out; and if it were not for the peculiar circumstances to which he had alluded, and for the existence of the permanent settlements of land in some provinces, he could not have agreed to the imposition of an Income Tax. .But

so long as our permanent settlements were in force, he felt the necessity for some such measure as this, in the absence of any better being suggested, in order that classes which profited most under our Government should contribute to its urgent necessities.

But apart from that consideration, SIR HENRY DURAND must advert to other points which he thought material to the hope which he entertained that this might not be a permanent measure with reference to the future. We knew that, when this tax was first introduced by Mr. Wilson and continued by Mr. Laing, and when it was abrogated by Sir Charles Trevelyan, and when it was again started, in a modified form, by Mr. Massey, it was regarded as a purely temporary tax, and that opinion had gained ground in other quarters. Well, in entertaining the hope that the tax might not necessarily be a permanent tax on the whole country of India, SIR HENRY DURAND ventured to base that hope on the following considerations. One was, that he saw no diminution in the credit of the Indian Government. He referred to a memorandum showing the market-value of Government securities from the 2nd of January to the 17th of November. That embraced a very considerable space of time, and it covered the time when the loan of March last was issued: it also necessarily covered the time when the deficit of four millions was announced; and he observed that, if comparison of prices were made at the date of the notification of the new loan in March last, and when the fact of the deficit of four millions was announced, on the 18th of March, the five-and-a-half, five and four per cent. stock were somewhat lower and duller than on the 17th of November. He knew that various causes might be ascribed to account for this. One was the present depression of trade, and the difficulty which money found for employment. Another was, he had no doubt, that the treasury had notified that it had no intention at present of opening a new loan. These were, doubtless, two elements for the stability of the funds; and a third reason was the frank and full manner in which His Excellency had at once and completely made known to the public the state of the finances. But there was another and deeper cause to account for the stability of the funds, namely, that the communities of the Presidency towns were entirely satisfied as to the solvency and financial soundness of the Government of India. Now, if he wanted to produce an instance of this, he had only to refer to a pamphlet, entitled "Indian Railways and Indian Finance," which had lately reached him, and which he believed to be written by one of the most eminent and able members of the Banking community of Bombay. With His Excellency's permission, he would read what the author said in one part:—

"The Finance Minister remarks that our progress, though on the whole considerable, is yet not such as would indicate any *rapid* development of those national resources on which the

State can rely. The remark suggests the question—What has been done for the development of our resources? It also leads us to reflect that, during the last nine years, commencing at a time when India had newly emerged from a period of anarchy and insecurity, our resources have been equal to meet a yearly increasing ordinary expenditure for civil administration, besides an extraordinary expenditure on permanent works alone, of sixty millions sterling. The deduction from this fact is that, during the last nine years, India having only emerged from a state of anarchy, and labouring under the drawbacks of defective communication, the want of irrigation and continued restrictions on her trade, has been yielding on the average of nine years an annual surplus of five to six millions sterling, instead of being afflicted with a chronic deficit according to the popular belief. That she suffers from the evil effects of this deception, both internally and externally, there can be no room for doubt. Well, then, in spite of the difficulties mentioned, the sources of Indian revenue have been so productive, are we to expect that they will yield a less return when those difficulties shall have been removed? We may fairly, I think, expect that they will be more productive than they have yet been—without expecting too much, we may safely assume that they will be sufficiently productive to justify all the outlay on works of public utility which the circumstances of the country demand. Railways, if undertaken by Government on the principle proposed, would relieve the revenues from a heavy interest-charge as well as an indefinite liability for capital, and in a few years become themselves a source of revenue. Irrigation and canal works, it is generally allowed, should, under proper management, be scarcely less profitable. If it is admitted, then, that these two descriptions of undertakings will turn out to be as lucrative as stated, and that the finances are already producing a large annual surplus, we have also attained a position in which it would be sound policy to defray the cost of permanent non-productive works, in the first instance, by loans repayable after short periods by instalments from the revenue. I refer to such works as roads, barracks, fortifications and the reconstruction of the Indian Navy. These works are urgently needed for the country's safety, for the preservation of her trade and of those other works to which we have referred, through which her trade is developed. The policy of the Indian Government should be to afford every possible facility to the extension of trade and to devise means for the protection of property. For the latter purpose a considerable outlay is immediately required—so considerable an outlay that it would be unfair to charge it at once on the revenue; for, by so doing, we should neutralize the good effects which reproductive works are intended to produce—we should still cripple trade. Let the policy to be pursued be a fixed and decided policy, liberal but not lavish, and it will bring its own reward.

Now, it was the perception of this fact, *viz.*, the real financial soundness of our posture, on which SIR HENRY DURAND thought rested the satisfactory state of that which was always taken as the test of the credit of the Government; and when His Highness the Mahārājā of Jaypūr alluded, in the way he did, to what was called the alleged chronic deficit, he was right, and SIR HENRY DURAND entertained similar hopes himself. It was this confidence in our resources which was a main reason why he hoped that the Income Tax was a temporary measure and not of a permanent character; at least, not so with respect to the whole of India.

With regard to the unexpected deficit upon which much had been spoken and written, he had now before him an instance of discrepancy of accounts which he would like to be allowed to quote. He had before him the last report of the United States' Revenue Commissioner, in which there was a rather curious coincidence. He would ask to be permitted to read a passage from that Report, and he would do so to show that, however our Financial Department might have incurred the charge of inaccuracy, or rather that it did not more correctly foresee what had happened, yet these mistakes, if to be so termed, were not altogether unparalleled or unprecedented. After comparing the national receipts and expenditure of the current year, ending 30th June 1869, the Special Commissioner of Revenue of the United States said :—

“The estimates of total expenditure for the above period, as made by the Commissioner, are somewhat less than those presented by the Secretary, *viz.*, \$326,300,000 (a reduction of about ten millions), and indicating a surplus of receipts over expenditures for the fiscal year ending 30th June 1869, according as one or the other of the above estimates is accepted, of from twenty to thirty millions.”

That showed that, as between two such eminent financiers as Mr. D. A. Wells and Mr. Hugh McCulloch, there could be a difference in their calculations amounting to about two million sterling of our money. That it was a difference as to amount of surplus did not affect the instance with regard to accuracy of accounts; accordingly the Commissioner remarks “and it is especially to be noted that the surplus actually attained during the last fiscal year, and the one predicted for the current year, are on the basis of a system of revenue-administration, which, to use a very mild expression, has been exceedingly imperfect.”

Now, there was the case of one nation, and SIR HENRY DURAND could find many others besides, who found itself having these inaccuracies of account and seeking to amend its system. He did not say that that was any reason for not striving to arrive at perfect accuracy. He simply said that the thing was not unprecedented; and the circumstances of the British Government in India, which had to deal with several separate Governments and separate Administrations, were in some degree analogous to those of the United States, where were found discrepancies of account between very able financiers. There was therefore some excuse derivable from other empires for that which had happened in this.

With these remarks, SIR HENRY DURAND would vote for the passing of this Bill, guarding himself, as he had done, against the supposition that he thereby committed himself to look on it as a permanent measure.

But there was another point to which he would advert before concluding, because the conviction of the public and the Press as to the radically sound state of the financial position of the Government of India was combined with the feeling that the Government of India would receive, on the present occasion, the support of Her Majesty's Government, even on the question of Military reductions, which formed a momentous part of the financial measures submitted to Her Majesty's Government.

He would, with His Excellency's permission, state that, long before the deficit was known, and many months before—that was, when the Secretary of State was only aware of the small surplus of over £50,000 anticipated in last Budget—the Secretary of State had enjoined Military reduction, and had sketched out the points to which the attention of the Government of India should be called. He would also advert to the fact that the despatch of the Secretary of State had been under full consideration, and the measures recommended by the Government were mostly practically framed, though not submitted, long before the discovery of the deficit. Therefore it was not in consequence of any financial alarm that the chief part of these reductions had been submitted for the consideration of Her Majesty's Government. The recommendations were devised with reference to a systematic reduction of expenditure, before there was knowledge of anything more than that the amount of the surplus was very small, and that there was a necessity for a larger and a more trustworthy and permanent surplus. Under these circumstances, there could not be much doubt but that the public opinion to which he had adverted was correct, and that the Government of India would receive a very considerable amount of support from Her Majesty's Government with reference to the Military reductions proposed. He was also of opinion that the Government would be considered still more strongly entitled to the support that in all probability would be given, when it was mentioned that the reductions proposed to Her Majesty's Government involved no diminution of the real fighting strength of the British Army in India: they involved no weakening of our military position, and we should be as well able to cope with any events or contingencies as we were before. That fact therefore was one element which would be in favour of the Government at Home acceding to what had been submitted for their consideration. He therefore thought that the public were as right in their opinion that the Government of India would receive the support of Her Majesty's Government in the matter of Military reduction, as they were in their views as to the soundness and solvency of the Government from a general and comprehensive financial point of view.

The Hon'ble SIR RICHARD TEMPLE:—"Though unwilling to prolong anything like a discussion, yet there have been one or two financial points

brought forward by my Hon'ble colleagues, which I can hardly leave without advertence.

"My Hon'ble colleague the Mahārājā of Jaypūr has stated that the Income Tax is and always has been "odious to the people." Now, with all deference to His Highness' authority on such a matter, I venture to say that the Income Tax may be odious to those few who have to pay it, but can hardly be so to the people; for the people do not pay it, and are not affected by it. For, of course, "people" meant either the mass, or the majority, or at least a large portion, of the population. Now one argument for this tax is, and always has been, that it does not touch the people at all, in the above sense. It only touches a limited class, about one in a thousand of the people.

"If it really touched the people and were odious to them, the case would be different; and we might hesitate to recommend the measure. The real point is, as well stated by Sir H. Durand, that we are not able to devise any mode so well calculated as the Income Tax to reach some of those richer classes of Natives who chiefly benefit by our rule.

"I am much obliged to my Hon'ble friend (Sir H. Durand) for adducing facts to show that India is not the only country where large discrepancies sometimes occur between estimates and actuals. As, however, advertence has been had today to the degree of foresight which the Financial Department exercised in respect to items where discrepancy occurred, I must say one word more. At the last sitting of the Council I went through every discrepancy item by item. The Council can judge whether I am not right in affirming that more than two-thirds, that is the main portion, of the present difficulty arises from the depression of trade and the fall in the prices of opium. The question then is, had we, when the budget was framed in February last, any reason to foretell that trade would in the course of six or eight months become so depressed as it has become, or that the prices of opium would fall as they have fallen? I say that we had not. We did note some lesser circumstances affecting Customs, and therefore forebore to estimate for the increase which we should otherwise have assumed. We did fear, on general reasons of prudence, that there might be some fall in Opium. But there was no actual fact nor any consideration whatever to lead us to estimate for a considerable decrease either in Customs or in Opium. On the contrary, every fact available to us pointed to conclusions such as those embodied in the estimate."

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE then moved that the following clause be added to section 2 :—

“Whenever the additional duty leviable under the former part of this section in December 1869 is not deducted at the time of payment in that month from the pay, annuity or pension chargeable therewith, such additional duty shall be deducted from the pay, annuity or pension aforesaid at the time of payment in January 1870.”

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE then moved that the Bill as amended be passed.

The Motion was put and agreed to.

#### SALT (MADRAS AND BOMBAY) BILL.

The Hon'ble MR. STRACHEY asked leave to postpone the presentation of the report of the Select Committee on the Bill to enhance the price of Salt in the Presidency of Fort Saint George and the duty on salt in the Presidency of Bombay.

Leave was granted.

The following Select Committees were named :—

On the Bill to provide rules for the manufacture, storing and sale of alimentary salt in the North-Western Provinces, the Panjáb, Oudh and the Central Provinces—the Hon'ble Sir Richard Temple, the Hon'ble Messrs. Cockerell, Gordon Forbes and Chapman and the Mover.

On the Bill to provide for the better regulation of Court fees—the Hon'ble Messrs. Strachey, Gordon Forbes, Cowie, Chapman and Bullen Smith and the Mover.

The Council adjourned to Friday the 8rd December 1869.

WHITLEY STOKES,  
*Secy. to the Council of the Governor General  
for making Laws and Regulations.*

CALCUTTA,  
The 26th November 1869.)